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Strategy for Greece

SOME seven months have passed since M. Porphyrogannis, the Greek Communist leader, told the annual conference of the French Communist Party at Strasbourg that the insurgents in Greece intended to set up their own "government." Now they have done so. On Christmas Day, General Markos, chief of all the guerillas, announced that a Government had been formed, with himself as Prime Minister and Minister of War, to free Greece of "Anglo-American imperialist intervention," to reorganise the country on "democratic" lines and to establish close relations with Greece's Balkan neighbours. The announcement of the new government coincided with an attack in strength across the Albanian border, probably with the aim of capturing the town of Konitza and making it the seat of the new government.

Various reasons have been put forward for the seven months' delay in setting up a rival centre of authority—a step which could have been taken at any time in the last eighteen months. It is believed that efforts were made to include in the "government" all sections of opinion formerly represented in EAM. But the negotiations failed for, in fact, apart from a couple of fellow travellers, the Markos government is entirely Communist. The real reason for the new move has, however, little to do with the internal politics of Greece. The decisive factor is Russia's general policy in Eastern Europe and the move in Greece is only one aspect of the measures the Russians believe necessary to ensure the failure of the Marshall Plan. Like the dismissal of King Michael of Rumania and the attempt to break the last independence of the Christian Democrats in the Russian zone of Germany, the intensification of the Greek struggle has one aim only in view—to stamp out Western influence in Eastern Europe.

American strategy has already had more success than the Russians find comfortable. Long before any direct economic benefit can be obtained from the Marshall Plan, it has had the vital effect of restoring some self-confidence to the moderate forces in Europe. The collapse of the French strike and the ineptitude of the Communist manoeuvres in Italy cannot fail to suggest to the Kremlin that economic sabotage, trade union action and general, but unco-ordinated, political agitation are not sufficient to secure the halting of the Plan. But if minor disruptions do not have the hoped-for effect, the Russians face this dilemma: can they afford to see the Plan succeed in the face of their much advertised opposition, if not, what stronger steps can they take to destroy it?

It is on this issue that the Greek civil war may become the test case. Greece is the only area in Europe in which the Russians can initiate armed intervention by remote control, and with limited liability to themselves. The Balkan satellites can be the immediate agents, and weapons and troops can be supplied without directly implicating the Russians. At the same time, a really serious military threat on the northern frontiers of Greece would touch the weakest spot in the Truman-Marshall policy. It is clear that the American people are now fairly well committed to the idea that

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economic aid must be given to Europe on a big scale but their attitude towards the general strategy of assisting the European countries to hold their own against Communism can best be summed up in the old phrase, "all aid short of war." Far from being ravening imperialists spoiling for a fight, the Americans simply do not entertain the idea of direct military intervention. But in all diplomatic action, there must be some ultimate sanction. To have none is to make certain that, however stern and unyielding one may be over minor types of pressure, the real threat will always be met with surrender or appeasement. If the Russians intensify military action in Greece (it is hard to see what other course they can pursue) the Americans will be faced with the most vital and most difficult problem of their diplomacy. They will have to face the choice between two risks, the risk of standing firm at the cost of a military commitment, and the risk of allowing the Communists to capture a position which has been publicly declared to be vital.

President Truman made a step in the direction of clarifying this problem when he told the Italian Government that the United States was not prepared to see the democratic regime overthrown in Italy. The implication of his remark was that, if



necessary, the American troops of occupation, which were at the time in course of withdrawal, would be sent back. But it is doubtful whether the President's statement sprang from a genuine survey of America's strategic risks and interests and a hard decision upon how they should best be protected. It is precisely this survey and this decision that are most needed now that the Russians are showing signs of throwing down the military gauntlet in Greece. The only certainly effective response would be an unequivocal American statement that the maintenance of an independent Greece is a vital American interest, and that the steps necessary to clear out the rebels—not simply to contain them—will be taken, even if military action is involved.

This necessity will not be lightly accepted. One set of critics will protest that it means war, another that it would represent direct unilateral American intervention in support of an irresponsible and corrupt Greek regime. To the first set of critics it can only be said that in a world divided between two hostile systems of power, war is unhappily always possible, but that there are at least good reasons for supposing that a firm stand in Greece will not lead to general war—local war is already an inescapable fact. From the Crimea to the first World War, Britain was chronically troubled by the "Eastern Question." It was provoked by Russia's persistent efforts to secure control of the Dardanelles, to which the British reply was a readiness to take military action to prevent it, should it be necessary. It never was necessary—but it well might have been, if the British attitude had been less clear and firm, for the Russians might then have been misled into going so far that they could not withdraw. Similarly there is no reason to suppose that in the new "Eastern Question"—basically the same—Russia is ready to risk a general struggle if such a struggle is indeed the price of a local

adventure. Of, to take a more depressing analogy, the Spanish civil war, although it constantly threatened to precipitate a general European war, did not do so, because both sides made it clear where they stood. (That it was not the spark that fired the train is shown by the fact that the chief adversaries of the Spanish war, Germany and Russia, began World War II in alliance.) A struggle can be localised, if none of the Great Powers involved desires a general war, and this, surely, is the case today.

To the second set of critics, it can be said that direct unilateral American intervention is neither the only, nor the most desirable method of shoring up Greek resistance. The Greek army will, obviously, be the chief instrument of defence. What is needed is to secure it the equipment, the mobility, the air and fire power it requires to deal effectively with what is, so far, only a small guerilla force. It is a question of doing more rapidly and on a bigger scale what has already been started.

Nor need the responsibility be entirely American. The Balkan Commission of the United Nations, centred on Salonika, has sent observers to the Konitza battlefield and the Greek Government has sent an official protest to the United Nations on the establishment of the Markos regime. Since the territorial integrity and independence of a member nation are one of the interests which the United Nations are pledged to protect, there is no reason why the Greek Government should not put before the "Little Assembly" when it meets next month new proposals for international supervision of the northern frontiers, but, this time, with teeth in them. If some foreign contingents under the ægis of the United Nations were added to the Greek troops already policing the frontier, some of the sting would be taken out of American intervention and some check imposed upon any Russian military plans. It is true that the Soviet Six would vote against the proposals, but a measure can be international even if all the nations are not included. The British, who have a contingent in Greece as it is, could take a useful lead in promoting action through the United Nations.

The critics' distaste for the Greek Government will certainly be shared by those Britons who have struggled and those Americans who are now struggling with that slippery but plausible team. By all accounts, the economic situation is little better than it was in the spring and reconstruction goes forward at a snail's pace while some ten million gold sovereigns lie hoarded in private safes or are spent uproariously in Cairo and New York. The political parties continue to jockey for power, Liberals and Populists attempting to oust each other; only a direct American reprimand prevented a cabinet crisis from coinciding with General Markos's proclamation. There is thus no reason to be content with or even to accept the Greek *status quo*. The effort to widen and liberalise the Government must go on. New attempts must be made to create a responsible, tax-paying business community. The proposal, frequently made, that Mr John Varvaressos should be brought back to oversee the country's economic reformation has fallen so far on deaf ears. But it is doubtful whether any but a Greek can cope with the combined intelligence and irresponsibility of the Greek official and business class.

The pattern for Greece—a firm stand on really vital interests, the maximum use of the United Nations, and vigorous attempts to get local reconstruction on to a firm and liberal basis—is really the strategy for the Marshall Plan as a whole. The application of the strategy may vary from place to place, just as the nature of Russian opposition will vary, but the underlying issues are the same. Nor is it likely that the Soviet counter offensive can be successfully met unless a general strategy is developed and accepted. Piecemeal, unsustained, erratic diplomacy cannot carry through a project on so vast a scale nor meet opposition so sustained and violent. The new phase in Greece offers in every way a test case, not only for the survival of Greek independence but for the success throughout Europe of the Marshall Plan.

Wages Impolicy

AFTER two months of discussion with the Government, the General Council of the Trades Union Congress has decided to stand pat on wages policy. The interim report issued this week embodies no concession at all to the needs of national economic policy. It says that its constituent unions must be left free to negotiate whatever wages agreements they can, that the food subsidies must be maintained and prices must be kept stable. The TUC, it should be noted, does not say that wages must be free to rise if prices rise; it says that wages must be free to rise even if prices remain stable. The unions are not content with what they have got; they want more. After this, to throw in a few sentences about the need for increased production and for a sense of responsibility hardly amounts even to lip service to the national interest.

It was, perhaps, foolish to expect anything better of the trade union movement. The TUC, after all, cannot bind its constituent unions. And the officials of the separate unions, in their turn, are always looking over their shoulders at the ambitious rivals rising from the ranks to displace them. Just at present, they are very nervous about Communists in the unions, and they cannot afford to present them with such a golden opportunity to appeal to prejudice as would be provided by a decision to stabilise wages. It would be wrong to blame the individual trade union officials who are responsible for this latest statement. They do not have much liberty of action. But it would be equally wrong for anybody any longer to entertain any notions about the trade unions being a force for progressive initiative in the nation. They are an incubus, an inertia. So far from representing in some special way the noblest instincts of mankind (as Labour mythology has so often inferred) they are in reality only the most securely entrenched of the vested interests.

Lest these statements be thought too strong, it is as well to recall what has happened in recent years to the distribution of incomes in this country. The statistical evidence was examined in an article in *The Economist* of November 15th. The conclusion then reached was that, after making full allowance for changes in prices and in taxation, the real net income of the average wage-earner is between 10 and 35 per cent higher than in 1938. The total amount paid out in wages in 1946, after the deduction of taxes, was 60 per cent higher than before the war, although there were still in that year many hundreds of thousands of men and women in the armed forces. The obverse of this great increase in wage incomes has been a slump in other incomes. The same article reached the conclusion that the average salary, in real net purchasing power, has fallen by anything from 20 to 30 per cent, while the real net value of

profit incomes has fallen by a quarter; other forms of property income (from gilt-edged securities or from rents, for example) have suffered even more severely. At least ten per cent of the national consuming power has been forcefully transferred from the middle classes and the rich to the wage earners.

A gradual approach towards greater equality of incomes is an ideal that appeals to many people even among those classes who would suffer from it. But there has been nothing gradual about this transfer. There has been no attempt to analyse the consequences of such a sudden wrenching of the social mechanism, with all that it implies in the removal of incentives to effort and ambition. There has been no attempt even to discuss the question whether it is right that a war in which all classes contributed what they could should leave behind it as an accidental by-product, a social revolution of these dimensions. There has been no attempt to base the changes on the merits of those who have gained and the demerits of those who have lost: the sentimental assumption has simply been made that anybody who is paid by the week is always noble and right, while anyone who is paid by the month is inevitably an exploiter. To any suggestion that these subjects should be discussed, the TUC merely rejoins "What we have we hold—and as much more as we can get."

The object of all economic policy is to raise the standard of living of the people—of all the people. That ought to go without saying. But does it really follow from the acceptance of this principle that wage rates can never, by any accident, be too high, that there must never be any but upward moves, that other forms of income must always give ground, regardless of the consequences, before the weekly wage-earner? If this becomes the accepted doctrine of the Labour Party, then of course it puts an end to any hope of any deliberate or sensible planning of the national economy so long as the party is in power. "Planning" will then become (what it is rapidly becoming) the manipulation of all the other elements in the national income in the attempt to make them fit in with the sacred real wage-level. The result is "not the regulation of the economy on the basis of the appropriate financial reform and the complete abolition of rationing, but the universal introduction of all kinds of rationing." The quotation is from *Pravda*, and it is distressingly true.

It is fashionable nowadays in Labour circles to regard *The Economist* as being converted by some necromancy to the blackest kind of reaction. That is just silly nonsense. This journal has never been Socialist in its views, that is true enough; but it has always been well to the Left of centre and that is where it stands today. We conceive ourselves to be

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pleading for the things for which the Labour Party, as well as the Liberals, has always said it stood, for the principle of reason in public affairs, for thinking things through to their consequences, for choosing the right policy not according to its momentary popularity or the weight of vested interests that can be mobilised behind it, but according to the effects it can be expected to have. We hope we shall always stand for restraint in inflationary conditions, and for expansion in times of slump; that is also what Socialist economists have always said they believed in. At this moment it is as plain as a pikestaff that inflation is rampant all over the world and that it is eating away a bit more each week of the hope of attaining to any degree of

economic stability within this generation. Never were the seeds of slump being more clearly sown than they are today. At such a time there are two possible courses of action. One is to take the unpleasant steps necessary to re-assert some control over affairs, no matter what rosy dreams may be shattered in the process. The other course is for everybody who does well out of inflation to cherish for a few months longer the illusion that it can last for ever. The trade unions have made their choice. They have turned their thumbs down on forethought. They prefer to let things take their "natural" course. They can be quite certain that their own members will be the worst sufferers in the end.

Canada's Problem—II

Prices, Politics and Dollars

(From Our Canadian Correspondent)

IN the course of 1947 Canada virtually dismantled the wartime system of price control. Relatively little decontrol had been attempted up to twelve months ago, but by the end of the year there was practically nothing left. The cost of living index, which had been held almost steady between 1942 and 1945 around the level of 117 to 119 (1935-1939 = 100), stood at 127.0 in January 1947; by November it stood at 143.6. During the same months the index of retail food prices (on the same base) rose from 145.5 to 173.6.

The Government had announced at the beginning of the year that controls would be abandoned as soon as this could be done in an "orderly" manner. This policy was based partly on the general outcry against control, which at that time was by no means confined to business groups, partly on the hope that United States prices would recede in the summer of 1947, and partly on the knowledge that the extremely efficient wartime price control organisation simply would not hold together much longer because so many of its staff were getting back into ordinary peacetime pursuits. The decontrol may have been orderly, season by season, but it has been accompanied by so sharp a rise in prices that there is now a widespread demand for renewed price controls.

In the special session of Parliament which was called on December 5th, the only members who were not embarrassed by the demand for price control were those in the CCF (Socialist) party. They had steadily opposed the dismantling of the Canadian price ceiling and they are now in a position to say "we told you so." The fact that in 1946 the CCF was equally vigorous in demanding the abolition of the wage ceiling, which had been an integral part of wartime price control, is conveniently forgotten.

The Liberals, who have only a small majority in the House of Commons, are trying to steer a middle path between what seems desirable and what seems practicable. Many Liberal members, with their eyes on their electorates, would be happy to see general price controls brought back, but members of the Government are convinced that it is not possible to re-establish the machinery and are steadfastly resisting this pressure. The new emergency restrictions on imports, together with the rest of the dollar-conserving programme, go as far as they feel is safe in re-introducing wartime controls.

The Progressive Conservative party, which constitutes the official opposition, is even more embarrassed by the course of prices than the Liberal party, for ever since the end of the war it has urged more rapid decontrol, and practically all the other economic policies it has supported would lead to higher prices rather than lower. However, the Progressive Conservatives are doing their best to capitalise on the public reaction

against the Government's import controls. They have proposed, as a partial if not complete alternative to the Government's dollar-conservation programme, the following measures: (1) that all export embargoes on goods—particularly farm products—which might be sold in the United States should be rescinded and that the country should take all possible advantage of the Geneva trade agreements. (This would obviously lead to sharply increased prices in Canada. It would also interfere materially with exports to other countries, including the United Kingdom.) (2) The Canadian dollar should be put back to the level of 90 cents in terms of American dollars thus "correcting the mistake that was made on July 5, 1946" when the Government raised the Canadian dollar to parity.

The proposal to devalue the Canadian dollar by 10 per cent is getting a great deal of attention, not all of it very intelligent. It will be recalled that in September, 1939, when foreign exchange control was established, the Canadian dollar was fixed at 90 US cents, which placed Canadian currency in its traditional position half way between sterling and the US dollar. These exchange relations were continued until July, 1946, when, with price control breaking down in the United States, the Canadian dollar was put back to parity in order to insulate Canada from rising prices there.

To some extent, obviously, the change in the exchange rate must have succeeded in its purpose, but American prices swept upward at such a rate that no stability was possible in Canada. However, two factors emerged in the Canadian balance of payments in 1946 which drained Canadian reserves of gold and US dollars—a deterioration of the balance of payments on current account with the United States, and a cessation of the inflow of American capital. The Progressive Conservatives are, rightly or wrongly, attributing both these changes to the change in the exchange rate and are thus claiming that this change was largely responsible for the import restrictions which have become necessary. These arguments deserve examination.

*

Traditionally, Canada has always had an unfavourable balance with the United States. According to statistical records, this adverse balance has varied between \$1 million (in 1936) and \$437 million (in 1929); it is almost always large in boom periods. In 1944 and 1945, however, Canada achieved for the first time in statistical history a favourable balance on current account with the United States amounting to about \$30 million each year. This favourable position was produced partly by heavy demands for Canadian products, including purchases of Canadian wheat by the US Government, and partly by difficulties in obtaining supplies in the United States by reason of continuing wartime controls in that country.

In 1946 the situation changed completely; Canada ran an adverse balance on current account with the United States which reached the unprecedented total of \$603 million. In 1947 the deficit has been officially estimated at \$1,100 million for the first ten and a half months. The most important factor contributing to these deficits has been heavy imports of capital goods, but there has also been an increase in consumer goods and, of course, there have been substantial price increases all along the line—although these have been partly, if not largely, offset (in the trade balance) by increases in the prices of Canadian exports to the United States.

As for the flow of capital between the United States and Canada, from the beginning of the war to the end of 1945 there was an inflow exceeding \$1,000 million. In part this movement was a result of an exchange rate which seemed to under-value the Canadian currency, thereby holding out the hope of a capital gain for Americans who placed or re-invested money in Canada. This capital gain actually occurred when the Canadian dollar went back to parity in July 1946. Immediately much of the attraction of placing or leaving money in Canada disappeared. Indeed, the opposite attraction developed. In so far as the Canadian foreign exchange control permitted it, capital began to move out of the country; this was reflected in the sharply falling value of the Canadian dollar in the "outside" market in New York.

It seems very doubtful whether the change in the exchange rate materially influenced the shift in the current account balance which began in 1946. The 10 per cent reduction in the cost of imports (below what they otherwise would have been) can scarcely have been a very important factor, since price increases of far larger amounts were taking place at the same time in the United States. As for exports, Canadian industries were operating to capacity, and in many cases the Government was restricting free export in order to keep a reasonable volume of supplies at home in Canada at reasonable prices, so there is no reason to believe that a 10 per cent premium on exports would have earned many extra dollars.

The change in the exchange rate did, however, affect the capital position—probably a good deal more than the authorities expected. But this does not mean that a reversion to 90 cents would correct that position now. The discount of the Canadian dollar in the "outside" market has been running at 12 or 13 per cent, and the discount on Canadian securities in New York has been running from 16 to 22 per cent, depending on the type of security. It seems doubtful whether an official

depreciation of 10 per cent would suffice to interest American investors in putting their money into Canada, particularly in the light of the restrictions that have now had to be put on trade, travel, etc. But any depreciation, whether of 10 per cent or more, would aggravate price increases and, while helping to correct the balance with the United States, would create an even greater unbalance in Canada's international accounts with Great Britain and other countries. Hence the Government is most insistent that it will not devalue at present.

Whatever may be the cause, Canadian reserves of gold and US dollars have fallen very quickly. They reached an all-time peak in April 1946 of \$1,667 million; by the end of that year they were down to \$1,245 million. By April 1947 they had fallen to \$700 million, after which they continued to deteriorate, although at a somewhat less rapid rate until, at the end of November, they stood at \$480 million.

The total loss during the year 1947 has been something like \$800 million. The economies that are now in effect (the import bans and quotas) are not likely to produce savings of more than about \$300 million per annum; apparently they do not go half far enough to meet the deficits experienced last year. However, there are other factors to take into consideration. Most of the deficit in 1947 occurred in the first four months; after that the deterioration was less rapid. Further, the Government has announced other plans in addition to those which are already in effect: restriction on the import of capital goods, materials and components from the United States, increased exports of manufactures to that country, and finally special assistance to the gold mining industry. It is impossible to say how far these will go to fill in the gap. It is clear, however, that the gap is not completely filled and that the Government must rely on other sources of US dollars more heavily than in the past. It must arrange for more exports for cash and less on credit.

The great question is: How much Marshall Plan money will be spent in Canada? If Congress adopts President Truman's recommendations, the amount to be spent in Canada over four and a half years might exceed \$3,000 million. This would certainly solve Canada's dollar problem. But it cannot be counted on until Congress has voted. And even so, it would raise another problem. How can Canada make available for export under the Marshall Plan goods worth \$3,000 million without either a very sharp further inflation or else a general reintroduction of price control, allocations and rationing?

(This is the second of three articles.)

Old Moore and the New Diplomacy

IT has been reported from Rangoon that the Burmese Government recently altered the date originally chosen for Independence Day on the advice of an astrologer. Such a regard for correct timing sets an example which puts Whitehall to shame. In spite of the continual growth of the bureaucracy and the vast ramifications of planning, there is no evidence that the British Government has as yet taken thought how to obtain from experts a knowledge of the future sufficient for its plans or to choose lucky days for burning its boats or re-crossing the Rubicon.

In the old days of *laissez faire*, self-adjusting economy and automatic progress, it was possible to ignore the need for foreknowledge and even to indulge in a sophisticated rationalist disbelief in the claims of the prophetic science, without grave consequences to the body politico-economic. But when everything depends on planning, the lack of correct foreknowledge may bring the most appalling catastrophe; without information of what the stars foretell or the crystal bowl reveals,

the best-intentioned planners may go astray, like the man who introduced the rabbit into Australia. Moreover, the habit has been acquired of fixing in advance definite dates and time-limits for major political and economic operations and, in this field above all, decisions are not to be taken lightly. At present, the British public is not told at all how such decisions are taken. Why was August 15th, rather than August 16th, chosen for the transfer of power in India? Was it because it was Napoleon's birthday? And why has May 15th been chosen as the date for the backhanding of the Palestine Mandate? The date-fixing is done in the utmost secrecy and we have no means of knowing without breach of the Official Secrets Act whether civil servants assembled in an inter-departmental committee perform shamanistic dances until inspiration comes, or whether the responsible Minister merely selects a date by pricking a calendar blindfold without any resort to occult wisdom. On circumstantial evidence we cannot but suspect that the latter course is the one usually followed.

But there are grave perils in choosing an unlucky day for so momentous an occasion as the quitting of the Holy Land. Since the war British policy has developed a technique of what may be called the ultimatum in reverse. Formerly, the ultimatum in diplomacy was associated with aggression or at least with coercive military or naval action after the devices of pacific diplomacy had failed to bring satisfaction. The aggrieved state, to stop stalling and evasion of its demands, set a time limit for a sufficient reply, without which it would "take whatever action it deemed necessary"—words preliminary to the forward march of troops across a frontier. But the time limits of British post-war policy threaten no British attacks and prepare no onslaughts, whether for expansion or for redress; they are threats of renunciation and withdrawal. Britain convulses the world with its retreats and menaces mankind with surrenders of power. Such a policy, however bold in conception and skilfully executed, is fraught with dangers; it is liable to create much ill will. Just as American politicians, anticipating the electoral votes of New York State, were about to place the last straw on the back of the British camel, they were suddenly confronted with the shocking prospect of there being no camel; indeed, the camel is not only refusing to carry any more straws, but has announced its intention of pitching the whole White Man's Burden overboard into the sand. Such unwonted recalcitrance on the part of the camel can only be justified by a successful outcome, and this makes it all the more essential to ascertain whether May 15th has been well chosen as the date for the release of what is coming to Palestine.

To obtain some guidance on this and other problems looming ahead, it is natural to refer to Old Moore, the doyen of astrological almanacs in this country. It is disappointing, therefore, on looking up the predictions for May, 1948, to find no mention of events in Palestine. There is, indeed, no reference to the subject until November when we read that "in industry more oil is required and that affects our views on matters arising in Palestine." This sounds rather sordid after all the lofty considerations of moral principle which have hitherto, as everyone knows, exclusively determined the policies of the British and American Governments with regard to Palestine; is it really possible that our standards will have deteriorated so rapidly between now and next November? But perhaps, on the principle that "no news is good news," we should be greatly encouraged by the lack of further mention of Palestine in the list of predictions. On the other hand, we cannot be sure that the prophet's silence is not due to a lack of attention to this particular field for interpretation. The Delphic oracle in antiquity never talked unless questions were put to it, and the message of the stars is likewise withheld from those who do not seek it.

Old Moore's own interest seems to be mainly in home affairs, though there are some useful indications in the international field. For January we are told: "As forecast in our pages during the past few years, the influence of the so-called 'New World' is much more marked. Uncle Sam has his feet and his money firmly planted in the fount of the Old World, usually referred to as the Middle East." This is reassuring, as it guarantees that the United States is not going to bolt into isolationism within the next few weeks. More disquieting is an allusion to a disturbance of the peace in the Caucasus and the statement that "our views on the actions of Turkey undergo a change." However, the repercussions of this episode seem to have faded out in February, when the centre of interest moves westward; we learn that the influence of the Pope is growing, "especially in this country," and that in Spain "the head of the State reacts more readily to constitutional requirements than for many years." March is apparently empty of important events abroad except that there is a hint of trouble in the prediction that in the United States "more equitable conditions are demanded by many sections."

In April a cheerful note on Eastern Europe is struck with the news that "shipping on the Danube is now more active." The iron curtain appears to have loosened somewhat, for we read that "the competing interests have decided that trade must go on and the division of the spoils settled later." This sounds like the beginnings of a reasonable compromise between Russia and the Western Powers, but the prophecy goes on to declare that "Russian influence is very strong," so, perhaps, the Kremlin is not so much coming to terms as pulling a fast one. On the other hand, in May, we find that "more influence"—apparently British—"is exerted in events taking place in the north of the Continent"; this may or may not be connected with June's rather sensational disclosure of rivalry for control of the North Polar regions. This fortunately is not carried to extremes, for although "the frontiers between competing interests are not yet clearly defined, some notable advances are made in their demarcation." Perhaps the ice of these high latitudes chills ideological passions and renders it easier to reach agreement, for further south the picture is still much less encouraging. Uno "has a whole crop of undecided problems before it and the hoped-for peace on the Continent does not materialise. France is particularly unsettled, while Germany is still split in two."

There is, apparently, a lull in foreign affairs from July to September, but they liven up again in October with restlessness in the Ruhr and the question being "frequently asked": Who is getting the benefit of this increased output? France is dissatisfied and "even Russia has some comment to make on the distribution of the output." That Russia should comment on anything not strictly its own business is, indeed, surprising, and we can only hope that the remarks will not transgress the bounds of Moscow's customary fairness and restraint.

In November "our newspapers, now able to devote more space to events outside this country, have much to say about Uncle Sam." This certainly implies that more newsprint is going to be available, and if so, *The Economist* will, indeed, be glad of the opportunity to report more fully than would otherwise be possible on the election then due to take place in the United States. Old Moore hints darkly at the result with the prediction that "new men responsive to new pressure groups appear on the stage, though the leader has been tried in the saddle for some time." These words suggest that Mr Truman will be re-elected, but, of course, it depends what you mean by a saddle; it might be a cryptic hint of a "man on horseback."

The predictions for December are exceptionally mysterious. We learn that Uno is concerning itself with atomic energy—which is nothing new—but that "suspicions about atomic use have not yet been laid to rest"—a phrase which seems to imply a degree of progress unimaginable in December, 1947. Again, we are told that "our position at Shanghai is further clarified." But the British firms now trying to do business in China are not aware that it has so far been clarified at all. There seem to be in these and in other matters serious gaps and omissions in the tale of events, so that we often get an effect like that of skipping pages in a book and reading on in ignorance of intermediate developments. It must be admitted that, in spite of its great tradition and antique charm, Old Moore today is not entirely satisfactory as a guide for the politician or diplomat who wishes to be adequately informed about the future. What is needed is a Government plan for mobilising the astrological talent of this country—which is more plentiful than is generally realised—and providing each Ministry with a Stellar Relations Officer who would be responsible for advice in the corresponding field of interpretation. For the Foreign Office particularly the need is urgent, so that next time Britain threatens to evacuate some portion of the globe, we may be sure that Z-Dav has the approval of all the signs of the zodiac.

NOTES OF THE WEEK

Forty-Eight

The new year gives promise of being a year of note, not one of those anonymous years that are remembered only as the year after something or the year before something else—years like 1788, 1816 or 1913. But 1948 will have to start early and work hard to come near equalling the record of 1848. What a crowded year that was, with the "Communist Manifesto" in February, the Great Charter in April, and revolutions and counter-revolutions covering almost the whole year, from the revolt against King Bomba in Sicily in January and the flight of Louis Philippe in February to the stamping out of the last sparks in Italy in the autumn. March was the great month, when revolution broke out in Vienna, Berlin, Munich, Milan and Rome, and every throne in Europe trembled—except Czar Nicholas's and Queen Victoria's, and there were plenty of people who thought the Charter threatened that too.

With all its flurry, 1848 was not a very decisive year. Professor Namier has called it "the revolution of the intellectuals," and that class has never shown more clearly its surfeit of ideas and its lack of political effectiveness. By the end of the year nearly everything was back in its former place, with very little apparent progress made, unless it was progress to substitute Francis Joseph for Metternich, Louis Napoleon for Louis Philippe. Yet progress there was nevertheless. Reaction, which had been put back in the saddle in 1815, was in 1848 given its final notice to quit in favour of the dawning Liberal era. The real man of the year was not Lamartine in Paris, nor Manin in Venice, nor Mazzini in Rome, nor Gagarin in Frankfurt, but John Stuart Mill publishing his "Principles of Political Economy" in London.

Historical parallels are irresistible and plenty will be drawn between 1848 and 1948. There is an obvious candidate in Paris for the parallel to Louis Napoleon; there will be a new Frankfurt Parliament; and there may well be another Communist manifesto. But where is the parallel to Metternich, the ruler of a whole generation, who began the year invincibly secure behind his secret police, and yet was a fugitive before Easter? There is only one Government in Europe that is thirty years old; but it will take more than a historical parallel to run Stalin out of Moscow.

The truth is that there is nothing but numerology in common between 1848 and 1948. The one was the explosion of forces long fermenting under a surface of apparent tranquillity; the other will be a year when a frantic world searches for a sedative. Contrasts with 1848 will be more welcome than parallels; 1848 was a year of much disturbance and little decision. Let us hope that 1948 will be a year of decisions without disturbance.

Will Frenchmen Foot the Bill?

Day by day the problem of inflation grows more urgent in France. In the introduction to the recently published National Balance Sheet, M. Jean Monnet said that inflation "has reached the acute phase which may soon prove fatal," and another French economist has published the graph of the German mark between 1921 and 1923 and the French franc between 1945 and 1947. The franc follows the mark, leap by leap, save that the franc stops short at the December figure whereas the mark shoots on to climb out of the graph altogether at the bitter end. A further spin to the spiral has, moreover, been given in the last few days, for minimum wages have been raised from 7,564 francs a month to 9,590 francs, the change to be retrospective to December 1st; and this new purchasing power is almost certain to have an immediate effect upon food prices, since so much of the worker's budget is in any case spent on food. Civil servants are also to receive increases in their salaries, and nobody believes that the recent increases in price authorised for industrial goods will mop up more than a fraction of the new purchasing power.

The hope of countering inflation depends, therefore, upon M. René Mayer's anti-inflationary measures, and it must be admitted that their progress through the Assembly has not been very encouraging. The essence of the proposals, it will be recalled, was to absorb the surplus purchasing power pressing upon every price in France by a special levy upon incomes and profits exceeding 450,000 francs a year. The levy would bring in—it was hoped—150,000 million francs and the gap between revenue and expenditure would also be bridged by a poll tax on the idle, increased prices for fuel and transport and other miscellaneous measures.

Unhappily the Assembly set to work to emasculate the Bill. They reduced the number of farmers and shopkeepers who would be liable to the tax and it was clear from their manoeuvres that, far from thinking of inflation, they had their eyes fixed only on votes at the next election. The Gaullists were particularly irresponsible. It is true that the Council of the Republic—the Upper Chamber—restored some of the cuts, and the Lower House accepted their verdict, but only after proving that most of France's elected leaders are more interested in the political game than in national survival.

And behind the Assembly are great non-taxpaying, anti-social classes, both in town and country, who never have pulled their weight in the Republic and show little sign of doing so now. While they hoard and the workers starve, there can be no stability for the country. If this latest battle for the franc is lost, it is the battle for France itself that will begin.

Sins of a Good German

Berlin has offered in the last fortnight a preview of what could happen to a central German government established at the heart of the Russian Zone. The Russian political administrators have used every means short of force—or the threat to use force—to oust from leadership of the Christian Democratic Union (CDU) in Berlin and the Russian Zone, Jakob Kaiser and his deputy Ernst Lemmer. Both have stood firm on the principle that parties are independent and their leaders removable only by the freely expressed decision of their followers. Behind them Christian Democrats all over Germany have rallied, and the conference held in Berlin this week asserted their claim, as the largest party in Germany, to a special and independent role in the building of German unity and development of democracy. On the immediate issue before them they declared that Dr Kaiser and Herr Lemmer could be removed only by decision of the zonal conference that elected them.

The next step lies with the Russians. They may swallow the defiance, or they may persist in the attempt to get the two CDU leaders removed or made powerless by their followers in the Zone, who are divided in their attitude to Russia. Whichever course they choose, its effects will be felt all over Germany; for the principle at stake is one in which all parties in every zone are interested.

The CDU, and Dr Kaiser in particular, have been under fire since last summer, for obstructing Russian efforts to increase the Communists' dominant role in the State governments. The Soviet political administration has hitherto shown forbearance; it has attempted to gain, rather than extort, support. For the very good reason that the CDU is the only party which extends, with some variations in policy, over the whole of Germany. But matters came to a head when Dr Kaiser recently committed two mortal sins. He declared publicly that the Oder-Neisse frontier was a threat to future peace; and he prevented the CDU from being represented as a party at the so-called "People's Congress" in Berlin, convened four weeks ago at Russian instigation to demand unity à la Molotov. In short, he exposed the fact that to most Germans unity is an empty phrase unless it means the unity of a Reich to which the eastern provinces have been restored.

The CDU's boycott of the "People's Congress" threatens to cripple Mr Molotov's campaign to persuade the German people that the Russians are the best friends of German unity and independence. In this campaign the all-party "People's Congress" was to have been the spearhead, with branches all over Germany. Thanks largely to Dr Kaiser, and to the remarkably courageous stand of his followers, that body is unlikely to represent anything more than the Communist-directed Socialist Unity Party of the Russian Zone.

Reparations Muddle

One of the pictures spread most assiduously round Europe by the Russians since the breakdown of the London talks is that of Britain and America acting in the closest concert in all aspects of their German policy. It would perhaps be better for the Western Powers if the picture in any way resembled the truth. The fact is that the workings of British and American policy

for Germany manage to be co-operative only after long and arduous effort; and then disagreement seems to spring up naturally and luxuriantly on any point which has not been the subject of detailed examination.

The latest instance concerns the vexed question of reparations. In the last year, slowly—very slowly—but steadily, the Potsdam policy of dismantlement has continued, with 25 per cent of the machinery earmarked for Russia and the rest allotted to the countries covered by the agreement setting up the Inter-Allied Reparation Agency (IARA). This body, broadly speaking, represents the interests of the Western Powers, but—rather inconveniently from their point of view—includes Yugoslavia and Albania. In the spring of 1946 the Americans, for a time, refused to make any new allocations to Russia from their zone until the Russians fulfilled their obligations under the Potsdam agreement. The British did not follow suit. Deliveries to Russia continued and pressure was put upon the Soviet Government to ensure that they in return fulfilled their part of the reparations bargain, according to which food and raw materials to the value of 15 per cent of the deliveries from the West should be dispatched from the Eastern Zone. Such was the position at the time of the London Conference.

Immediately after its breakdown Mr Marshall threw out the hint that America would again consider stopping all reparations to Russia. But almost simultaneously the Russians announced that they were ready to begin their deliveries of the promised raw materials. This conjunction places the British Government in a very awkward predicament. The interests of the Marshall Plan and the desirability of keeping in step with America suggest that the British should follow the American lead. The interest of the IARA countries in receiving their share of the reparations now to come from the Russian area pushes them towards the continuance of reparations deliveries to Russia. It is an unwelcome predicament, but at least it should explode once and for all the idea of a concerted Anglo-American strategy in Germany.

Mr Isaacs Spreads his Net

Details of the Registration for Employment Order—more popularly known as the “Spivs and Drones” Order—issued by the Ministry of Labour this week, suggest that Mr Isaacs is spreading his net far and wide without any very clear idea whether he will catch a minnow or a whale. The Ministry cannot give any estimate of the numbers who will register under any of the three categories—the street traders, employers in betting and gambling undertakings, night clubs and amusement arcades, and the “not gainfully employed or occupied.” The potential number of registrations under at any rate the third of these headings is enormous, but the numbers likely to become available for useful productive employment are surely very small. In any case, a number of convenient loopholes are provided which the inveterate spivs and work-dodgers will be quick to use.

A barrow boy must register if he has a regular site in a street market, but if he moves up and down the street knocking at door to door he will be exempt. A poet or a free-lance journalist who can prove that he is “spending 30 hours a week in writing with the intention of selling” need not register, but an actor who is “resting” must apparently conform. People who are doing voluntary work must register, but if they are doing useful work for 30 hours a week they will not be called upon to take up other work. Those who can think of a good reason why they should not work at all, and can persuade the Ministry of Labour officials—or, in the case of women, the special Women’s Panels—will be left alone.

An enormous and altogether unfair responsibility is being placed on the Ministry’s local officials, both in the interpretation of the Order and in any action following registration. How can an employment exchange manager determine who is, or is not, a genuine writer, and why should a 30-hour week be the criterion? And even if a man cannot, or does not wish to, sell his work, why should he be disturbed? The impression is left that a vast administrative façade is being set up, for what is mainly the window-dressing purpose of satisfying the TUC that there will be genuine “equality of sacrifice” and that the “idle rich” as well as the manual workers are being subjected to labour control. An unattractive aspect of the whole business is the encouragement which may be given to unofficial snoopers and informers. The Ministry of Labour itself has no direct means of checking up on registrations: it does not intend to invoke the aid of the police, but however much it may disclaim the desire to encourage informers, it cannot very well ignore representations it may receive from any quarter.

Newsprint and Newspaper Prices

The price of British newsprint is to be increased by another £9 a ton next week. The reasons given are the general rise in all costs, but particularly of British coal and Scandinavian wood pulp. The particular interest in this increase lies in its effect on the press. Will it tip the balance against the continuance of the penny press at a penny? This last increase, following a rise of £7 last July, brings the total price per ton to over £48 compared with £11 10s. in 1939. To have kept the selling price of most of the papers at the pre-war figure in the face of such an increase in costs is quite an achievement; and if it is continued it will eat into profits very severely.

Fortunately for the public three forces are operating against an increase in the price of the national dailies. The first is the need for unanimity: no one paper is going to be so suicidal as to take unilateral action in raising its price. The *Daily Express* and the *Daily Mirror*, the competitive pace-makers of the last decade, are well enough content with the present price, and the rest must follow suit. But some of the others would like to go to 1½d.; some (of which the *Daily Herald* is said to be one) because they have difficulty in making ends meet, others (for example the *Daily Mail*) because of their responsibilities to their numerous public shareholders.

The second factor making for stability is the very smallness of the coins for which a British newspaper sells. An increase of a halfpenny is the smallest that is practicable (there are not enough farthings in the country to make a price of 1½d. possible). But an increase of a halfpenny would be an increase of 50 per cent and it would provide far more revenue than is needed at the moment. It would therefore certainly bring an enormous number of complicated readjustments in its train—in particular, further demands for still higher wages—which would inflate the level of costs to a degree that cannot be permanently sustained. And thirdly, so long as the papers are restricted to four pages, the burden of dearer newsprint is at a minimum, while the competition for such advertising space as is offered is so keen that advertisers will pay high rates. For the present the national dailies will probably stay at a penny. But the issue will arise again in an acute form as soon as there is sufficient newsprint to permit the popular dailies to expand to six or eight pages. Dearer newspapers will then be inevitable if newsprint is then selling at anything like today’s prices. Meanwhile almost every day brings news of increases among the more expensive dailies, the weeklies and periodicals. Some of the Sunday papers rose to threepence in the summer and the *Financial Times* succumbed on January 1st. Others are following suit. *The Economist* has no intention of increasing its price—at present.

BEA’s First Year

In the first eight months of their Continental operations and the first two of their internal flying, British European Airways have lost £2,157,937. Giving these figures last week, the first annual report showed with depressing clarity the perverse and difficult conditions that caused them. In the Corporation’s formative period a heavy initial outlay with but little return was expected. But it has proved heavier than anticipated. About three-quarters of the staff had had no previous experience of work in civil airlines: technical training of aircrews cost nearly £600,000. Accommodation was difficult to find and inconveniently sited: the supplies depot had to be extended over a widely dispersed area some 20 miles from the main engineering base. This has meant a dissipation of effort, increased rentals and communication costs, and waste of working time—all of which have added to operating costs.

Nor has the Corporation been fortunate in technical matters. Sometimes nearly a quarter of the Dakotas, which formed the backbone of its Continental fleet for most of the period under review, were grounded through lack of spare parts. A reasonable supply was finally assured by the establishment of a buying office in America; but this increased their cost by 50 per cent. The eagerly awaited Vikings had to be grounded only three months after their introduction. They stayed on the ground beyond the period under review. Navigational aids were generally inadequate to meet the Corporation’s standards of safety, and three out of every ten Continental flights scheduled for February and March were cancelled as too dangerous. On those completed, extra fuel was carried to provide an ample safety margin—but at the expense of the payload and, consequently, of revenue. Seats reserved for VIPs, which were not cancelled early enough to permit their resale, cost £26,000, irrecoverable duties on fuel £14,900—they are expected to be £100,000 in a full year—landing fees £36,398—

they are so high in the UK that short routes are made “quite uneconomic.”

The list seems endless. Yet such disadvantages had been foreseen. To meet them the Civil Aviation Act provides for a loss of not more than £10,000,000 for each of the first two years of the Air Corporations’ existence. It had been obvious for some time that their first year’s deficit would not be less than this sum. Admittedly the present economy drive underlines its size, just as the dispute about the Tudor focuses attention on the whole organisation of British civil aviation. But to show undue concern at a deficit different only in degree from that expected and to hint of revolutionary changes in organisation appears unnecessary. The amalgamation of the three Corporations into one would, of itself, be of no advantage. The special requirements of each would have to be duplicated in separate divisions of the larger body. And it is extremely doubtful whether the financial benefits would be large enough to offset the loss of individuality and the spirit of emulation encouraged by the existence of separate Corporations. Yet this is not the main issue. So long as the Corporations—or, for that matter, a single Corporation—are the chosen monopoly instrument of the British Government, commercial considerations are liable to yield to political. The introduction of modern machines should reduce costs. But the situation will always be potentially uneconomic.

Ex-King Michael

The abdication of King Michael has made Rumania a “People’s Republic,” bringing it formally into the same category as Yugoslavia, Albania, Bulgaria and Mongolia, the “most progressive states in the world after the USSR.”

The wartime Allies owe a great debt to King Michael for one of the decisive actions of the war. On August 23, 1944, he made his country break with the Axis. Thereby he opened the German south-eastern front to the Russians and shortened the war by many months. But he also ensured that the whole of Central Europe would be “liberated” by Soviet, and not Anglo-American troops. Marshal Stalin showed both a deep historical understanding and a pretty sense of humour when he awarded the king the highest Soviet decoration, the Victory Order. For King Michael’s brave blow at the Germans who were exploiting his country set in motion the Sovietisation of Eastern Europe which has now driven him from his throne.

The abdication is only a formality. The *Gleichschaltung* of Rumania was completed two months ago, when Mr Maniu was sentenced to life imprisonment, and when the non-Communist parties in the Government (Socialists and Liberals) lost the last remnants of independence. For two years King Michael has had no power. His formal opposition to the Groza Government had to be abandoned when the Western Powers recognised it early in 1946. Even his personal household had long been filled with men considered “safe” by the Communist Party. So his position has been equally embarrassing to himself and to the Communists.

The decision to abdicate was announced suddenly, without any of the anti-monarchy propaganda which was used before the proclamation of a republic in Yugoslavia and Bulgaria. It may be hoped that the regime will now have the decency to leave him free to go where he will and marry whom he wishes.

Though not affecting the real balance of power in the country, the abdication will greatly depress the average Rumanian, who still saw in the King the symbol of a national independence which he could not admit to himself had utterly disappeared. The leading figures of the regime are now the Foreign Minister, Anna Pauker, and the War Minister Emil Bodnarash. Mrs Pauker is a Polish Jewess who, while in exile in the Soviet Union in the thirties, denounced her husband as a Trotskyist and has never looked back since. Bodnarash is a former Rumanian regular army officer of Ukrainian extraction, who fled to Russia when his work as a Communist agent in the army was discovered, and who has directed for the last two years the Special Security Service, Rumania’s second and most secret political police. He will doubtless use his position to speed up the recruitment of Rumanian volunteers for the Greek rebel forces, for which propaganda has been conducted in Bucharest for some months.

Question for the Commonwealth

In their decision to appeal to Uno against Pakistan over the Kashmir conflict, the Indian Government are fully within their rights as a Dominion. It is nevertheless surprising that the dispute should be brought before Uno without any serious attempt

to find a solution within the limits of the Commonwealth. The situation in the world being what it is, the Indian appeal to Uno, whatever its result, is only too likely to involve Indian affairs in the whirlpool of current Great Power rivalries and to afford certain nations a golden opportunity for fishing in troubled waters. It is indeed deplorable that there exists in the Commonwealth no machinery for dealing with disputes between its members, which could be used as a means of settlement within the family before appeal to Uno is made as a last resort.

It may be granted that any kind of compulsory British jurisdiction, like that formerly exercised by the Judicial Committee of the Privy Council, is unsuitable for countries as new to Dominion status and as jealous of their independence as are India and Pakistan. But some attempt might have been made to set up a system of arbitration in Commonwealth affairs, with panels drawn from all the Dominions. A body with an Irish chairman, for example, might inspire in members of the Congress Party a confidence which they cannot yet feel able to extend to the departed British Raj. A Commonwealth arbitration system need not in any way reduce the independence of the Dominions, but it would greatly diminish the risk of loosening Commonwealth ties, which must result from public displays of mutual abuse and manoeuvre in the larger international arena. Kashmir is not the first, and is not likely to be the last, issue that to confound the Commonwealth in the eyes of the world, if no attempt is made to remedy the present state of affairs.

Local Government in Committee

Mr Bevan has so far defended his Local Government Bill with considerable skill during its progress through standing committee. The chief bone of contention, up to the time that Parliament adjourned, has been whether the new equalisation grants of £33 million to local authorities will be enough and will be fairly distributed. The Opposition has urged a rather indiscriminate generosity on the Minister. The Bill provides that the total sum payable shall not fall; but one suggestion, rightly rejected, would have given the Minister power to raise it by any amount at his own discretion. An attempt to increase substantially the transitional grants, which are payable for five years only to the richer local authorities to ease the Bill’s impact on them, was stiller still. Now, when state expenditure needs curtailing, is emphatically not the time to pump extra money into the pockets of local councils. The Bill already meets their immediate needs by confirming a total net relief to the rates of about £38 million.

However, it is true that this relief is only temporary, and that as the cost of education, fire and other local services rises, fresh Exchequer aid is likely to be unavoidable, and probably the best way to give it will be in the form of higher equalisation grants, which amount to a much smaller percentage of local authority income than did the discarded block grant. But it is difficult to legislate now for this future contingency. It is wiser on the whole to wait and see how fairly the new system of grants operates and what happens to the general structure of local government, which even Mr Bevan now admits to be in for drastic changes.

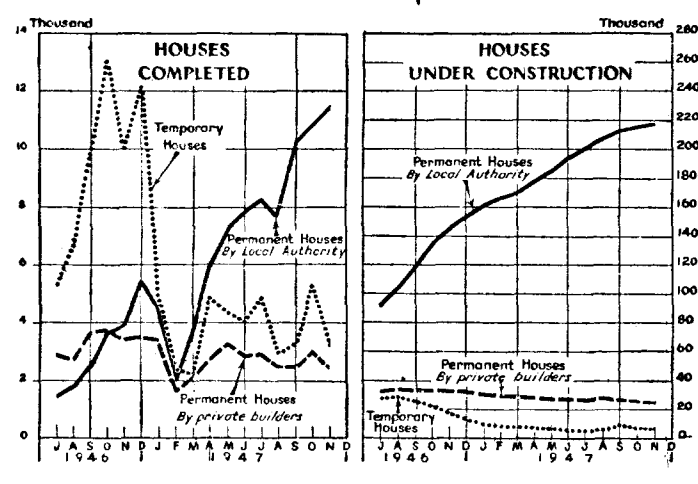
The fairness of the equalisation grants will depend almost exclusively upon the degree of rating uniformity throughout the country which the coming revaluation attains. Factors other than that of rateable value will in future be of very minor importance in settling the distribution of Exchequer aid. For the next few years, until the new valuation lists are ready, there will be much unfairness in the distribution of the new grants because of grave local distortions in existing rateable values. How completely the distortions will then be eliminated remains to be seen.

Mr Bevan Speaks too Soon

It was unfortunate for Mr Bevan that in his Christmas Eve message to the National Federation of Building Operatives he should have committed himself to the statement that “The rate at which permanent houses are being completed is increasing...” which a week later the Housing Returns for November [Cmd. 7288, 7289] showed a slight decrease—from 15,445 houses in October to 15,203 in November. The decrease is itself small, but it is disappointing when so much effort is supposed to be going into accelerating the rate of completions, and so many houses are on the eve of readiness.

In another place—in the House of Commons debate on December 18th on the cuts in the investment programme—Mr Bevan

piped a rather different tune. He then saw no reason why a rate of 15,000 permanent houses completed a month could not be maintained: perhaps the experience of the great freeze last winter



induced special caution. But with 216,000 houses under construction and so many all but complete, it should really be possible to complete more than 15,000 a month—even in winter.

Good Offices at Batavia

The "good offices" of the Uno Commission of three, which has come between the Dutch and the Republicans in Indonesia, are having very much the effects that were foreseen. In the talks on board the *Renville* off Batavia, now entering their fourth week, the Belgian delegate is pro-Dutch and the Australian is pro-Republican. The American appears to falter between good-hearted sympathy for the "nationalists" and hard-headed acknowledgement of two facts: that short-term American interests call for friendship with the Dutch—in Europe as well as in South-east Asia—and for the quickest possible return to normal planting and trading of the products of the Indies. The effect of these divisions on the Dutch is to fortify their natural obstinacy and tempt them into legalistic quibbling, which gains them the time they feel they need to get their own way. On the Republicans the effect is to make them pitch their demands high, to keep "moral considerations" well to the front and hope that Uno's influence and American opinion—a very different thing from State Department policy—will see them through.

The Dutch are emboldened by the success of their policy of divide and rule, and by the deteriorating military position of the Republicans. Their Prime Minister, Dr Beel, felt strong enough during his recent visit to Indonesia to threaten the Republicans with an ultimatum: come into the United States of Indonesia on our terms or you will lose whatever position you have gained. Time is clearly on the side of the Dutch. The Republicans would do well to realise how the movement of opinion in Holland has been affected, not only by the irresponsibility of some of their leaders and the atrocities of some of their wild men, but also by European events which have strengthened the politicians of Right and Centre. Of the Republicans' chief supporters Australia has retired from the Security Council and India has failed to get on to it. They stand therefore to gain little by tactics which would force the goodwill commission to refer the question back to the Council.

The interested Great Powers would certainly not try to force the Dutch to concede the Republican demand for a special independent status in the United States of Indonesia. But they probably would be prepared to offer an international guarantee of the Republic's "integrity" within a federal state sponsored by the Dutch. The dilemma of the Dutch is a tragic one. They dare not lose their grip on "the cork by which Holland floats." By defying international opinion and the findings of Uno—like Jugoslavia and Bulgaria—and by using force quickly and ruthlessly now, they could probably win a short respite and get American capital to help them in the Indies. But in the long run the strength of Asiatic nationalism would be too much for them. What has happened in India and Burma is an organised retreat from imperialism in which the Dutch cannot afford to get left on their own.

China's Parliament

China's new Constitution, adopted a year ago by a Constituent Assembly, came into force on Christmas Day. China should in theory now have a freely-elected national parliament as the ultimate repository of political power. Three factors have been exerting pressure for parliamentary democracy: the democratic aspirations and discontent among the people, particularly the intelligentsia; the American requirement of at least an attempt at liberalism as a condition for American support of the Nanking regime; and last, but not least, the doctrine of the Kuomintang itself, which has always claimed that single-party "tutelage" is merely a preliminary to a multi-party parliamentary system.

Unfortunately, the Nanking Government, holding elections in the midst of civil war, has not been able, even if it wished, to go far towards the ideal of free popular choice. In a great part of the country it has not been possible to hold elections at all because of the Communist occupation or local disorder; and though the Constitution allows the National Assembly to be convened when two-thirds of its seats have been filled, the absence of the Communists, the principal opposition party, means that the elections have provided no test of their relative strength in the country.

Even without the Communists, there might have been a substantial opposition within the Assembly to provide the element of political competition by which the present Nanking leadership could be called to account and reforms carried through. But shortly before the elections the Government outlawed the Democratic League, the rather exiguous, but quite respectable, "third force" in China, which was openly opposed to the Kuomintang. Two sections of the Democratic League, the so-called Social Democrats and the Young China party, which broke away from it and entered into coalition with the Kuomintang, not only received certain offices, but also, by an electoral bargain, a number of uncontested seats in the Assembly. Chiang Kai-shek tried to set a good example by openly recording his vote for a non-Kuomintang candidate. But many local Kuomintang committees, long accustomed to the party's monopoly of power, have repudiated electoral pacts made in Nanking, and have used the devices of open voting for their own ends, upsetting the compromise list. As a result, election returns are not yet complete and the Assembly is not yet able to enter on its duties.

Payment of Doctors

The new battle between Mr Bevan and the British Medical Association over the national health service has been joined, and this month doctors will be asked through the BMA to say whether they intend to join the service or not. The BMA is putting it to them as a matter of principle, not as a matter of individual self-interest, but clearly a doctor's decision will be influenced by the terms and conditions of service, as well as by the question whether the independence of the medical profession is at stake. Unfortunately, a great deal about the terms of service is still unknown. For instance, the proposed salaries for specialists will not be announced until the Spens Committee inquiring into their present earnings has reported.

On the information given, the proposed remuneration of general practitioners seems generous, and it is worth noting that the BMA has not so far objected to it. The Minister of Health proposes that a central fund should be established equal to a capitation fee of 18s. multiplied by 95 per cent of the population—this being an estimate of the number of people who will wish to use the service. A first charge on this fund, which would amount to £40,826,000, would be the payment of a basic salary of £300 a year to every doctor in the service, and also mileage payments. This would leave a net amount to be distributed of £34,456,000, which, again on the assumption that 95 per cent of the population were on doctors' lists, would work out at a capitation fee of 15s. 2d. in addition to the basic salary. The capitation fee today, when there is no basic salary, is 15s.; before the war it was 9s. A doctor with 1,000 public patients on his list would therefore have a gross income from the public service of £1,058 (£300 plus £758) exclusive of what he could earn outside it. With 4,000 patients, which would probably prevent him from doing any other work, he would earn £3,332. If he is working in a "difficult" or "unpopular" area he will be paid an additional inducement from a special fund of £400,000.

Unfortunately, the Ministry's calculations are based on two unknowns—the number of people using the service and the number of doctors entering it. Therefore no doctor can work out how he himself will fare. All that can be said is that the

proposals seem generous without being extravagant. And as the basic salary will clearly form such a small part of a doctor's income, why is Mr Bevan insisting on it as a general rule for every doctor, at the cost of antagonising the BMA and a great many doctors as well?

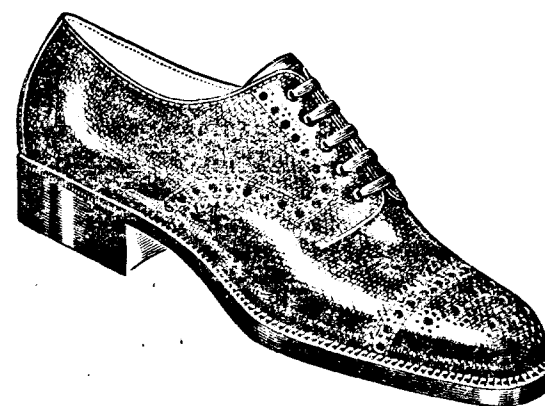
The Toll of Emigration

Last week it was announced that 550 young men and women, all single, and between the ages of 20 and 35, were leaving this country to emigrate to New Zealand. This number in itself is small—though it must be noted that it represents a highly valuable and unrepresentative sample of the population—but it is a useful reminder of the drain of manpower which this country is suffering for the benefit of the Commonwealth. So much stress has been laid on the restrictions of shipping space that it is not generally realised that, even with transport difficulties, 166,000 people emigrated in 1946 compared with 34,000 in 1938, and that 88,000 had emigrated during the first nine months of 1947. One has to go back to 1930, when the emigration boom of the nineteen-twenties ended, to meet such large movements.

The distribution of these emigrants over the world depends very much on the accidents of ownership and war losses among shipping companies, but it is worth noting that during the first nine months of 1947, 19,000 people travelled to South Africa, compared with 14,000 to Canada and a similar number to the USA, 8,000 to Australia and 4,500 to New Zealand. The popularity of South Africa is overwhelming, for there are said to be 95,000 people waiting to go to South Africa, compared with 50,000 to Canada and 25,000 to Australia and New Zealand together.

It is difficult to account for this dominant popularity of one of the Dominions, particularly as the colour problem might have acted as a deterrent. The Royal Tour may have influenced some people, to others Cape Town seems less remote than the Antipodes, and the climate less rigorous than in Canada. General Smuts may be a more popular figure than Mr Mackenzie King or Mr Chifley. Even so, these explanations are not really adequate. What is it that makes the veldt more attractive than the bush or the prairies or the beauties of New Zealand?

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The Lords on Marriage

The Judicial Committee of the House of Lords finished the autumn term with a decision on marriage which is of considerable importance. In the petition before the court, the petitioner, the husband, claimed that his wife had refused to consummate the marriage because she only permitted him to have intercourse with her if he first took precautions to prevent any conception resulting. In consequence he asked for a decree of nullity. This the House of Lords refused, and the substantial ground on which the decision was based was that the procreation of children is not such a fundamental purpose of marriage that denial of the possibility of it by one spouse nullifies the whole marriage itself. Marriage is the union of one man with one woman, and such a union can have many purposes and many facets. Procreation of children is a main purpose, but not *the* main purpose.

Such a decision is in the main stream of English canon law. In effect, it is based on a judgment given in 1691. But the English canon law retains to the full the principle that a marriage between a man and a woman changes their status. Marriage is not only a matter of contract; in fact, there is very little of what a lawyer would call a contract about it. Inherent physical or mental inability in one spouse to consummate the marriage is ground for a decree of nullity because, in effect, it prevents the change in status from ever taking place. Refusal to consummate the marriage from conscious mental decision is not a ground for a nullity decree, even though it may be a breach of a pre-marital contract or arrangement. Misconduct or cruelty, similarly, are not grounds for divorce because they are breaches of a marriage contract. They are grounds because the continued existence of the marriage status is inconsistent with such behaviour.

This is not to say that such a view of marriage today is either just to the individual or advantageous to society. There is a strong secular argument that if a man and a woman accept, explicitly or implicitly, that children are a natural end of marriage and one of them subsequently breaks that understanding, then the other should be entitled to a release from the obligations of marriage that he or she still has to bear, and should be set free to marry someone of a different and more common turn of mind. But it is useless to expect lawyers to make this change.

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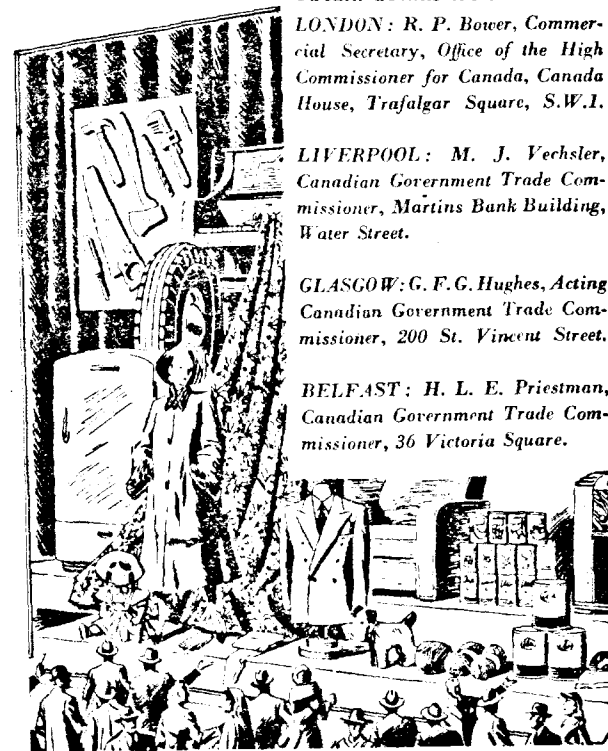
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ATTEND THE CANADIAN INTERNATIONAL TRADE FAIR AT TORONTO
MAY 31—JUNE 12, 1948

Department of Trade and Commerce



Letters to the Editor

Money's Revenge

SIR,—May I suggest that the article on "Money's Revenge" in *The Economist* of December 20th does not draw quite the right morals from the recent monetary measures of the Soviet Union?

In the first place, there is nothing in those measures contrary to Marxist doctrine. If a Communist state uses money at all, it must be prepared to deal with the contingency of too much money coming into circulation in proportion to its scale of income and prices. If it gets tired of keeping down excessive spending by controls it will naturally resort to extinguishing the redundant money. Capitalist states, Belgium, Holland and Norway, have done this by way of a forced loan, so that those whose money is extinguished receive an equivalent. The Soviet Union, in extinguishing nine-tenths of the currency without compensation, is not only running counter to the fundamental principles of capitalist economics, but is risking an irremediable discredit of a currency thus liable to confiscation.

In holding up the Soviet example to ourselves, the article recommends a "disinflationary" policy, calculated "to reduce the money incomes, or at least the money expenditures, of the people," and especially of the wage-earners. But is it not essential to distinguish between a policy which is to reduce money incomes and one which would be content to prevent the further progress of inflation and the resulting further increase in incomes, outlays and prices? The only way known to us of bringing about a general reduction of money wages is by general unemployment. It may be regrettable that money wages have nearly doubled since 1939, but there is apparently nothing to be done about it.

The danger that threatens us is that our stock of money (currency and bank credit) is excessive in relation to our existing scale of incomes and prices, and there results an unceasing pressure which tends to swell outlays and incomes, to exhaust supplies and to raise prices. Is not the remedy to be found in the Belgian example of a forced loan, rather than in the Soviet example of confiscation?

The article does not suggest that we ought to follow the American example to "let things rip," and trust to demand ultimately being adjusted to supply, "indeed probably far below it." Yet it has nothing to say as to the "muddle-mindedness" of committing ourselves to this very course by linking the pound to the dollar at a fixed rate of exchange, and at the same time looking to our apparatus of controls to preserve the pound from the downward course upon which the dollar has entered.—Yours faithfully,

R. G. HAWTREY

29 Argyll Road, London, W.8

Can Germany Afford Reparations?

SIR,—The London Conference broke down allegedly over the question of whether countries that were attacked and devastated by Hitler, the Soviet Union amongst them, should or should not receive reparations from Germany's current production.

Permit me to remind your readers of a few known facts concerning this issue. In the course of the last seventy years, the rulers of Germany have started three big aggressive wars—in 1870, 1914 and 1939. The first of these they won. Although the war did not cause any devastation in Germany, they squeezed an indemnity to the extent of 5,000 million gold francs from France, a sum that economically had a value of at least \$2,000 million present-day dollars.

In the first world war Germany was defeated. She had to pay reparations. But she paid practically nothing. She paid reparations from loans and credits which she got from the USA, Britain and France, the bulk of which she never paid back. In 1931, the Allies renounced their claim to further payments. Germany could have made payments from current production only by exporting manufactured goods. But after the outbreak of the great over-production crisis in 1919, this would have been very much against the interests of French, British and American industrialists. Hence the renunciation of both reparations and inter-Allied debts.

During the second world war, Hitler's armies deliberately and systematically plundered and ravaged huge areas of the Soviet Union, Poland, Hungary, Yugoslavia, France, etc. Nobody doubts that it would be only just if Germany were to make good at least part of the damage done. The only question is—to what extent is this possible?



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We believe that a united Germany with her industries (except war industries) again working at full capacity could easily pay annually between \$500 million and \$1,000 million in reparations and at the same time could pay for her food imports. Our conviction is based on the following facts.

1. During the last six years before the war, Germany spent 90,000 million marks on her war preparations. That is about \$4,000 million a year.

2. New capital investments in Germany—over and above the normal coverage for depreciation—constituted on an average about \$1,000 million annually in the prewar period (with the exception of the three worst crisis years). (See *Statistisches Jahrbuch für das Deutsche Reich*, 1938, page 565.)

3. Before the war the living standard of the Germans was substantially higher than that of their neighbours. Here are a few figures (taken from the League of Nations Memorandum *Le Problème d'Alimentation*, Volume 4, 1936. The figures refer to the year 1934).

The annual per capita consumption of milk and milk products (in terms of milk) in litres:—

Germany, 353; France, 320; Belgium, 318; Poland, 240; Italy, 109.

Annual per capita consumption of meat in kilogramme:—

Germany, 54; France, 34; Belgium, 41; Poland, 19; Italy, 15.

In respect of clothing and housing, the Germans also enjoyed higher standards than their neighbours in Europe.

Germany's production capacity is today undoubtedly much lower than it was before the war. The determining factors in production, however—manpower, land and factory equipment—have been retained. (Many buildings were destroyed by war operations, but relatively little damage was done to machinery.) If peace industries are again set working at full pressure and the living standard of the German people is maintained during the period of reparations payments at the average level of neighbouring countries—which would be no more than just—the country,

From *The Economist* of 1848

January 1, 1848

With or without reason, however, a great alarm is generated and generating amongst the upper classes—amongst great generals and captains—amongst admirals and earls—and proceeding from them, through the newspapers, is frightening all economic reformers, and making them forswear all resistance to demands on the public purse for national defence. As far as we can ascertain the cause of this wonderful change in the sentiments of our countrymen, from boasting confidence to the most pusillanimous dread, it is the application of steam to navigation. It is supposed . . . that it is quite at the option of France . . . to wait 50,000 men in steamers to our shores, and march at once to London. So great is the apprehension, that means are already talked of for concentrating our forces, or for the household troops evacuating the metropolis, and leaving it to be the prey of the French spoilers. . . .

We are required . . . to suppose that . . . the French have embarked their 50,000 men in the most applepie order (and the French soldiers are not renowned for that on board ship)—we are to suppose the steam fleet of England driven away by some storm, or lured away by some stratagem, and the coast of England left free for the disembarkation of the French troops. How and when will they land? . . . The disembarking an army, with its baggage and guns, on a friendly coast, is not a matter to be accomplished as easily as a Gravesend steamer lands its passengers at Blackwall. To disembark an army on an unfriendly coast is a work of great difficulty. Would the Frenchmen run their vessels ashore under Dover cliff? Would they select Deal beach? Would they prefer Beachy Head? Would Dungeness suit them? . . . But to disembark a large army on an unfriendly coast in the face of a fleet more effective and numerous, manned by more skilful seamen than France can collect, is such a task as no French general or admiral would undertake, and in undertaking which he and all his followers would be most likely to perish. Till we see some feasible plan developed for collecting and embarking a large army in France, which will find us, so much superior in maritime resources, unprepared to meet it, for conveying that army across the channel . . . and a feasible plan for disembarking that army . . . we must regard the apprehensions of invasion . . . as perfectly visionary.

freed from the enormous unproductiveness of military expenditure of prewar years, would easily be able to pay \$500 million in reparations annually. This would still be only one-eighth of what Germany spent annually on arms before the war. Consequently sober economic calculations show that Germany is quite able, within a short historical period, to pay her reparations to the Soviet Union. In this way she can at least partially compensate for the damage caused by invading German troops and thereby satisfy the just reparations claims of the Soviet Union, representing only a fraction of the losses suffered.

Contrary to the industrialists of the USA, Great Britain and France, who today fear competition from German industrial goods paid by way of reparations just as they did after the first world war, the Soviet Union on account of its planned economy is able to accept as reparations those manufactured goods that Germany can produce to greatest advantage.—Yours faithfully,

E. VARGA,

Member of the Academy of Sciences, USSR

[Since long before the beginning of the war, and consistently throughout its course, *The Economist* has held the opposite of the thesis here maintained. It would take more than a dutiful letter from Moscow to change our opinion—or, we fancy, that of the British people.—EDITOR.]

Books and Publications

The Great Befuddlement

"The Fall of the Spanish-American Empire." By Salvador de Madariaga. Hollis and Carter. 378 pages. 21s.

WITH this volume Señor de Madariaga completes the story begun earlier this year in his fascinating "Rise of the Spanish-American Empire," both books being merely the prelude to his proposed Life of Bolivar. The focus shifts this time from Spanish policy as a whole, with its world-wide influence and comparisons, to the drift of opinion within the Empire itself. And, though the author's pen glides as smoothly as ever, a good deal of the inspiration of the previous volume inevitably falls by the way.

It is a discouraging descent from the "style" of the age of the Conquerors. At one end of the road stand figures such as the Greek, Peter of Candia, pacing alone, mail-clad and Cross in hand, into the centre of an enemy town, worshipped by the people as a god; and at the other appears the over-luxuriant Creole civilisation of the late eighteenth century. God and Mammon have each their advantages; and, while it may not be possible to serve both, the eighteenth-century Spanish Empire was an only too solid proof of the devastating consequences of serving neither. Spain and the Empire alike were spiritually and politically rotted from within by the great befuddlement misnamed the Enlightenment, and were temperamentally unsuited to find a substitute for lost principles in enthusiasm for the new industrial and commercial techniques. And so, when the crash came, there was little but petty politics left behind the fine façade of revolutionary phrases.

No one who reads this study is likely to be surprised by the contrast in the nineteenth century between the astonishing upsurge of North America and the backwardness of the South. Perhaps, as Miranda commented in his travels, the tailors and innkeepers of the Legislative Assembly at Boston lacked the broad sweep of aristocratic Spanish-American culture. But at least they had a belief of sorts, even if its destined end was the philosophy of Babbitt, and by this belief they prospered. Call it philosophy, world outlook, or any other name you like—the clear moral of this book, whatever its author's original intention, is that religion makes men and principles make a nation. Wealth, luxury and scepticism are not a recipe for leadership, and it took a clear-cut doctrine which dominated men's lives to produce the hard nobility of the Conquerors. The moral of Señor de Madariaga's last book was for the historian, a warning against an insularity incapable of standing the test of international comparison. The moral of this volume, with its only too convincing picture of the sapping, in the name of progress, of the power to think and to lead, comes perhaps a little nearer home.

Biography of Flora Shaw

"Flora Shaw." By E. Moberley Bell. Constable. 310 pages and 5 plates. 15s.

FLORA SHAW'S name is inevitably associated with those of Lord Lugard and of Mary Kingsley, her younger but no less intrepid

Black Market?

SIR,—Much has been heard of late about those who operate the Black Market and the wickedness of those who assist its growth by their patronage. A large percentage of the production of the company with which I am associated is for export, and recently I had to face the decision of whether or not to "Buy Black" in order to export or die.

Wooden export cases, essential for our product, were as rare in Britain as the Great Bustard. Permits to purchase the necessary timber were plentiful enough to paper a pre-fab, at least. Unfortunately, permits do not produce timber, and despite the efforts of ourselves and our case makers the only source of supply was the Black Market. Steamers were available and shipment promised to our customers. A large capital sum was involved—valuable floor space was being occupied. There is an export target for my company. The goods were ready, except for cases. Where did my duty lie? The views of your readers would be interesting.

May I, Sir, in the circumstances, be permitted to sign myself

AN EXPORTER

contemporary and fellow-explorer of the Empire. A biography of Flora Shaw, relating her intellectual but far-sighted preoccupation with British imperial policies, at the high level of what we should now call Commonwealth Relations, to the administrative genius personified in Lugard and the humanitarian passion that inspired Mary Kingsley would throw valuable light on the evolution of the present phase of British imperialism. Miss Bell has perhaps neither the specialised knowledge nor the emotional detachment for such a task. She has limited herself to a straightforward chronological story, which is also a tribute of affection and admiration. But this is not the only reason why there is no note of criticism in the book. For the nobility of character and integrity of mind, without which no woman could have attained the distinction of Flora Shaw in the 1880's, comes out vividly in Miss Bell's story.

Flora was one of the fourteen children of an Irish general and a French mother. Her mother's early death placed on her responsibilities for her brothers and sisters which she fulfilled with devotion and generosity to the end of her long life. A visit to Gibraltar, and later to Morocco and to Egypt, led her into the career as a journalist which culminated in 1890, through the agency of Moberley Bell, in her appointment as *The Times* correspondent on Colonial affairs. She became a recognised authority, and her prestige was increased by her arduous travels in Australia, South Africa and Canada. Confidant of Rhodes and friend of statesmen, she had considerable influence, both in her public capacity and behind the scenes, on imperial policy. In a sense, the Statute of Westminster gave final form to her vision of the Empire. At the age of 50 she married Lugard, who was then hammering out the structure of Indirect Rule in Northern Nigeria. Twenty years later he dedicated his book *The Dual Mandate* to her, and though she was prevented by the climate from seeing much of Nigeria she undoubtedly influenced his thinking. Her own history of Nigeria, *A Tropical Dependency*, is a classic, as yet unsurpassed. If she is now remembered chiefly as Lady Lugard, this is an accident of history. It does not detract from her claim to respect for her own achievement. This much is made clear in Miss Bell's book. A final assessment of that achievement still however, remains to be made.

Anthology, 1947

"Current British Thought, No. 1." Introduction by Ivor Brown. Nicholas Kaye. 461 pages. 21s.

THIS volume is the second in an ambitious series, launched in America, designed to further "an international exchange of important current world thought" by offering, in the shape of selected reprints of articles, short stories, poems or plays "a representative synthesis of what has been thought on vitally important aspects of life and culture in the various areas considered in the one-year periods under review." It is part, in fact, of a new approach to the World Brain—not the basic apparatus of card-index, calculating machine, and primary research, but the World Brain in a conversational, urbane, as it were, house-party aspect.

a meeting place of civilised people bent as much on mutual entertainment as on enlightenment or uplift. Evidently an excellent idea, though dependent on skilful execution—that is, choice of material; in this instance, the choice appears excellent, though it would take a polymath of encyclopaedic competence to know whether it was the best possible.

Thirty-seven items are included; Maxwell Fry writes a letter on Architecture, J. B. Priestley a tribute to Raimu, R. F. Harrod analyses the results of the Nationalisation of the Bank of England, Brian Fitzgerald provides some notes on Vipers, Anthony Asquith traces the Tenth Muse's ascent of Parnassus, Kenneth Adams anatomises Butlin. There is a goodish short story by Mervyn Wall and a poorish play—but good short plays, suitable for such a collection as this, must be scarce—by Stephen Williams. There are articles on astronautics, botany and biology (these two overlap rather regrettably), metaphysics (was this really the best available?) and international affairs. The material reprinted was drawn from publications as diverse as the *Fortnightly Review*, *New Writing*, the *Papers and Proceedings of the Hampshire Field Club*, and *Penguin Film Review*. The whole impression is unmistakably encouraging; the body of Britain may be battered, grubby and weary, but the mind is obviously alive and kicking with considerable gusto. *Current British Thought* will be a good ambassador; it is also a delightful bedside book.

Italy

"Italy." By Elizabeth Wiskemann. The World Today Series. Oxford University Press. 155 pages, with 12 pages of illustrations and 2 Maps. 5s.

COMBINING an historian's training with the live experience of a journalist, and possessing both political perception and aesthetic appreciation, Miss Wiskemann has produced a study which is an excellent introduction to an understanding of Italy's place in the pattern of Europe. As a key to the Italian character she stresses the fact that "the history of Italy has been convulsive and tumultuous, the most gloriously creative periods having alternated with periods of devastation and despair; above all, the dimensions of Italian history have been universal or municipal, but never, until the nineteenth century, national." She summarises this history, up to the rise of Fascism, in fifty illuminating pages, and concentrates on those features whose recurrence throws light on the present-day. Within these fifty pages she also finds space for a brilliant analysis of Italian psychology, a survey of the land itself and the developments of its economy, and of Italy's rich and varied contributions to art and thought.

With such compression, a uniformly adequate treatment of all the major strands could hardly be possible; the picture of relations with the Church, for instance, is not always in focus, and there are here even some inaccuracies. But any such insufficiencies are compensated for by the number of shrewd and original observations, so that even readers fully familiar with Italy and its story will find their knowledge enriched.

The Fascist period is admirably and objectively analysed. Historical truth here comes into its own after long banishment. But where Miss Wiskemann has still more to give is in her description of events after Italy's entry into the war—the spreading underground revolt against the regime, and the psychological miracle (as she rightly terms it) of Italian recovery after the Armistice of 1943. The exaltation of this second *Risorgimento*,

which the fate of uncounted Lidices could not crush, and which gave young men and girls such extraordinary fortitude under torture (some poignant examples are given), explains the subsequent period of "moral collapse and despair," when the Italians awoke from "the Resistance dream" into a hostile and uncomprehending world.

The trends and post-war climate of Italy, up to the proclamation of the Republic, where the story ends, are brought out vividly, and those who seek to rediscover a line of mental and moral approach to "the new Italy" (it is for such the book is written) will find in Miss Wiskemann a valuable guide.

Propaganda Per Penguin

"The Case for Conservatism." By Quintin Hogg. Penguin Books. 320 pages. 2s.

"Labour Marches On." By John Parker. Penguin Books. 220 pages. 1s.

THE purpose of both these books is declared in their titles and no further comment is necessary. Mr John Parker moves with smooth ease and achieves his level effects by avoiding any awkward chasms. Mr Quintin Hogg is much more passionate and comprehensive. On this occasion it is the Conservative who is on the soap-box, and on the whole his book gains more than it loses in consequence. Two more descriptive titles would be "Why I Am a Conservative" and "British Socialism as I Would Like It To Be." It only remains to add, in justice to the publishers, that they have a reasonable explanation for the difference in price between these two publications. They do not, however, explain why only one penguin appears on Mr Parker's book, looking correctly to his left, while Mr Hogg is given two penguins facing either way.

Shorter Notices

"The Banker's Almanac and Year Book, 1947-48." Thomas Skinner and Company. 2060 pages. 70s.

THE Almanac contains the essential particulars of nearly 3,000 banking institutions in all parts of the world, although details of German and Japanese banks and those of other "controlled" countries are not yet available.

A list of exporters and importers is again included, and there is also an Insurance Section which includes a survey of the development of Lloyd's and other insurance companies. The Almanac is as usual an invaluable book of reference.

"The Year Book of the United Nations, 1946-47." H.M. Stationery Office. 991 pages. £2 10s.

THE Yearbook is the first of a series of annual volumes to be produced by the United Nations. It gives a comprehensive account of the machinery of the United Nations and its work to date—so comprehensive that the book is of monumental proportions.

"Town and Country Planning." By James Kekwick. Stevens. 556 pages. 45s.

THIS volume sets out the text of the new Town and Country Planning Act of 1947, giving a general note of explanation to each section and detailed comment on certain more difficult passages. It will be a useful book of reference on the Act.

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BRANCHES & AGENTS IN PRINCIPAL CENTRES

AMERICAN SURVEY

A More Perfect Union

(From Our US Editorial Staff)

SO much happened on the Friday on which the President submitted his "Outline of a European Recovery Programme" to Congress that only the most tentative comments were available, and most of the commentators had barely skimmed the 20 pages of the bill itself and the 226 pages of explanatory data the Administration provided with it. More studied views will be available after January 7th, when Senator Vandenberg starts hearings before the Foreign Relations Committee.

Meanwhile, the main concern of supporters of ERP is summed up in a paragraph from the statement issued on December 22nd by the Committee for the Marshall Plan, a private citizens' group reminiscent of the Fight for Freedom Committee of the early days of the war:

We must spend enough money and ship enough goods to make this a recovery, not a relief programme. . . . If the amount is reduced, or if we do not provide a reasonable share of goods in short supply, the European countries will be able merely to exist. They will not be able to expand their production on which their recovery depends.

Certainly if the initial appropriation were to be cut much below the State Department's figure, which it emphatically declares to contain no far, the substantive character of the programme would be altered. At that point, the future of Europe is indeed in the hands of Congress.

To some extent, this is also true of the decision that Congress will take on ERP's administrative structure. The President's Bill represents a compromise between the view held by the Department of State and the Bureau of the Budget, that authority for administration should be vested in the Secretary of State, and the known desire of important elements in Congress for a separate corporation directed by a Board. The proposal for an Economic Co-operation Administration, with a single head, but that head "subject to the direction and control of the Secretary of State" when performing functions which "affect the conduct of the foreign policy of the United States," has two purposes.

One is to find a structure through which the United States can speak abroad with a single voice. Among American representatives in Europe, the spotlight, next year, will inevitably be on the ERP staff. A situation could readily arise similar to the duality that existed in the 'twenties, when the Commercial Attachés, set up under Mr Hoover's Secretaryship of Commerce in separate offices and with pipelines direct to the centres of Washington power, were the objects of wistful envy on the part of the regular Embassy staff.

In Washington, an orderly chain of command is even more requisite, and the difficulties of establishing it are complicated by the exigencies of an election year. If the public had the confidence in the State Department staff as a whole that it

has in the top group of administrators developed by Mr Marshall, the Department's case for unitary control of the programme would have been much better. But the country is not so sure of the efficiency of the State Department at all levels, and specifically of its competence in business matters.

But if the fate of the first appropriation and the structure of the American side of ERP's administration are now in the hands of public opinion and its representatives in Congress, the basis for the second appropriation and the European part of its administration are not. Unquestionably, the general American public approves the ERP primarily as a means of containing Communism. Without Russian pressure, European aid of minor proportions might be politically feasible, but no Administration, least of all in an election year and a year of tight supplies of many products, would be proposing to recognise foreign claims to some 17 billion dollars' worth of goods. When the time comes for the appropriation of ERP's second instalment, the American public will have a definite impression of the extent to which Europe, with American aid, is or is not on its way to becoming a going concern. If responsibility for the voting of the first ERP funds is on the people of the United States, influencing Congress, responsibility for the voting of the second lot is on the people of Europe, influencing the people of the United States.

By the people of Europe, Americans will not mean sixteen different peoples. A recovery which restored the economies of the Sixteen—plus whatever is done with Trizonia—to something like pre-war output, however great an improvement on the present situation, would in the eyes of Americans be a restoration, not a recovery, a restoration as backward looking and as fragile as the restorations that followed the defeat of Napoleon.

Many Americans feel that the choice before Western Europe is a choice between capitalism and communism, but the capitalism they mean is twentieth-century capitalism. If the choice is put in terms of nineteenth-century capitalism—production of a small number of units for distribution to a limited market—they feel that communism's promise of high production has a good chance of outweighing it in attractiveness to the average man. If the ERP does not make possible a continental co-operation which has in view this broader yield, if no larger framework becomes visible, the second appropriation for ERP is going to come hard.

So far, sentiment in favour of the Continent making plans on a continental scale is mostly in the inchoate stage. But forerunners of more precise criteria of ERP performance can be found in the remarks of Senator Elbert Thomas of Utah, that in his opinion economic recovery in Europe cannot be achieved without some kind of political federation of European States under the United States, and the advocacy of "some kind of unification" by Senator Henry Cabot Lodge, Jr., of Massachusetts during the hearings on the Interim Aid Bill.

One obvious place for such a unification to start is in the administrative structure of ERP on its European end. In the President's "Outline" and its supporting data, mention is made almost from page to page of the "European organisation of participating countries which may be established by the participating countries to further a joint programme for European

recovery." In the section on the agreements to be concluded by participating countries with the United States, two of the eight categories proposed for inclusion are "co-operating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and co-operating to reduce barriers to trade among themselves and with other countries"; and "making efficient use, within the framework of a joint programme for European recovery, of the resources of such participating country, including any commodities, facilitations or services furnished under this Act."

Americans are aware that no joint administrative machinery now exists in Europe, and that the first steps will have to be taken bilaterally, *faute de mieux*. But they see this as a moment for economic boldness comparable to the political boldness that made the United States a hundred and sixty years ago. They over-simplify the problem. Having themselves made a whole out of many parts, they discount the difficulties of doing the same in Europe. But it is also true that today there are new incentives to co-operative effort, one of which is the existence not only of Russia but of the United States. Without European initiative toward co-operation, toward making a modern economic entity out of a mass of resources and populations wholly capable of being so organised, Europe has every prospect of becoming what Africa was in the nineteenth century, an area of colonisation by eager forces outside.

American Notes

Third Party

Mr Henry Wallace has taken the plunge to a third party, and finds the water very cold indeed. The only welcome comes from the Republicans, who, like the Democrats in 1912, see in a third party their surest guarantee of a return, too long deferred, to the seats of the mighty. The precedent of the Bull Moose campaign, which under Theodore Roosevelt opened the way to the election of President Wilson, is, indeed, no happy omen for the Democrats today.

There are no signs, however, that Mr Wallace's campaign will meet with even the modest success that attended those of Theodore Roosevelt or Senator LaFollette, who broke away twelve years later. Both of these had their roots in bitter and very real economic grievances; but even so they only carried six states in 1912 and one (Wisconsin) in 1924. The Wallace platform, while it is couched in all the ringing phrases of the Populist revolts of the past sixty years, from the "Great Commoner" down, for the first time in American history proposes to establish a third party on differences over foreign, rather than domestic, policy. The United States may certainly be said to have come of age when even its political revolts are international, rather than domestic; but where are the thousands that will spring up to follow a policy which even its author admits looks perilously like appeasement of Russia?

It is Mr Wallace's contention that both existing parties are war parties, and that there is nothing to choose between them; that a new party must be created to forge a people's peace. Mr Wallace's pacifism and his denunciation of "American imperialism" cannot fail to arouse certain over-tender consciences, but his appeal to American labour, which must provide the solid backbone of any new party, has gone sadly awry. A year in which Senator Taft fathered a restrictive labour law and President Truman vetoed it is the wrong year to convince labour that there is nothing to choose between them. It may be that the demand for a third party, based on the time-honoured alliance between labour, farmers, and consumers, is growing; and labour's new political arms are unlikely to wither. But Mr Wallace's totally unrealistic bid for power in 1948 is throwing away any chance he may have had of leading a soundly-based third party when the time is ripe for it to appear.

Mr Wallace is a famous spell-binder, and even with his only organised support coming from the Communists, it would be wrong to under-estimate his power of decisively influencing the result in close and crucial states like New York and California. The effect of his candidacy, however ineffectual, must be to lessen pressures on the Republicans to nominate a man capable, like General Eisenhower or Mr Stassen, of swinging the independent vote; it brightens the prospects of Senator Taft and Governor Dewey. This might, of course, have been Mr Truman's salvation.

It is the hope of Mr Wallace—and certainly of his backers—that four years of Senator Taft would lead, in 1952, to revolutionary political changes. Seldom have confused idealism and good will been capable of causing so much mischief.

CEA's Hopes and Fears

In its first annual report to the President, in December, 1946, the Council of Economic Advisers was generally reassuring on the 1947 prospect, and turned out to be right. The second review, published just before the Christmas holiday, recognises that the United States has not succeeded in escaping from a prolonged period of inflationary pressure, with almost every symptom characteristic of earlier "boom and bust" cycles—and that the corrective phase of deflation, when it comes, may prove to be very disturbing indeed.

The CEA makes no predictions concerning the onset of depression. Indeed, the summarised versions of the report so far available on this side do not admit, at least explicitly, that depression is at all inevitable. And, following the official report, Dr Edwin Nourse, chairman of the CEA, has declared that additional production, coupled with good crops, and "labour-management restraint," may "abate inflation," and thus, presumably, permit industry to avoid the worst consequences of past and present inflation.

The view that good 1948 crops, and co-operation between labour and management, can avert further price adjustments, however, seems to be very debatable, to say the least. It is now quite plain that the bulk of the unions are determined to press for a third round of wage advances. Their full demands will not accrue immediately, and labour, with industry, is fairly well conscious of present danger. But labour wants a third round, while the going is good, and no national labour leader believes that the Government can hold down prices in the face of present demand. Industry, equally, will presumably pay little attention to the CEA at a time when commodity price trends are still highly uncertain, and at a time when labour demands are still reinforced by full employment.

The CEA report gives a great deal of excellent advice, the bulk of which will be suitably ignored because it sets out to admonish combatant pressure groups, all of whom assert (with considerable factual evidence) that they alone exist on an island of virtue in an ocean of greed. The Council wants a "return to real price competition," an end to labour restrictions on output, the correction of income anomalies, and a Federal housing plan. A decidedly rambling essay concludes that "the real problem is what price, income and property value adjustments have to be made to strike an internally consistent or stable equilibrium."

But while it does declare that wage anomalies must be corrected, that many prices must come down, and that many rates of profit must subside, the Council does not begin to discuss the machinery by which these adjustments can take place. There are, disappointingly, no specific comments on short-term policy. Here the Council may plead that the recent Presidential Message to Congress was based almost entirely on its advice, and that it was asked to frame the annual survey to cover long-term trends. But it can only be said that a survey of short-term possibilities at this stage, however hastily assembled, might have been of inestimably greater value than such a platitudinous report.

Output and Demand

On one or two points the CEA certainly makes some valuable comments. It condemns, for example, the current theory that bigger and still bigger production is an automatic stabilising force. An acceleration of output alone, it declares, can serve only to "advance the time when we shall face price, income and property value adjustments." The Council thus gives implicit recognition to the fact that the business turn will follow from a relapse in demand as credit tightens, and as price anomalies and increasing uncertainties slow down the feverish pace of re-stocking and re-

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equipment. But on the pressing need for a reinforcement of fiscal controls CEA says not a word.

In the meantime, President Truman has given his reluctant approval to the anti-inflationary measures passed by Congress. In denouncing this "pitifully inadequate weapon," the President noted that even those limited powers which he has now obtained for the conservation of scarce materials are subject to detailed review by Congress. He has, therefore, renewed his appeal that more substantial controls shall be instituted when the regular session gets under way next week. For the failure of his own programme, however, Mr Truman must place some of the blame upon his own Cabinet officers and advisers, who displayed a most disconcerting lack of agreement in their evidence before Congressional committees. Despite this failure in the Special Session, it is worth noting that the Republican majority clearly decided that inaction alone would not be sufficient, in the absence of any break in the trend, to save the party from a damaging electoral reaction next November. Republican spokesmen stressed their willingness to grant further powers to the President should voluntary arrangements fail, and Mr Joseph Martin, Speaker of the House of Representatives, went so far as to declare that his party had "only made a start" on the anti-inflation programme.

A clause in the new law which seems to have escaped general comment is one which permits the Commodity Credit Corporation to assist farm output in non-European foreign countries by financial assistance, price guarantees, and the provision of seed, fertiliser, equipment and materials. It remains to be seen how far funds will be available for this project, but the grant of such powers in peacetime is a major victory for the Department of Agriculture. For the rest, the voluntary agreements authorised between Government and industry do not legalise price-fixing, but cover priority and inventory controls. Voluntary allocations have been made for some time in a number of industries (steel and other metals are typical examples), and the new law can assist and fortify this work. Agreements, however, are now to cover a much wider and much more complex field. For many sections of industry they will be very unpopular, and they will take some time to get under way. Meanwhile, "anticipatory buying" may be accelerated, and thus provide a spur for fresh Congressional action before 1948 is very old.

* * *

Panama's Revenge

The Republic of Panama, which the United States created 44 years ago, took its revenge last week on the "Colossus of the North" when the Assembly voted not to ratify the agreement permitting American occupation of 14 air bases, including Rio Hato, for the defence of the Panama Canal. Panama, sitting on

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a powder-keg which might well blow it sky-high in the event of another war, has exercised its inalienable right to cut off its nose to spite its face. The United States, the doughty champion of the rights of small nations, however exasperating and wrong-headed they may be, has had no choice but to withdraw its 2,000 troops at once into the Canal Zone (which is under full American sovereignty); and it is hoped that this meticulous observance of Panamanian sovereignty will soothe the tempers inflamed at Yankee Imperialism.

The post-mortems on the failure of American policy have been searching. There is no doubt that the ghost of Teddy Roosevelt still hangs about the Canal Zone. It was he who inspired the revolution which created Panama when Colombia proved dilatory in granting the canal concession to the United States; in 1911 he wrote candidly, "I took the Canal Zone and let Congress debate, and while the debate goes on, the canal does too." Not even the \$25 million of conscience money voted to Colombia during the Wilson Administration, or the spectacular American achievements in public health have quite wiped out the memory. It has been easy for officials to suggest that it is not American policy, but Communist intrigue, which is behind this slap in the face. But even Communist propaganda must have something to build on; in Panama it unquestionably was the humiliating discrimination practised against Panamanians by Americans on the spot.

It is no doubt healthy that the United States should be reminded that popularity and admiration are not the automatic lot of a great power, however well intentioned, and that conferences and an official Good Neighbour policy by themselves cannot heal all that is wrong with Pan-American relations. But the problem of defending the Canal remains. A number of suggestions will be given new life. These include the re-engineering of the present canal on a water-level route, to eliminate the vulnerable locks; and the building of a new canal, either through Colombia, or through Nicaragua. The latter route was favoured by three American Commissions at the turn of the century, before Panama was chosen. None of these alternatives is a real substitute, however, for the sense of identity of interest in common defence problems which was so conspicuously lacking in Panama City last week.

Shorter Notes

In advance of the Congressional investigation of "inside speculation" on the commodity exchanges, Mr Clinton Anderson, Secretary of Agriculture, has published a list of rather more than 700 traders in grain and other commodities. This initial list, at least, does not support earlier charges of substantial trading on the part of important officials in or near the executive branch of government, apart from Mr Edwin Pauley, whose interests have already been disclosed. Nor does the list contain the names of prominent Congressmen, as recently alleged. The report dealt exclusively with future trading and included names of reporting traders on October 31, 1946, and October 31, 1947. Subsequent reports are expected to cover 13,000 names, and may be more revealing.

*

Foreign trade totals rose substantially in October with a reversal of the recently declining export trend. Exports at \$1.22 billion compare with the September figure of \$1.09 billion, while imports were up from \$481 million to \$491 million.

*

In a preliminary survey of 1947, the Department of Commerce notes that output is again at peak levels with the November index of industrial production (1935-39) at the new post-war peak of 192. Output continued to rise in December with steel operations near capacity. The dollar value of construction for the year, at \$12 billion, exceeds all previous records.

*

It is worth recording that in the special session the Republicans voted supplemental sums totalling over \$32 million for work on western dams and irrigation projects such as Central Valley, Davis Dam and the Columbia Basin project in the State of Washington. These sums bring appropriations up to what the Administration originally requested and wipe out the cuts imposed last session which, as Governor Warren reminded his party, "seriously imperil" Republican election chances in the West.

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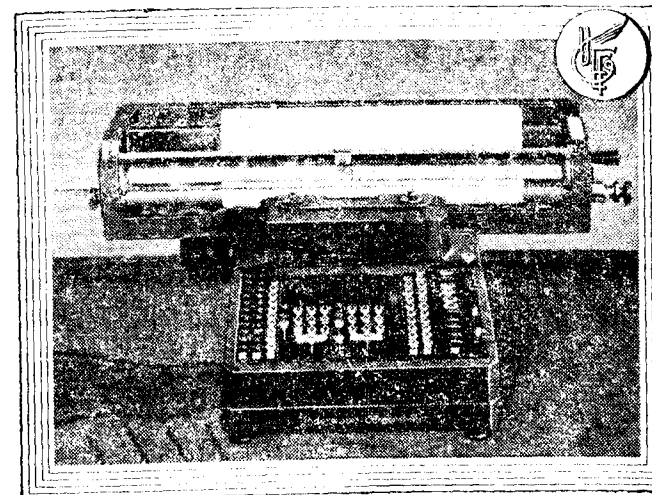
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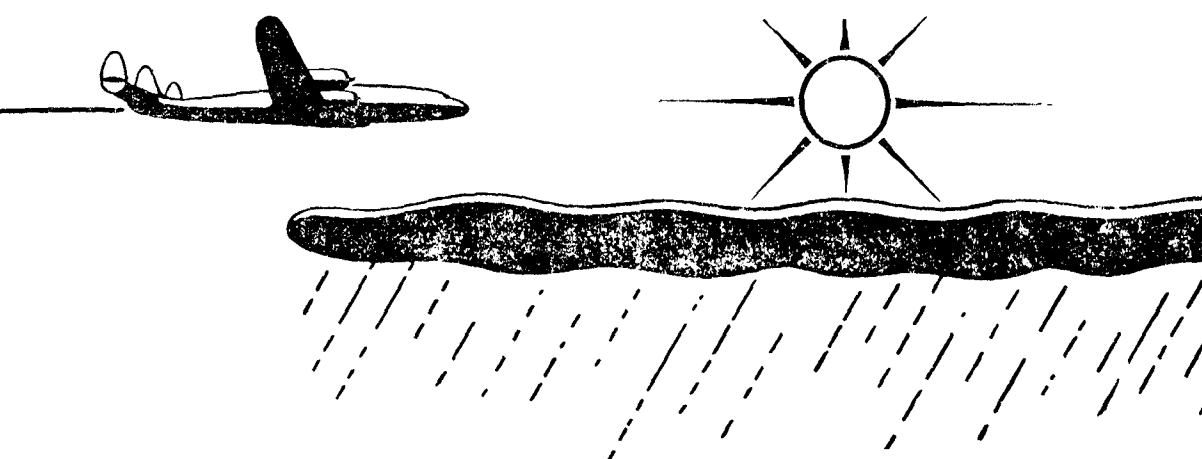
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Turkey under the \$ Sign

(From a Correspondent in Ankara)

THE political climate in this no-man's land between East and West is growing steadily milder under gentle dollar showers and breezes of approval from the West. For some time the aging Republican People's Party (RPP) stood up to the Democrats' pelting without much obvious sign of strain. But suddenly last September the crusty old dictator Premier, Recep Peker, was brought down by nothing deadlier than a backbenchers' rebellion and the President's announcement of his personal neutrality in party politics. And after brief negotiations, a more moderate RPP Cabinet moved in under the previous Foreign Minister, Hasan Saka, a westernised ex-diplomat being appointed to the Foreign Office.

Outwardly the change did not differ much from the customary periodic "changes of the guard" of Atatürk's day. No open concessions to the Democratic Party's demands were made. But the very fact that public criticism, no longer so easily suppressed by newspaper bans and arrests, could undermine an RPP Cabinet and overthrow it with the collusion of its own official chairman, İsmet İnönü, was sensational enough. The ruling party had clearly become unsure of its support in the country and of its hold on the President—a fact which throws a curious light on the controversial election returns of 1946, which gave the RPP a majority of 85 per cent.

The new Government's programme, announced at a special session of the Assembly on October 13th, is more remarkable for its discreet overtures to American capital than for its platonic tributes to the democratic form of government, or its reaffirmation of the "middle-of-the-road" principle in domestic and foreign politics. Announcing the Government's intention to establish a clear division between state planning and private enterprise—in itself an important though oblique concession to economic liberalism—the Premier alluded briefly to various public investment plans. He mentioned irrigation, electrification, mechanisation of mining, construction of roads, railways and ports, and drives for increased agricultural productivity and industrial efficiency. He ended with an unemphatic invitation to foreign capital and foreign "specialists."

Anglo-American Co-operation

To appreciate the full meaning of this gesture, one must call to mind the fierce economic nationalism hitherto practised by Republican Turkey, and the sad fate which in the twenties and thirties overtook foreign companies in Turkey. Their profits were restricted, frozen, and taxed out of existence, and their fixed capital was finally nationalised for a nominal compensation. But it was soon found that the nationalist projects of industrialisation could not make headway without foreign capital, however much the controls and guarantees associated with it might offend nationalist pride and smack of the "capitulations" of the hated past. The political situation which produced the American loan seemed to offer, incidentally, a dignified way out of the straits of nationalist economics. Closer relations with the one Power not suspected of imperialist designs and addicted to *laissez faire* principles would make the return to a regime of capital imports and freer trade a plausible move. In 1947 even a Kemalist could make it without loss of face. But as American aid enters upon the phase of execution it seems to be undergoing a subtle change in character, which is worth analysing more closely.

President Truman's speech in March had been belligerent. Many listening Europeans must have been troubled by uneasy memories of the luckless British "guarantees" of 1939. A few people in Turkey more vividly recollected the secret withdrawal of the Turkish armies to shorter interior lines at the height of the Azerbaijan crisis of 1946, which, unknown to most, was the real climax of the Russo-Turkish war of nerves. To all the loan was a strategic move, and for three months or so following its uneasy beginning the military aspect monopolised

comment in Turkey and elsewhere. What information was published referred to war equipment and strategy—AA guns, rapid-firing arms, motor transport, mechanisation of the Army, fortification of the Straits. US Army and Navy missions followed one another in close succession, and Turkish staff delegations, the latest under the Chief of Staff, Gen. Salih Omurtak, commuted between Ankara and Washington.

It would be wrong to deduce from this picture that Turkey has jettisoned all former allies and is leaning exclusively on the United States. While American buyers are purchasing the equipment on behalf of the Turks, and American instructors are teaching them how to use it, the military, naval and air missions which are responsible for the overall training of the Turkish armed forces are, as they have for long years been, British. Hence General Omurtak's recent visit to Britain also. It would be difficult to find anywhere a better sample of Anglo-American dovetailing than that which is to be seen in Turkey today.

Much of this emphasis on military first-aid was accounted for by the natural desire felt here at the time to make martial gestures in a northerly direction. But as American parties landed at Turkish ports, travelled on Turkish railways and roads, inspected Turkish farms, mines and factories, they learnt that the ports could not handle the material they proposed to send; that the road system would have to be rebuilt before a modern army could deploy; that there was no industry capable of sustaining the efficient war machine to be created. Gradually the Soviet menace seemed to recede from Turkish minds and the emphasis began to shift from guns and trucks to ports and roads. American delegations called at the Ministries of Public Works and Communications. They were told that the new five-year plan of industrialisation, only one of several big public projects, would alone increase road traffic by an estimated 500,000 tons p.a. But the latest road construction plan of the Ministry of Public Works showed that, even on paper, it would take 15 years at the planned annual expenditure rate of £40 million to construct and repair the 12,500 miles of highway required to raise the Turkish network to the average European level of 100 years ago. The Americans inspected ore mines—without smelting furnaces; new blast-furnaces—without coke ovens; potential oil fields—without wells. They carried off the impression of an undeveloped, inexpertly striving country, rich in economic potential and paper planning, but lacking capital, skilled labour and engineering, and, above all, economic common sense and organisation.

Reconstruction or Rearmament?

The whole "set-up" must appeal strongly to the pioneering free-enterpriser concealed under many a US colonel's uniform. On the Turkish side, too, powerful influences are working in favour of a translation of a larger part of the aid from purely military into general economic terms. Indeed, the flexibility achieved in the wording of the Aid-to-Turkey Agreement of July 12th is such that no formal obstacle opposes such a transformation. Yet owing to the international situation, and to the demands that arise from Turkish military circles on account of it, no one can at present contemplate a large-scale transfer of funds from the rearmament to the reconstruction category. The proportion of the whole at present allocated to communications, as opposed to strictly military requirements, is, at a guess, not much more than five per cent. The answer to the "powerful influences" described above is, clearly, that they must attract other American investment. But the American private investor is wary. He has plenty of fields for his activity that are both nearer home and less at the mercy of political accident. Further, in spite of President İnönü's recent vague call to foreign capitalists, the inducement to the foreign investor to sink money in Turkey is still negligible. For one thing, he cannot export his profits, except in the form of products. Even his local employment of them is

still hedged about with restrictions. It must, for instance, be "beneficial to Turkey's economy." The Turkish government is far too apt to sit upon initiative. The reason is that too much of this would show up the uneconomic basis on which some (though not quite all) of the state's own enterprises are run.

During the summer of 1947, the American Twentieth Century Fund conducted a private enquiry into Turkey's resources and potentialities. (The Fund is an American concern privately endowed by philanthropists who have an eye to the future of American business overseas.) Its report, which was prepared by Professor Thornbury and Mr Graham Spry, is not yet out, but the former disclosed some of its key points to the Turkish newspaper *Vatan* before he left the country in July. In this interview, Professor Thornbury reveals, amongst other facts, that, owing to the lack of public encouragement to the private investor the somewhat shocking total of £T800 million-worth of Turkish savings is immobile in State Bonds and in savings accounts. He concludes his remarks as follows:

It is obvious that as long as the spirit of private enterprise is not developed in Turkey, there is no place for United States private enterprise in your country. First of all you must exploit your own natural resources, and then you can receive foreign capital.

Some Turks, naturally enough, write off his attitude to private enterprise as "just what one would expect of an American"; nevertheless his criticism of a state enterprise which is practised with seldom or never a pause to review costs is worth their attention. The Turks are certainly anxious to obtain financial help for their national development schemes, and the Export-Import Bank, or an extension of inter-governmental aid, may provide it. But the plans will have to be recast and co-ordinated so as to make sense to men who are used to thinking in terms of cost, efficiency and optimum returns.

Split in the French Unions

[FROM OUR PARIS CORRESPONDENT]

THE fight between the Communists and the "reformists" in the French *Confédération Générale du Travail* has been waged psychologically since the liberation, and physically during the recent disorders. Now it has culminated in the collective withdrawal of the "reformists," leaving the Communists in sole, unchallenged control.

The decision to withdraw from the CGT was taken at a national conference of the trade union reformists, who, in the last few months have been producing their own newspaper *La Force Ouvrière*, under M. Léon Jouhaux's leadership. The resolution in favour of collective withdrawal was voted by 52 to 5, with 14 abstentions. It represented a victory for democratic procedure; nearly all the Paris leaders had formerly favoured remaining inside the old CGT organisation, but submitted to the will of the provincial rank and file.

M. Jouhaux himself, who had been for almost 40 years secretary-general of the organisation he is now compelled to abandon (although since 1945 he has had to share the privilege with the Communist, M. Benoit Frachon), pleaded in vain against the schism.

This is not the first time that the French trade union movement has split: the rounding up of hostile groups into a reunified organisation during the heroic days of resistance and *union sacrée* never dispelled the profound mistrust which had divided the two sectors for a quarter of a century. This distrust had grown into passionate hostility when they divided on the question of whether they should support or oppose the declaration of war in 1939. The Communist adherents of the Third International found themselves as early as 1920 in conflict with the non-political traditions of French syndicalism. Then, however, they were obliged to take the initiative, to break away and form a separate CGT, thus violating the tradition of working-class unity and depriving themselves of the prestige and loyalties which the older organisation commanded.

Communists Hold the Funds

This time, the tables have been adroitly turned: the Communists remain in uncontested control of the CGT itself, with its funds, its reputation and the substantial majority of its declining membership. The minority are expected to rally under a million workers, although it will be some time before a reliable estimate can be made. On Wednesday the autonomous trade unions, which began to form during the summer to avoid Communist control, decided to join forces with the followers of *Force Ouvrière*.

In the opinion of most of the reformist minority of the CGT executive, who have now had to resign, the time has been badly chosen for setting up a splinter trade union group. The administrative and financial problems of establishing new central and local offices on a national scale would be considerable at any time; but they are all the more so at a moment when trade unionism has not recovered from the unfavourable results of an unsuccessful and controversial strike, and when the political pendulum is swinging visibly to the right. In the last two years, although the CGT had attained a membership of over 6,000,000, there has been no improvement in the workers' standard of living, and social inequality has never been so glaringly apparent.

In a number of provinces the moving force behind the cleavage was the RPF (Gaullist) movement, which was organising factory groups, distributing free of charge its workers' newspaper *L'Étincelle* (the spark) and exhorting unionists to break with Communist leaders. Thus, while the leaders of the *Force Ouvrière* in Paris shared the view of M. Léon Blum and supporters of the "Third Force" that the fight must be waged simultaneously against the Communists and Gaullists, in many of the provincial centres the Gaullists were subsidising and assisting *Force Ouvrière* propaganda. The division in the CGT is, in any case, likely to facilitate rather than hinder the General's accession to power.

There seems little doubt that the Communist leaders welcome the decision of the *Force Ouvrière* to quit their posts in the CGT, for which they have indeed long been preparing. It would have been embarrassing to expel the minority leaders; it was a good deal easier to outvote and outmanoeuvre them, but better still to obtain their voluntary withdrawal. In future, the CGT will be smaller in numbers, but more pliable and efficient; and above all quicker to manipulate and more reliable in a revolutionary crisis.

Straight Fight with the Right

The split within the CGT follows the pattern of the Communist rupture with the Socialists in national and local politics; the time has evidently come when safety is sought not in numbers but in unity of purpose and undivided loyalty to Soviet leadership. To weaken and divide the Left, to isolate the Social Democrats, and thus clear the ring for a straight fight between the Communists and the Right, appears as the immediate objective of Cominform action in France today. A revival of Western Europe through American aid, in which a powerful and united labour movement secured a fair share of returning prosperity for the industrial workers, would plainly create an impossible situation for the Communists.

The methods by which life in the local trade unions was made intolerable for non-Communists varied from slander and allegations of collaboration to use of threats and violence. In the north, reformist leaders declare that many of the prominent non-Communist unionists were murdered in unexplained "incidents" before and during the Liberation. Snap elections for trade union jobs, held in the presence of a selected minority, often enabled the Communists to place their own men in key posts, even where they commanded only a small numerical support. During the recent troubles workers were incited to beat up blacklegs, and in several cases strike-breakers were kidnapped from their homes or assaulted on their way to work.

The unity of purpose and discipline with which the Communists have worked to achieve their successive objects—first the domination, then the complete control of the CGT—has been all the more remarkable because their effort has lasted over a period of years. A consistent policy has been imposed on and executed by countless anonymous local Communist militants.

For the time being the French trade union movement has been gravely, perhaps irreparably, weakened. But the Cominform has retained the initiative.

New Start in Indo-China

[FROM A SPECIAL CORRESPONDENT]

THE decision of the French Council of Ministers to grant full powers to M. Bollaert, the French High Commissioner for Indo-China, "to pursue all negotiations necessary for the re-establishment of peace" may end the deadlock between France and Viet-Nam. This has persisted since the outbreak of fighting in Hanoi on December 19, 1946. The only restriction on M. Bollaert's mandate is that such negotiations shall not include Ho Chi-min's government.

M. Bollaert is now in Paris for consultation with his Government. Before leaving Indo-China he held his first conversation with Bao Dai, the ex-Emperor of Annam, who had flown from

Hongkong to meet him. Bao Dai has this week arrived in London on his way to Switzerland for medical treatment, and it would thus be easy to arrange a further meeting on neutral soil. For several months it has been French policy to encourage all nationalist parties in Viet-Nam, opposed to the totalitarian methods of the Viet-Minh, to use the ex-Emperor as a rallying-point. The specific exclusion of Ho Chi-min from the approaching negotiations—the first time that he has been officially ignored—suggests that the French are now confident of success. French optimism is based on the severe military defeat recently inflicted on Ho Chi-min. According to French reports, the operations begun on October 9th have driven Viet-Minh forces back into the mountain districts of northern Tonkin, and cut off their supply of arms from China, so that elsewhere only the coastal town of Vinh in northern Annam remains in Viet-Minh hands.

By his prolonged hesitation in consenting to come forward as a mediator, Bao Dai has shown that he does not intend to return to Indo-China in any capacity as a French puppet. In the early stages of the negotiations he was reported to have taken up a more uncompromising attitude than Ho Chi-min by claiming complete independence, a demand never advanced by the Viet-Minh leader. It may be safely assumed that, in the recent course of negotiations at Hongkong, he was offered by the French more liberal terms than were contained in M. Bollaert's speech at Hadong on September 10th. The opinion is now privately expressed in official French circles that to draw off nationalist support from the Viet-Minh, Bao Dai will have to be offered more generous terms than were secured by Ho Chi-min in the French agreement with Viet-Nam of March 6, 1946. At the same time the adhesion of Laos and Cambodia to the Federation of Indo-China has just been announced.

Whatever plan emerges from the forthcoming negotiations will be scrutinised, especially in Indo-China, against the background of earlier attempts at settlement. The first step towards constitutional reforms was the scheme for a Federation of Indo-China as part of the French Union outlined by General de Gaulle on March 25, 1945. Though supreme authority was to rest as formerly with the Governor-General, there was to be a Council of State, partly French and partly Indo-Chinese, and an Assembly elected by all five countries of the Federation, having full control of the budget. Control of foreign affairs was expressly reserved to France.

Illusions about the French

The capitulation of Japan was quickly followed by the proclamation of the Republic of Viet-Nam, claiming to comprise all three seaboard territories (Tonkin, Annam and Cochinchina) of the former Empire of Annam and by the abdication of the Emperor in July, 1945. North of the 16th parallel 150,000 Chinese troops swarmed in to take over from the Japanese, who were never made to appear to the local population as a beaten army. Because the Chinese Central Government was at first nervous of the Communist tendencies of the Viet-Minh Government, the Japanese troops were allowed to retain to per cent of their small arms, while French officers were not even allowed to carry revolvers. The fact that the Viet-Minh never saw a victorious European army undoubtedly gave them a false impression of the French position. To strengthen their hold upon Ho Chi-min the Chinese compelled him in December to reform his Government so as to include representatives of the nationalist parties opposed to and rivals of the Viet-Minh, both armed and subsidised from China. Eventually the Chinese were outmanoeuvred by Ho Chi-min, who submitted to this coalition only until the agreement with France of March 6, 1946, was completed.

This agreement, the yardstick of all subsequent proposals, made a spectacular advance in recognising the Viet-Minh Republic as a "Free State having its own government, parliament, army and finances within the French Union." When Ho Chi-min visited France a few months later he was received as a head of state. But its execution broke down. That picturesque, if reactionary, eighteenth-century figure, Admiral d'Argenlieu, as High Commissioner of Indo-China, gave his staff to understand that failure to fulfil the agreement could be considered inevitable, and a large share of the blame for the ultimate rupture undoubtedly rests with him. Disagreement occurred mainly over what territory the republic of Viet-Nam comprised and the control of customs. The republic claimed all three territories of Tonkin, Annam and Cochinchina, while the French failed to hold the promised referendum to settle this issue in Cochinchina. They also convened a conference at Dalat for the purpose of implementing the agreement without even inviting representatives from the Republic. Following the shooting at Haiphong, when the French tried to assert control of customs, the Viet-Nam Republic decided to risk all on one throw and on December 19th, without warning, launched a general attack on the French in Hanoi, making no

distinction between soldier and civilian or men, women and children. The greater part of the city was burned to the ground. When, after some weeks, the French gained full control, the Republican Government fled into the hills where they have since wandered.

Nationalist Aspirations

M. Bollaert's speech at Hadong in September disappointed all nationalist parties, even those opposed to the Viet-Minh, and also many Frenchmen. Presented in the form of an ultimatum, it postulated an Indo-Chinese Federation with French control of the army, foreign representation, customs and police, and as such seemed to revive the de Gaulle proposals of March, 1945, in place of the now abandoned "Free State" plan of March, 1946. Demonstrations organised immediately afterwards by the French to demand the return of Bao Dai gave no sign of spontaneity either in Hanoi or in Saigon. The belief is widely held that M. Bollaert would have offered more generous terms had he been allowed to do so and there is no doubt that his personal influence



has been on the side of compromise. Viet-Nam nationalists desire most of all to have their own representation in foreign countries. They fully understand that France must remain if the integrity of Indo-China is to be preserved. If the French Government would concede them a diplomatic service of their own, similar to that of a British Dominion, the prospect of a lasting settlement would come very much nearer.

Though French society in Indo-China, and especially military society, is predominantly Gaullist and *colonialiste*, there are many liberal Frenchmen in the administration and outside. The High Commissioner, M. Bollaert, and many of his entourage have a fine record in the Resistance, and are individually eager to bring to birth a self-governing Viet-Namese nation.

There is a healthy ferment of opinion, stimulated by café society and the local press which, despite a much criticised censorship, includes several influential opposition papers, both French and Viet-Namese. Between them they dissect local politics with a truly Parisian energy. In some respects the Paris-educated Cochinchinese seem intellectually more mature than their opposite numbers in the other countries of South-east Asia. (In training the majority in medicine instead of in law the French have set an example which might be imitated with advantage elsewhere.) But they are all people determined to struggle on for what they regard as the essentials of nationhood. Though French military action may have been successful in the north, the Viet-Namese "Resistance" has been growing stronger in the south. But both sides realise their interdependence and, if Bao Dai is offered terms amounting to a generous interpretation of the agreement of March, 1946, there is every chance that the new negotiations should succeed.

Trotskyism in Ceylon

[BY A SPECIAL CORRESPONDENT]

It is a curious phenomenon that the chief stronghold of Trotskyism in the world today should be in the island of Ceylon. At the recent elections the Trotskyite *Lanka Sama Samaj* party won ten seats out of a total of 95 elective seats, the so-called Bolshevik-Leninists won five and the Communist party of Ceylon also won five, the latter being joined later by two successful candidates who had stood as independents. These labels must have been puzzling to readers in England. To understand the divagations of Marxism in Ceylon it is necessary to trace the island's recent political history.

In the early thirties a group of young men, not more than a dozen in all, who had been studying in England, returned to Ceylon. They had come into contact with left-wing movements in England, and in 1935, after their return to Ceylon, they launched a party called the *Lanka Sama Samaj* (the words mean Ceylon Equal Society), a broad-based left-wing revolutionary party aiming at national independence. It was the first party to propagate the ideas of independence and socialism amongst the masses, and two of the four candidates they put up at the 1936 elections were returned. The world economic depression had hit Ceylon hard, and for the first time the people were receptive to radical ideas. There is a high literacy percentage in Ceylon (it is one of the few countries in Asia where the pamphlet is an effective form of propaganda) and the Donoughmore constitution, which came into force in 1931, had introduced universal suffrage. It must be appreciated, too, that there had never been any nationalist movement in Ceylon corresponding to the Indian National Congress, deriving its chief strength from the middle classes. There was a moderate reformist movement amongst the landed and monied upper classes, whose interests then, as now, dovetailed fairly closely with those of the British, and a very weak Labour movement, which, when the depression came, foundered on the rock of racialism and began to demand the repatriation of immigrant Indian labour. Conditions were favourable to the spread of views such as those propagated by the *Lanka Sama Samaj*.

Clash of Personalities

Among the founders of the party were Dr A. S. Wickremasinghe, who had come under the influence of Saklatvala while studying medicine in England; N. M. Perera, a graduate of the London School of Economics; Colvin R. de Silva, a lawyer who had studied history at King's College, London, and was the only member of the group to have visited the Soviet Union; and two brothers, Philip and Leslie Gunawardene, the elder a member of the British Communist Party, who had travelled extensively in America and Europe. Intelligent and strongly individualist, several of them had been critical of Stalin's leadership even in England, and this dissatisfaction grew after they returned to Ceylon. They disagreed with the official Soviet line over Spain, over Popular Fronts, and, at a later stage, over Finland. In 1938 they officially adopted Trotskyism and adhered to the 4th International which had been launched in Switzerland the previous year. In 1939 they expelled Dr Wickremasinghe, who led a small minority of "Stalinists," on the grounds that they were "working towards the disruption of the party from within." Although there have been many examples of 3rd Internationalists expelling 4th Internationalists, this is believed to have been the only case in which the reverse process occurred. The expelled Stalinists, in November, 1940, formed the United Socialist Party of Ceylon.

In June, 1940, Perera, de Silva and the Gunawardenes were arrested by the British authorities. Early in 1942 the *Lanka Sama Samaj* was declared to be an illegal organisation and eighteen more of its leading members were arrested. Simultaneously the United Socialist Party was illegalised and its members went underground, forming, on July 2, 1943, the *Ceylon Communist Party*.

Late in 1942, Perera, de Silva and the Gunawardenes escaped from the prison in Ceylon where they were held and made their way to India. Six months later they were rearrested in Bombay, but during their stay in India they had succeeded in creating a body known as the Bolshevik-Leninist Party of India. It incorporated various other small groups which differed from the official Communist line, such as the Revolutionary Socialist League of Bengal, the Bolshevik-Leninist Party of the United Provinces, and the Bolshevik-Mazdur Party of Bombay, all of which now became sections of the Bolshevik-Leninist Party of India. The *Lanka Sama Samaj* was henceforth to be the Ceylon section. They also launched what is now the most active of the Indian sections, the Madras-Madura section, under a forceful leader called Anthony Pillai, who last summer organised the big strikes at the Buckingham and Carnatic Mills at Madras.

It was during this brief period of liberty in 1942 and 1943 that differences began to make themselves felt among the leaders. After their final release in 1945, when all political parties in Ceylon were legalised again, these differences became more acute and led to a split. While de Silva and Leslie Gunawardene remained with the Bolshevik-Leninist Party, Perera and Philip Gunawardene re-formed the *Lanka Sama Samaj*. According to the leaders themselves, their main differences were organisational, centering round the application of "democratic centralism," but it is obvious that to a large extent it was a clash of personalities. The two groups came together for a few weeks last year, but the alliance did not last, although they agreed to put up a joint list of candidates for the elections and they did not run rival candidates for the same constituencies.

For and Against Stalin

It is not easy to detect any essential differences between the Trotskyites and the Leninists. Each accuses the other of being "centrist" and composed of "middle-class intellectuals." Each wants complete independence for Ceylon. Each claims to have as its ultimate objective a true "Workers' Revolution." Each wants, as its interim programme, nationalisation, social insurance, an eight-hour day, a minimum daily wage, "land for the landless," etc.

The gulf between these two groups is not very wide and there is always a possibility that they will reunite. A much deeper gulf is fixed between them and the Ceylon Communist Party. The Trotskyites accuse the Stalinists of being "willing to work within the framework of capitalism, which can only lead to a permanent collaboration with capitalism." They condemn Russia for having become "centrist" and label Stalin as a "bureaucratic dictator." The Stalinists deplore the "incorrect attitude" of their opponents and inveigh against the "pernicious theory" of Trotskyism.

These orthodox Communists are strong chiefly in the south-western coastal belt. The president of the party is Dr Wickremasinghe, but the two most influential leaders today are Peter Keuneman and A. Vaidialingam. Keuneman is a young Eurasian of Dutch descent, son of a High Court judge, who was president of the Cambridge Union in 1938. He is secretary of the party and leader of the Communist parliamentary group. Vaidialingam is a Tamil who is general secretary of the Ceylon Trades Union Federation. The party's programme follows orthodox lines. Currently it is demanding that all British forces should be withdrawn from Ceylon, that Trincomalee and the British air bases should be handed back to Ceylon and that all British property (estates, factories, banks, etc.) should be nationalised.

Three Marxist Parties

The extent to which these three Marxist parties will increase their influence during the next few years will depend on the success or failure of the right-wing parties, who at present hold a majority in the legislature, to meet the demands of the people for a higher standard of living. The economic outlook is not a cheerful one. Like Malaya, Ceylon produces less than half of its food requirements. Like Malaya, it has far too many eggs in one basket, the island being heavily dependent on three plantation products, rubber, tea and coconuts. Ceylon has large sterling balances, but they are not freely convertible into dollars, and America at present is the only country able to provide the capital equipment necessary to industrialise the island and increase agricultural production to the point of self-sufficiency. If the next few years are a period of economic stringency—and there is every prospect of their being so—the Marxist parties are certain to increase in strength, although he would be a rash prophet who would predict whether it will be Trotsky's, Lenin's or Stalin's statue which has most chance of one day crowning Mount Lavinia.

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THE BUSINESS WORLD

British Transport Stock

SO, after months of speculation on what one Chancellor and then his successor might do, all doubts about the new British Transport Stock are resolved. It is, according to common surmise, a 3 per cent stock; it is repayable optionally in 1978 and finally in 1988; and it is issued at par. There is no choice between a 2½ per cent "short" and a 3 per cent "long" of the kind which had been so freely forecast. There is no fancy business or face-saving device to make a 3 per cent stock look like something different. The Treasury has wisely eschewed an issue at a premium or a discount—a move which could only have produced Bedlam on the Stock Exchange and no advantage for anyone else. It is a straightforward issue of a type which is the more refreshing because in the last year or two it had become unfamiliar.

For this relief, there will be much thanks. Yet there will be many who will regard the terms as being rather cheeseparing. The Treasury has not been unfair, but it has made the most of the steadfast character of 3 per cent Savings Bonds 1965-75 during a period when the gilt-edged market as a whole was falling. If it has erred at all, it has erred to its own advantage, by choosing a stock which is ten years longer than most investors would have expected. Sir Stafford Cripps, puritan rather magician, may have had nothing up his sleeve, but he has certainly not been open-handed. Yet even the austerity of a 3 per cent stock with a maximum life of forty years is an improvement on a contrived 2½ per cent. Indeed, the ledger-main and professional patter of his predecessor exercised their spell until the terms were announced. How, otherwise, is it possible to explain the persistence of wide discounts on the railway stocks, compared with their take-over prices, ranging up to 8 per cent only a week or two ago? Many holders were frankly fearful that the authorities might attempt even at the last hour to "pull a fast one."

That the Treasury has done no such thing is something in favour of the new Transport Stock. For there is not the slightest doubt that if the authorities had sought to dictate artificial terms (for example, a ten-year stock at 2½ per cent) or if they had indulged in noticeable market preparation during the last days of 1947 (they might, for instance, have groomed 3 per cent Redemption Stock 1986-96 to their fancy at very little cost) many railway stockholders would have been quick to get rid of their stock as soon as dealings began on Friday. In fact, the authorities have done little more than give stabilising support to 3 per cent Savings Bonds 1965-75 and the Redemption 3's, not with the object of promoting an artificial basis, but of keeping this pair of long-dated stocks on an even keel while the exchange of stocks was being arranged. Transport Stock neatly straddles the gap between these two stocks. Three per cent Savings Bonds, 1965-75, stood on New Year's Day at 101½, including £1 2s. 6d. of accrued interest, or 100¼ "clean." Three per cent Redemption Stock stood at 100, including 15s. accrued interest or 99¼ "clean," with a maximum life 21 years longer than Savings 3's. The new stock fits reasonably well into this context; its life is longer than had been expected, but no one can complain that its terms are forced or artificial.

By the time this article is read, dealings in Transport Stock will have been proceeding for some hours. With a stock priced

so closely as this, a fair amount of selling is only to be expected, though it should be kept within reasonable bounds by the realisation that it is, after all, a 3 per cent issue. Many intending sellers of the new stock were unwilling to wait for January 2nd and have been busy this week reinvesting in equities at ever-rising prices. Their impatience may partly explain the persistence of the high rate of discount on the railway stocks, for although institutional investors have provided plenty of support, selling has continued in such volume that railway stocks continued right to the last to provide a cheap backdoor to the gilt-edged market. But the discount, though it narrowed somewhat in the middle of the week, was also an expression of distrust about the prospective market value of Transport Stock on January 2nd. In its crudest form, this amounted to a suspicion that the authorities would take good care to make the stock conform to their own wishes on January 1st, and would then be ready to let it go hang on January 2nd.

That, at any rate, seems unlikely to happen, even granted the fact that Transport Stock has a longer life than some investors will welcome. But it remains true that £1,000 million of quasi-gilt-edged stock is a large block to absorb, even if the majority of holders of railway stocks are prepared to hold the new stock. Some selling is inescapable, even though it may be relatively modest in volume. Trustees and institutional investors who must have income will try to make do with 3 per cent, though they would probably have rejected 2½ per cent. But while there was no reason to expect a devastating flood of sales on Friday, the fact that the life of the stock had been pitched as long as forty years caused a last-minute revision of ideas about the opening price. As this article went to press, it was suggested that Transport Stock would open no better than 97½, and some observers were thinking in terms of 96½. The consequences for gilt-edged, if such prices are recorded in the opening dealings, will be obvious. In particular, Savings 3's and Redemption 3's will fall by a point or more. But it does not follow inevitably that the opening discount will be on this scale. Would the authorities, if they saw the possibility of a heavy opening discount and wide jobbers' margins of the "uncommercial" kind, feel disposed to lend a supporting hand? For a stock of this size, the selling of £50 or even £75 million of stock should not prove an impossible temporary burden, until firm buyers appeared. It must be remembered that a yield of £3 3s. per cent on a 40-year stock may have its attractions for institutional holders.

Hence, it would not be surprising, even if there were some initial disturbance of the market—inseparable from an issue of this size, though encouraged by its niggardly terms—to find that it will not be long before the "longs" and Transport Stock are on speaking terms. But it is likely that gilt-edged will have to unbend, and that Transport Stock will for the time being play the part of the poor relation. The Treasury have pitched the terms as high as they could justify by reference to the long-dated issues. By doing so, they have run the risk of upsetting the gilt-edged market more severely than would have happened had they been rather more generous.

There will be lamentations in some quarters that Mr Dalton's prophetic 2½ per cent for Transport Stock did not come to pass. A 3 per cent stock means that the annual capital cost of the rail-

ways and London Transport will be reduced from the £43 million hitherto paid under the wartime agreement to approximately £31 million, compared with £25½ million if the stock had carried 2½ per cent. An annual cost of £5 million for forty years is a small price to pay for an honest and reasonable exchange. (A final tribute to the belated wisdom of maintaining the guarantee for London Transport 3 per cent stock, 1967-72, is also merited.) The margin of £12 million left to the Transport Commission (which takes over a rates structure which is supposed to be approximately geared to the earning of £43 million) will provide a useful cushion against further increases in operating costs or any reduction in the volume of traffic.

The opening dealings in Transport Stock will have an important bearing both on gilt-edged prices and also on the boom in equities. But the consequences of the issue of Transport Stock upon the general level of equity prices are more difficult to determine. For several months past, the market has been discussing the operation on the assumption that January 2nd would see heavy selling of the new stock, and of other gilt-edged issues, and heavy buying of ordinary shares. The timetable, however, has not worked out quite in this way. Between June 20th and September 3rd, the *Financial Times* index of industrial ordinary shares (July 1, 1935 = 100) fell from 137.1 to 104.2. There were many who doubted whether, even at the September level, ordinary share prices adequately discounted the consequences of the economic crisis which burst upon the public consciousness late in August. But the market has disregarded such fears. After momentary hesitation in October,

equities again forged ahead until, on the last day of the Old Year, the index had reached 129.0. Recovery on this scale owes a good deal to the embarrassing shortage of stock in the market, and it certainly makes the most of the prospects of Marshall aid and of the recent increase in industrial production.

But it has to be asked whether, in the artificial markets of today, the present level of industrial shares is not itself as artificial as the rest. The yield differential between equities and long-dated gilt-edged stocks is little more than one per cent—it would thus take two years' income to offset the cost of the 2 per cent Stamp Duty on industrials. At no time during the past two years (save at the height of the boom at the end of 1946) has the margin between gilt-edged and equity yields been so low. But in 1946 the argument in favour of equities was that a great expansion of distributable earnings would follow the withdrawal of EPT and the end of postwar reconversion. What is the argument today? Can it be supposed that investors have heard the last of the profits tax? Are no difficulties to be anticipated in export markets in 1948? Is the prospect of Marshall aid so secure both in its timing and its amount? Can the rise in British industrial costs be regarded with equanimity? Some of these questions have obviously been obscured by the exodus of funds from home rails into equities. In a normal market, they would have been more prominent; in a closed market, where the supply of industrial securities is more or less fixed, the pressure of money is all-compelling. That fact ought to throw some doubt on the lighthearted boom in equities which has been seen in recent weeks.

The Coal Board's Task

BY stretching the statistical year to 53 weeks, coal output for 1947 will fall very little short of the production target of 200 million tons, proclaimed in the *Economic Survey* last February as "an indispensable minimum." But even by taking a 52-week year, the achievement of the mining industry has been far more favourable than there was any right to expect from the summer output, which showed a bare increase of 1½ million tons. In 52 weeks, total output has reached 196.6 million tons (of which 186.4 million tons is deep-mined and 10.2 million tons opencast) compared with 188.6 million tons for the corresponding weeks of 1946 (179.8 million tons deep-mined and 8.8 million tons opencast). Output has not scored a bull's-eye; but at least it qualifies for an "inner."

There is a disposition in some quarters to think that the coal problem has been solved by the efforts of the National Coal Board in its first year. It is doubtful if the Board shares this optimism. The chairman has observed that "with 1947 behind us, we can say that we have begun to turn the corner." Improvement in manpower, reduced absenteeism, increased output per manshift and, at long last, the resumption of coal exports on a modest but growing scale—all these provide ground for relief and thankfulness. But full-blown optimism would have to disregard some other cautionary signs like transport difficulties, shortage of equipment, and the advent of "bear" weeks in the New Year, with their aftermath of holidays, bad weather, illness and absenteeism. The test of the miners' capacity for sustained effort will come in the difficult weeks which lie ahead.

Nevertheless, the improvement in output has occurred during the first year's operations of the Coal Board—a body which few observers envied this time last year. How much credit does the Board deserve? It is obvious that output would not have recovered without the improved industrial relations, the increase

in recruitment and the extension of mechanisation which followed the transfer to public ownership. At the same time, the Board owes a good deal to private ownership for the efficiency of such pits as Comrie, and for new projects, such as the new sinkings at Rothes and Calverton. Its declared policy is to continue and extend schemes of this sort and to raise the general standard of efficiency in the industry. Even its harshest critics will admit that the Board has a sound technical blueprint for reconstruction in the Reid report, though it is doubtful whether it has had a chance to do much thinking about long-term development. In any event, shortages of manpower and materials stand in its way at present.

The main problem of the Board in working out its production programme is to strike the right balance between the urgent needs of the present and the best shape for long-term development. It has to decide how far it can concentrate on schemes which yield quick results in increased output, without running the risk of doing too little development work for the future. To some extent, the manpower required for necessary and overdue development projects can only be provided at the expense of immediate output. The Board is faced with precisely the same dilemma which confronted the official planners when they drew up the programme of capital cuts for 1948. It is trying—let us hope successfully—to pursue a middle course, so that its programme for 1948 can recognise the urgent demand for immediate output, and at the same time foster the advance of long-term projects on which future efficiency depends. The Board is concentrating in 1948 on measures for improving mechanisation, the marketing and preparation of coal, and increasing the industry's manpower. The prospective increase in the installation of coal cutters and conveyors in 1948 shows a useful expansion. Radical improvements in underground haulage—the weakest feature of British mining—will have to

await the completion of major reconstruction schemes, but the Board intends in the meantime to bring in 155 new locomotives, compared with 28 in 1946 and 77 in 1947. The experimental introduction of fluorescent lighting at Chislet in Kent has been so successful that it is to be extended to other collieries. The development of drift mining from shallow seams, which has only become possible with the abolition of artificial colliery boundaries, should yield results fairly quickly. In all, 50 or 60 projects for drift mining are on foot, and they should eventually add about 4 million tons a year to output. Output per manshift at some Scottish drift mines is three times the national average.

The Board has set itself the very ambitious manpower target for 1948 of 750,000 men. Since the 1947 target of 730,000 men was missed by 11,000, a figure of 750,000 for 1948 seems impossibly high. But there should be some compensations. The abnormal wastage of labour through the withdrawal of "Bevin boys" will not recur, and the labour force should become more stable and rather more balanced in its age composition, though the average age of the miners will still be high. During 1947, 90,000 men entered the industry (compared with 76,000 in 1946 and 48,000 in 1945) and there was a net increase in the labour force of 26,000. Now that the miners have withdrawn their objections to the employment of foreign labour, the absorption of Poles and Displaced Persons should be more rapid, despite the difficulties of training and housing. The main object now should be to increase the low proportion of productive to non-productive workers, which is only 25 per cent compared with 70 per cent in the United States—a margin too wide to be explained by differences in technical conditions.

In its plans for increasing production, the Board may come up against real conflict between the interests of production and labour. This conflict was typified in the controversy over the five-day week, which was pushed through by Mr Shinwell against the advice of the Board's advisers on production. Subsequent events have shown that the experts' views were right; after many weeks of low output in the summer, the production figures were only rescued by the overtime agreement, and this expires at the end of April. Other difficulties may arise in the concentration of production at the most efficient pits. Concentration has not been pressed to the fullest extent, because of lack of housing and of suitable employment for miners' wives and daughters. Such physical and social factors may impede the transfer of labour from the dying Lanarkshire coalfield to the richer coalfields of East Fife, which is not in the Development area. The Scottish plans to raise output from 6½ million tons in 1946 to 12 million tons by 1956 rest on the solution of this problem of distribution of manpower.

The main criticism of the Board, heard both inside and outside mining areas, is that its administration is over-centralised. Many mining managers complain that the chief consequence of

nationalisation is an increase in their paper work, that discipline has been weakened, and speed of decision slowed down by reference to divisional headquarters or to London. The dangers are recognised by Lord Hyndley's assurance that decentralisation will be pushed to the limit, compatible with safety. In theory, at any rate, so long as they conform to national policy, which must be laid down centrally, individual divisions and areas are given considerable responsibility and financial autonomy. For example, each division has been given the task of preparing reconstruction programmes, which will be collated, but not directed, by the planning authorities at headquarters. But there are risks as well as advantages in decentralisation. It is doubtful whether the Board should leave effective decisions on the crucial question of reconstruction to the separate divisions. Local enterprise is admirable, but local ambition could produce too much coal at the wrong places. Only the Board can decide, from its knowledge of divisional costs and its estimates of prospective demand, which the right places are.

Reforms, necessary though they may be, have to be paid for. Already the price of coal has been twice increased since nationalisation, through concessions on hours and wages, making an average increase of 26s. a ton since 1939. The Board has denied that its decision to increase the price of export coal by 25s. a ton will deter foreign purchasers. This may be true in the present coal-hungry sellers' market, but sooner or later, British coal will have to face competition from the Ruhr and Polish production, while British industry, whose costs are directly affected by coal prices, will have to compete in a buyers' market with other countries whose coal costs less. The Coal Board is entitled to its modest fanfare to celebrate increased production. But its reticence about costs and prices is remarkable. There is no indication that drastic measures are planned to attack rising costs. The review of coal prices and the reclassification of supplies which it has promised may restore some sense to the coal market, but they will not necessarily mean lower prices. In particular, the problem of a uniform national price for a given quality, which masks differences of production costs in different regions and has a direct bearing on industrial location, will have to be seriously tackled.

Hopes that rising costs will be offset by rising productivity have yet to materialise. Since the Board's report omits any reference to policy regarding prices and costs, it must be regarded merely as an interim statement. The financial report cannot be expected before the spring, and is not likely to make cheerful reading. It will not be long before "Coal at any price" gives way to the more normal slogan of "Coal at the right price." In the long run the Board will be judged as much by its price policy as by its achievements in production. Its major task over the years is to provide enough good and cheap coal. And 1948 will be none too early to get down to it.



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months that the upward movement has been strongly resumed. Yet the average level of resources at the banks' command during the year—and it is averages, not net changes, which matter from the earnings' standpoint—has risen from £5,097 million for 1946 to £5,624 million for the first eleven months of 1947. In net deposits the average has risen by no less than 10.4 per cent.

actually a bigger increase than that for 1946 compared with 1945. In other words, the banks have had for a full year the benefit of the huge creation of deposits which Mr Dalton engineered in 1945-46—and of some additional deposits besides. The trend of investment holdings, moreover, shows a broadly similar pattern. Although the total portfolio has risen since end-1946 by only £73 million (in contrast with £193 million during 1946), the average holding for the eleven months has been £128 million (or nearly 10 per cent) above the 1946 average. Even more noteworthy, from the point of view of earnings, has been the improvement in advances business. The expansion in outstanding advances this year has been £215 million, compared with £166 million during 1946; but this year's increase in the average level of advances, as the accompanying table shows, has been almost twice that for 1946. Whereas previously the total had on only a few occasions touched £1,000 million, this year it has moved rapidly beyond that figure to nearly £1,200 million, and has averaged almost £1,100 million.

* * *

Bigger Gross Earnings

Although the banks have extensive inner reserves from which to provide for investment depreciation (their immunity from EPT, largely attributable to the heavy but undisclosed capital profits realised during the base years, is incidentally a clue to the size of these reserves) they are likely to show a much livelier interest than usual in the level of the gilt-edged market on balance-sheet date. If only for that reason the fruits of last year's big growth in the principal earning assets are unlikely to be discernible in the published profit statements. The gain in gross income, however, must have been substantial. Not only has there been this large increase in average deposits, but no less than 41 per cent of these additional resources has been employed in advances, and an additional 25 per cent in investments. The average ratio of advances to total deposits has thus risen from 17.4 per cent during 1946 to 19.5 per cent, while the combined ratio for advances and investments has been 45.7 per cent, compared with 43.8 per cent for 1946.

Investment depreciation and the continuing rise in costs are, of course, substantial adverse factors. But, these apart, the banks now have the best structure of assets from the point of view of current earnings that they have known since war finance first began to distort the traditional pattern. They are also finding in the miscellany of services to overseas trade a rapidly rising source of income. Some idea of this expansion can be gleaned from the movement of the omnibus item now so inaccurately described as "acceptances" (for actual acceptances form only a tiny proportion of the whole) which for nearly twelve months now has stood at the almost unprecedented level of well over £200 million, compared with less than £100 million when the war ended.

* * *

Retaliation in Jute

The Government of India has replied to Pakistan's imposition of an export duty on raw jute crossing its land frontier by levying a similar export duty on raw jute and on jute manufactures going from India to Pakistan. Measures are also being taken to ensure that adequate supplies of raw jute are kept within India. These measures have not yet been specified, but they may entail smaller export quotas of raw jute from Calcutta, or an increase in the sea-borne export duty, or a further expansion of jute production within the Dominion of India. The Indian Government's action is clearly retaliatory, in an attempt to induce Pakistan to come to an "amicable settlement." There are ample grounds for such a settlement and it is regrettable that one has not already been reached.

Pakistan's original move to levy an export duty undoubtedly had an eye on revenue needs—particularly the need for foreign exchange, which in the case of jute accrues in Calcutta. India had refused to pool and share the Customs revenue from jute exports during the first six months of partition, and Pakistan's imposition of an export duty was an attempt to force agreement by using its only trump card. India showed a very generous lead in the recent financial negotiations, and it was no doubt expected that Pakistan would reciprocate over jute. But that reciprocity is evidently not forthcoming. The Dominion of India is increasing its jute acreage and hopes to double it within a few years, so that the Calcutta mills would no longer be dependent on Pakistan supplies. Meanwhile, the Indian mills can only be fed by Pakistan jute, but it becomes daily more difficult for the Dominion of India to suggest a compromise, particularly one

which would involve the sharing with Pakistan of the Customs revenue and foreign exchange earnings from jute.

One consequence of the Pakistan export duty is a rise of £18 a ton in all British prices for raw jute. The price for the Daisee group has increased from £70 10s. to £88 10s. a ton, ex warehouse. All jute yarns have advanced by nearly £19 a ton—or a little over 2d. a lb., but no new prices for jute cloth have yet been specified. The home issue price for raw jute has for some time been below the Calcutta market quotations and the present rise not only allows for the new tax of £6 5s. a ton, but also brings the British price more into alignment with that in Calcutta, which for the week ending December 20th was £92 a ton (Daisee 2/3—good marks) for shipment c. and f. Dundee.

* * *

Devaluation Talk in France

The financial reform in France is making slow but steady progress. The anti-inflationary programme of M. Mayer suffered severe buffeting at the hands of the National Assembly, but most of the damage it suffered in the lower house has been made good by the Council of the Republic. The proposed special levy which had been considerably attenuated by the National Assembly has been brought back to the original design of M. Mayer. It will apply to all income over Frs. 450,000 (the National Assembly had raised the minimum to Frs. 750,000) and its incidence on the all important agricultural community will be broadened again so as to bring within its scope some 800,000 farmers, or double the number proposed by the Assembly. While re-tightening the general design of M. Mayer's plan, the Council of the Republic has offered some constructive amendments, including a proposal to overhaul the management methods in the nationalised industries. The losses being incurred in the nationalised sector of the French economy represent one of the principal drains on the budget.

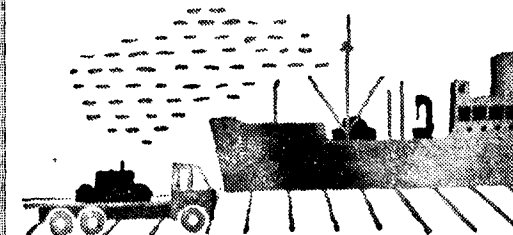
The problem of the currency is still being discreetly avoided. Evidence accumulates of the glaring and growing overvaluation of the French franc in the exchange market. The most telling symptoms are the continuing deficits of the French balance of payments with other European countries. These have reached points at which France is being called upon to meet in gold any further debts to countries like Switzerland and Belgium. The French authorities, however, are convinced that the moment is far from propitious for an outright devaluation. Such a step, they argue, should only be taken when confidence has been restored in the currency; otherwise it will only aggravate the very difficulties from which France is suffering. The justification for an overvalued currency is also pleaded on the ground of the inevitable need for substantial imports into France. At the same time the urgent need for getting French export prices and costs into line with these of competitive countries cannot be disregarded. There are suggestions from Paris that the reconciliation between these clashing interests may be found by one of the various devices of underhand devaluation for which countries like Italy and Greece have recently set interesting precedents. Any such development, which would allow French exporters in a free market to sell either the whole or part of the proceeds of their sales abroad, would raise the question of France's obligations to the International Monetary Fund. Unlike Italy, France has notified an agreed parity to the Fund and would, therefore, find it more difficult to justify a *de facto* devaluation, or "devaluation the funny way" as it is now referred to in high quarters.

* * *

The Fund and the Lira

On the occasion of the recent devaluation of the lira, the International Monetary Fund issued an interesting justification of Italy's action. After pointing out that in common with eight other members, Italy has not agreed a par value for its currency with the Fund, the IMF statement describes the procedure under which Italian exporters now sell the proceeds of their foreign sales in the free market and then makes the following comment on the system:

Arrangements which, in fact, result in fluctuating exchange rates are not in accord with the long-term objectives of the Fund. The Fund recognises, however, that in some cases members may be required, for temporary periods, to institute extraordinary measures in an attempt to meet particular difficulties. The Fund will look on such measures for temporary periods with sympathy. In the case of Italy, the Fund feels sure that the Government is in agreement with the long-run purposes of the Fund and will, as soon as possible, move towards the establishment of fixed and stable exchange rates. The modifications in their exchange pro-



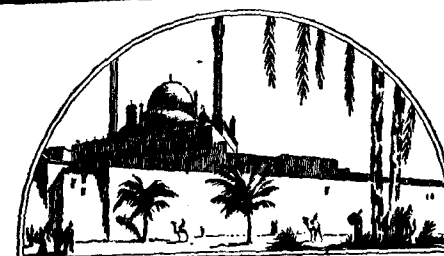
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cedure instituted by the Italian Government bring the actual rate of exchange of the lira to the dollar nearer to the equilibrium of the internal and external price levels. They thus encourage Italy's ability to export. They narrow the gap between effective buying and selling rates and eliminate previous discrimination among different classes of commodity imports and exports.

Other countries may be relied upon to take note of this special pleading which, with due adjustments could be made to fit many unilateral decisions to change effective rates of exchange.

Ups and Downs in Short Bonds

The reports of the leading discount houses shortly to be published will survey a difficult, not to say an anxious, year in Lombard Street. The market's turnover has certainly been the greatest in its history, thanks to the 1946-47 wave of capital expansions which accompanied Mr Dalton's cheap money drive. But at times in 1947 the market must have felt that the new capital which it was raising was destined to plunge it into losses instead of providing for yet another increase in its profits. Necessarily, in some instances, the bonds for the financing of which the new issues were sanctioned must have been acquired near the top of the market; and at the year's worst the securities of interest to Lombard Street stood between 3 and 6 per cent below their peak levels. Since then the short bond market has enjoyed a significant recovery, and on balance the year's depreciation on the relevant securities ranges from about 1 per cent for the shortest bonds to rather more than 3½ per cent (on the 2½ per cent National War Bonds 1952-54, whose life is rather longer than is appropriate for the main bond business of the money market).

For businesses which are highly geared and which work on narrow margins, even a depreciation of no more than 1 per cent represents a material loss. On the other hand, since the rise in bond yields has not been accompanied by any perceptible rise in the cost of the short money on which the bonds are financed, the slump in gilt-edged has brought an important compensatory advantage to the market, whose running margins are now very comfortable—even if the bond yields are calculated to the earliest redemption date.

Partly for this reason, it is hard to guess where the balance of gain and loss lies. Obviously, the experience of different members of the market will vary widely, according to the extent of jobbing profits, the structure of the portfolio, and to whether the main expansion occurred early or late in the cheap money drive. At one extreme are the big houses, with their tradition of conservative accounting, which had been piling up large inner reserves through the whole cycle of rising prices and large jobbing profits. At the other extreme are some of the smaller houses, which had only modest reserves and have expanded their portfolios very rapidly in the past two years.

If, however, the effects of inner reserves and of income-tax complications are left out of account, a rough guide to the year's experience can be obtained by comparing the year's net depreciation and financing costs with the gross yield on particular securities. For example, the year's depreciation on 1½ per cent Exchequer Bonds is 1½ per cent and the average cost of bond money is about 1½ per cent. Hence, in this case, the total "cost" of running the bond through the year absorbs the whole of the gross interest return. On the 2½ per cent National War Bonds, 1949-51, a similar computation shows a net profit margin of about ½ per cent, but on the 1951-53 and 1952-54 issues there would be net losses of a little more than 1 and 2 per cent respectively.

These examples demonstrate how important it is for the discount houses to keep their portfolios short. If a house had been so rash as to put half its portfolio into the 1952-54 issue (which none would dream of doing, because these bonds are too long to be acceptable to the authorities) it would have made a loss, on this account alone, equal to 8 per cent of its total capital resources (inner reserves included)—assuming a ratio of eight-to-one between bond portfolios and capital resources. In fact, the market's portfolios have become progressively shorter during this difficult year, and probably four-fifths of the total comprises the two shortest issues mentioned above, one of which shows a nil return and the other a modest surplus. This, on the same basis of calculation and again taking an eight-to-one ratio, would roughly compensate the net losses on the longer bonds.

It should be emphasised that these are purely theoretical calculations; but they suffice to indicate the extent to which the market this year has had to depend for its profits upon its jobbing

margins and its shrewdness in dealing. These, however, should have ensured a fair surplus from bond business as a whole, without taking account of the fact that many houses will have written down their portfolios substantially out of the profits of previous years, and thus in effect will have augmented this year's true profits by drafts on inner reserves.

Foreign Bond Activity

Michaelmas has been a season of good cheer in the foreign bond market. Following the pre-Christmas revival of interest in Japanese issues, this week has seen an advance in Chilean Government bonds and a sharp rise in the Peru National 6 per cent issue. On his return from Japan, after his visit as a member of a British parliamentary delegation, Mr William Teeling revealed that the Finance Minister of Japan informed him that there would be a full payment of all accrued interest on Japanese bonds following the signing of peace with the United States. Furthermore, Mr Teeling had it confirmed by bankers and others that the rate of interest would not be the same as that paid at the outbreak of war, although the actual rate had not yet been decided. This disclosure in a letter to the press had been preceded by a revival in sentiment in this market on the view that United States assistance to Japan would possibly be extended as a result of the breakdown in the London conference of Foreign Ministers. The rise in prices of Japanese bonds that has ensued has been accentuated by a shortage of stock in the market and most of the issues have appreciated by around 20 per cent since the improvement began.

The advance in Chilean bonds seems to have been engendered by the recent visit of Chilean Government representatives to London for conversations with the Council of Foreign Bondholders, in order to revise the arrangements for the service of the debt. The market has taken seriously the suggestion that Chile intends to consolidate its debt but following the announcement that the interest payment on the bonds would be cut from £1 8s. 3.6d. per cent for 1946 to £1 0s. 7.10d. for 1947, prices of all issues reacted sharply. In the case of the two outstanding sterling bond issues of Peru, the 6 per cent bonds and the Provincial Council of Lima Municipal Loan 1911, an offer has been made by the Government of Peru to exchange them into new External Sinking Fund dollar bonds at the rate of \$4 principal amount of new bonds for each £1 principal amount of sterling. The new bonds are redeemable on January 1, 1997, and carry interest at a progressive rate after 1997 and 1998, for which years interest payments will be at the rate of 1 per cent, increasing to 3 per cent in 1953 and subsequent years. Prior to the announcement of this offer, the Peru National 6 per cent issue rose from 20 to 27, but reacted to 25 on the disclosure that the interest on the loan in the near future would be at a reduced rate.

Freight Rates Increased

The sharp rise in freight rates for deep-sea tramps agreed by the Ministry of Transport for controlled voyages beginning on New Year's Day has come as a surprise to many people who have examined the recent trading accounts of shipping companies with an envious eye. These are difficult, at first sight, to relate to the complaints of shipowners of increasing delays in ports, increasing operating costs and high costs of new ships. But recently published accounts reflect, of course, the results of voyages and trading completed many months ago. Since then, freight rates have remained fairly steady while operating costs have been mounting progressively. The decision of the National Coal Board to raise the price of UK coal bunkers by some 25s. per ton, though it may be justified in an export context, is the latest example of increased costs which shipowners must face in 1948.

The full schedule of revised freight rates has not yet been completed, but preliminary figures given for some of the principal trades show that the Ministry considers an average rise of about 7 or 8 per cent to be justified. Grain from the Plate, for example, is now rated at 86s. 6d. instead of 81s. and sugar from Cuba at 76s. instead of 70s. 6d. The rise in the cost of coal is partly offset for certain trades by the mere fact of its availability in United Kingdom ports. For a long-time coal-burning ships engaged on the Plate round have not been allowed to take on more than 500 tons—enough to steam as far as the Atlantic Islands, where they have been compelled to take on enough for the remainder of the round voyage at prices ranging from 123s. a ton at St. Vincent to about 147s. in the Plate. For the North Atlantic voyage ships have been able to coal in America for \$10 to \$12

a ton, but the necessity for coaling there for the round voyage has compelled them to exclude cargo and, therefore, to lose freight. The most serious effect of the increased coal costs will be felt by short-sea traders who have been accustomed to coaling at the 1947 domestic prices, and many of these may prefer to buy inferior Polish coal at about 58s. a ton, if it becomes available, as it may.

The heaviest increases in costs promised for 1948 will be borne by oil-burners, for the non-renewal of bunkering contracts means that ships will probably have to pay some 25s. extra per ton, and fuel costs form a large percentage of total outlays. But bunkering costs are by no means the only problems that 1948 will bring. Port dues everywhere are being increased. Stevedoring and towage charges are higher. Pilotage rates in the United Kingdom rose by 60 per cent on January 1st. Turnround of ships is slow everywhere, not only in Britain, where the Ministry of Transport has had a working party examining the problem for some time. The port of Beira is a notorious example, and Australian and New Zealand ports are among the worst offenders. Even the cost of dunnage, bags or shifting boards for grain is reaching unprecedented heights; in some ports even the materials are unobtainable, and full cargoes cannot be carried. The working details of ship management do not usually reach the public ear, largely owing to the traditional reticence of shipowners. But it is reasonable to assume that the Ministry's advance in schedule rates is not designed to shelter shipowners merely from high coal and oil costs.

Cotton Workers' Wages

This month, important groups of workers in the cotton spinning industry will get substantial improvements in wages, following an agreement reached just before Christmas. Operative spinners and their assistants will get 10s. a week more, bringing the flat rate payment, over and above piece rates, to 36s. a week. Juniors will get an increase of 5s. a week. These increases, it has been emphasised, are an interim measure, pending a final settlement on the Evershed proposals, which were made over two years ago. About 50,000 operatives in card, blowing and ring rooms will also get increases, following negotiations and investigations lasting more than a year. The agreement is highly complicated, but it can be said to represent a first step towards the rationalisation and simplification of the wages structure, as recommended by the Evershed committee. It should mean the operation of more looms per worker and the employment of men on machines hitherto reserved for women.

Encouraged by the example of the spinners, the weaving section of the industry has decided to press for wage increases, though no amount has been specified. Their claim, which is being discussed this week, will affect about 125,000 operatives. A separate committee is investigating the complicated wage structure in the weaving section, under the chairmanship of Mr Moelwyn Hughes, KC, but the unions are not apparently prepared to wait for its findings.

It is too early yet to form any estimate about the additional cost to the wages bill of the increases granted and proposed. But obviously they must add considerably to the cost of production, and already the Master Spinners have asked for wider profit margins to meet the rising costs. These increases will lead to higher prices for cotton goods (thus enhancing the effect of the withdrawal of the subsidy on utility products) and will hamper the industry's ability to compete in export markets—unless they evoke a substantial increase in the labour force and higher productivity.

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Christmas Currency

The Christmas Eve bank return became available only after last week's issue of *The Economist* went to press, but the movement of the note circulation in the final week before the holiday conformed exactly to the forecast in these columns a fortnight ago. Once again the week's net efflux of currency, at £5,300,000, was equivalent to only about one-half the corresponding movement in 1946. Thus the total note circulation at the Christmas peak, at £1,368.4 million, was £60 million below the record figure touched twelve months earlier. The total seasonal drain of currency, measured from the low point reached in November, was only £27.9 million—by far the smallest figure since the second Christmas of the war. Indeed, if the expansion is expressed as a percentage of the total circulation—which is the rational method of comparing changes in seasonal demands—this year's movement must be one of the smallest ever recorded. As the accompanying table shows, it is much smaller than any comparable movement during the past eighteen years. It is evident, too, that the special influences upon the note circulation are still operating at least as strongly as they were before the holiday. In the three and a half working days after Christmas, no less than £18.7 million of notes returned from circulation, in contrast with only £6.6 million in the similar period a year ago.

CHRISTMAS CURRENCY DEMANDS

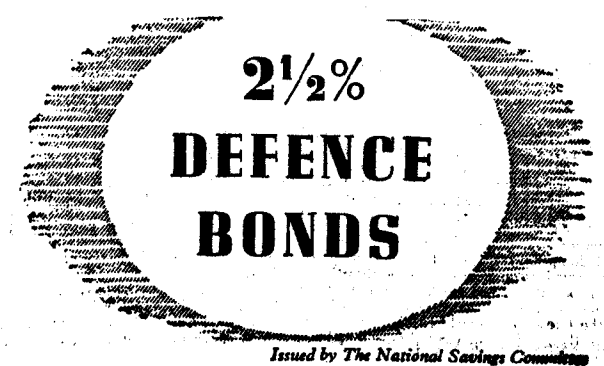
	Pre-Xmas "Low"	Xmas Peak	Post-Xmas "Low"	Actual Seasonal Expansion	
	£ Million	£ Million	£ Million	£ Million	%
1930-31.....	351.1	379.7	344.1	28.6	8.1
1931-32.....	354.4	370.0	344.9	15.6	4.4
1932-33.....	387.8	371.2	356.3	13.4	3.8
1933-34.....	367.5	392.0	364.7	24.5	6.7
1934-35.....	376.9	405.2	373.3	28.3	7.5
1935-36.....	398.9	424.5	394.9	25.6	6.4
1936-37.....	444.9	474.1	450.4	29.2	6.5
1937-38.....	480.4	509.3	473.2	28.9	6.0
1938-39.....	476.1	504.7	471.9	28.6	6.0
1939-40.....	527.0	554.6	522.8	27.6	5.3
1940-41.....	592.7	616.9	598.4	24.2	4.1
1941-42.....	706.7	751.7	748.6	45.0	6.4
1942-43.....	870.0	923.4	908.1	53.4	6.2
1943-44.....	1,019.0	1,088.7	1,067.3	69.7	6.8
1944-45.....	1,180.4	1,242.0	1,215.7	61.6	5.2
1945-46.....	1,324.6	1,379.9	1,322.6	55.3	4.2
1946-47.....	1,363.4	1,428.2	1,364.5	64.8	4.8
1947-48.....	1,340.5	1,368.4	...	27.9	2.1

The causes of this abnormal experience have already been sufficiently discussed in these columns. But despite this change in the trend of currency demands, the note circulation still shows a larger increase over its prewar level than is the case with bank deposits. By the last wartime Christmas the total note circulation was 144 per cent above its level at end-1938, whereas over the same period (taking November figures) net bank deposits showed an increase of only 95 per cent. Since then, however, the disparity between the two series has substantially narrowed. Since 1944 the note circulation has expanded by no more than 10 per cent, whereas bank deposits have risen by 31 per cent, making the respective increases, by comparison with 1938, 169 per cent and 155 per cent.

Nine Months' Revenue

The Revenue return for the third quarter of the financial year, which in normal times affords an important clue to the shape of the forthcoming Budget, is this time of little significance from this point of view. But it shows that the large "book" surplus for

Take every advantage of this attractive investment



which Mr Dalton budgeted last April is likely to be comfortably achieved. Even after the November Budget, the estimated increase in ordinary revenue for the full year was no more than £158 million, yet already—in the first nine months—there has been an expansion of £329 million. Ordinary expenditure seems to be keeping close to estimate. The April Budget provided for a reduction for the full year of £719 million, or 18.4 per cent; in the first nine months there has been a decline of £517 million, or 19.3 per cent. As the following table shows, the ordinary surplus for the nine months is equivalent to almost 80 per cent of that now estimated for the full year—although the principal tax-gathering season is only just opening.

	£ mil.		Estimates for Full Year 1947-48	
	Nine Months to Dec. 31	1947	April Budget	Nov. Budget
Ordinary Revenue....	2073.7	2409.1	3451.0	3499.0
Ordinary Expenditure	2681.4	2164.1	3181.4	3191.1
Surplus or Deficit....	-601.7	+245.0	+269.6	+307.9

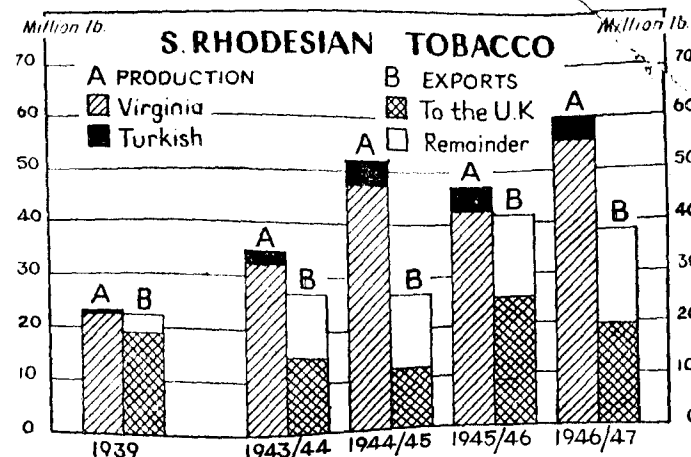
Unfortunately, virtually the whole of this surplus of £245 million is attributable to the expansion in nominal or non-recurring items of revenue. A very large proportion of the credits which Mr Dalton proposed to "claw back" from unspent votes has already been brought into the account, and miscellaneous receipts show an expansion of no less than £167 million on the corresponding period of 1946. Surplus stores, which were expected to provide £60 million less in the full year, have already yielded £31 million more; indeed the nine months' yield, at £133 million, has actually surpassed the year's estimate by £38 million. Among the main sources of revenue, the most striking performance has been that in customs receipts which, despite the cuts in imports, already show a gain of £133 million—£11 million more than was expected in the full year. Below-line expenditure has been heavy: EPT refunds, war damage payments and postwar credits have absorbed £283 million, while £208 million has been provided for housing and loans to local authorities.

Rhodesian Tobacco Supplies

Southern Rhodesia is planning an impressive expansion of its production of flue-cured tobacco—a timely gesture in view of Britain's stop on the purchase of American supplies. Yet the new target of 70 million lb. a year compared with 55 million lb. in 1946-47 is less than a quarter of Britain's annual tobacco imports from America—approximately 300 million lb.—and not all of the Rhodesian crop will come to Britain. American tobacco

has already been included in the interim aid programmes for France, Italy and Austria and it is conceivable that it might also be included as an item of Marshall aid for Britain. Failing that, British tobacco manufacturers will have to rely almost entirely on Empire supplies, mainly from Southern Rhodesia.

Rhodesian production has developed considerably since 1938, and in 1946/47 it was more than two and a half times the prewar level. The crop consists largely of flue-cured Virginian type, suitable for the British market, but Turkish production, although still small, has also increased. Of the 55.8 million lb. of Virginian tobacco produced this season, 55 million lb. was flue-cured. The expansion in total exports has not been matched by any proportionate increase in shipments to the United Kingdom; in fact these have shown remarkably little change. Before the war, Britain took 84 per cent of Rhodesia's tobacco exports but in 1946/47 only 51 per cent. The growers maintain that during the



war, there was always more tobacco of a type suitable for the British market available than United Kingdom merchants and manufacturers were prepared to buy. Britain's purchases in the past have apparently been limited by blend specifications, and by the inclusion of American tobacco as a lend-lease item.

A delegation from the Southern Rhodesian Tobacco Marketing Board has lately discussed the expansion of supplies with British tobacco manufacturers. Britain has agreed to buy two-thirds—or 47 million lb.—of the planned annual output of 70 million lb. of flue-cured tobacco in suitable grades for the United Kingdom market over the next five years, compared with purchases in the current season of about 30 million lb. Consultations are to be

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Decca Records; Birmingham Small Arms; Singer Motors.

Prices, Year 1947		Name of Security	Price, Dec. 17, 1947	Price, Dec. 31, 1947	Net Yield, Dec. 31, 1947	Gross Yield, Dec. 31, 1947	Prices, Year 1947		Last Two Dividends			Name of Security	Price, Dec. 22, 1947	Price, Dec. 31, 1947	Yield, Dec. 31, 1947	
High	Low						High	Low	(a)	(b)	(c)					
Other Securities																
103½	100½	Conversion 3½% March 1, 1948-53	101½	101½	£ s. d.	£ s. d.	113½	99½	%	%	(d)	(d)	Australia 3½% 1965-69	103½	102½	£ s. d.
103½	100½	War Bonds 2½% August 1, 1949-51	101½	101½	0 12 0	0 13 2	105½	89	(d)	(d)	(d)	(d)	Birmingham 2½% 1966-71	94	94	2 17 7
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 10 5	2 5 3	102	100½	(d)	(d)	(d)	(d)	Argentine 3½%	101	101	3 10 6
105½	98½	War Bonds 2½% March 1, 1951-53	101½	100½	0 9 5	2 10 6	150½	113½	40 c	50 c	(d)	(d)	Anglo-American Corp. 10s	143½	145½	3 9 0
105½	97½	War Bonds 2½% March 1, 1952-54	100½	100½	1 6 1	2 10 6	232½	118½	5 a	25 b	(d)	(d)	Anglo-Iranian Oil Co.	165½	167½	3 11 6
108½	101½	War Loan 3½% (after Dec. 1, 1952)	103	102½	1 7 4	2 18 11	80½	56½	10 a	15 c	(d)	(d)	Assoc. Port. Cem. Ord. Stk.	71½	77½	3 17 5
106	97½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 7 5	2 11 0	42½	25½	40 c	40 c	(d)	(d)	Austrian Motor 'A' Ord. Stk.	36½	38½	5 4 1
106	99½	Funding 2½% June 15, 1952-57	100½	101	1 8 2	2 12 11	95½	73½	7 b	7 a	(d)	(d)	Barclays Bank 'Ord. 'B' £1	80½	81½	3 8 9
108½	99½	National Def. 3½% July 15, 1954-58	101½	101½	1 8 10	2 16 5	245½	167½	15 a	120 b	(d)	(d)	Bass Ratcliffe Ord. £1	192½	195½	2 11 3
109½	99½	War Loan 3½% Oct. 15, 1955-59	102	101½	1 11 6	2 19 11	58½	40½	8 a	21 a	(d)	(d)	British Oxygen Ord. £1	103½	103½	3 17 3
108½	97½	Savings Bonds 3½% Aug. 15, 1955-65	101½	101½	1 12 2	2 15 6	30½	22½	9 a	8 c	(d)	(d)	Courtaulds Ord. £1	44½	45½	3 7 6
105½	98½	Funding 2½% April 15, 1956-61	97½	97½	1 11 10	2 19 0	36½	32½	4 a	2 a	(d)	(d)	Cornwall Long Ord. £1	29½	30½	8 6 6
103½	98½	Funding 3½% April 15, 1959-69	101½	101½	1 11 10	2 19 10	81½	57½	12 c	15 c	(d)	(d)	Dunlop Rubber Ord. £1	77½	79½	3 15 6
122½	109½	Funding 4½% May 1, 1960-90	117½	112½	1 3 6	2 17 10	55½	49½	7 b	6 a	(d)	(d)	Imp. Chem. Ind. Ord. Stk. £1	52½	53½	3 15 6
110½	97½	Savings Bonds 3½% Sept. 1, 1960-70	100½	101	1 12 6	3 0 0	49½	39½	10 c	10 c	(d)	(d)	Laurel Cotton Ord. Stk. £1	48½	48½	4 2 1
104½	97½	Savings Bonds 2½% May 1, 1964-67	94½	95½	1 13 8	2 16 10	57½	45½	5 c	10 c	(d)	(d)	Lever & Unilever Ord. £1	55½	55½	3 12 0
123½	109½	Victory Bonds 4½% Sept. 1, 1920-76	113½	114½	1 5 8	2 19 6	77½	48½	10 c	12 c	(d)	(d)	London Brick Ord. Stk. £1	60½	60½	4 3 4
111½	96½	Savings Bonds 3½% Aug. 15, 1965-75	100½	101½	1 12 4	2 19 9	84½	73½	(a)	(d)	(d)	(d)	L.M.S. 4½% 1st Pref. Stk.	82½	82½	4 17 0
117½	106	Consols 4½% (after Feb. 1, 1957)	109½	108½	1 4 11	2 19 0	36½	32½	4 a	2 a	(d)	(d)	N. Eastn. Elec. Ord. Stk. £1	35½	35½	4 0 0
115½	102½	Conversion 3½% (after Apr. 1, 1961)	105½	105½	1 10 9	3 2 6	68½	47½	20 b	10 b	(d)	(d)	P. John 'Nelson' Ord. Stk. 10s	63½	65½	4 4 6
100½	80½	Treas. Stk. 2½% (after Apr. 1, 1975)	82½	81½	1 13 9	3 2 8	39	29½	169-58c	17 c	(d)	(d)	Prudential 'A' £1	58½	59½	2 3 0
110½	95½	Treas. Stk. 3½% (after Apr. 5, 1966)	99	99	1 14 10	3 2 6	63½	44½	12 c	12 c	(d)	(d)	Stewarts & Lloyds Def. £1	58½	58½	2 3 0
117½	97½	Redemp. Stk. 3½% Oct. 1, 1966-96	99	100	1 13 3	3 0 7	108½	74½	12 a	12 a	(d)	(d)	'Shell' Transp. Ord. Stk. £1	72½	77½	1 18 9
99	80	Consols 2½%	82½	81½	1 13 8	3 1 2	147½	108½	12 a	12 b	(d)	(d)	Tube Invest. Ord. Stk. £1	143½	145½	3 9 0
							96½	68½	12 a				Turner & Newall Ord. Stk. £1	87½	90½	3 6 8
							107½	71½	15 a				Woolworth (F.W.) Ord. 5s	91½	93½	3 14 10

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent. will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent. or less will be repaid at the latest date (marked 'f'). Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for redemption on March 1, 1948.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent. free of income tax. † Yield worked out on 15 per cent. basis. (A) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.). (B) To latest redemption date. — † Free of tax.

held each year to arrange the growers' programme five years ahead. If expansion of Rhodesian tobacco production is envisaged on a sufficient scale to replace on the British market the 300 million lb. hitherto purchased each year from America, a large development scheme would have to be instituted, including a native re-settlement plan. Even next season's expansion will involve great difficulty, for it will require 200,000 native workers; any long-term expansion in output will require not only additional labour but also increased curing and storage capacity.

Cotton Spinning Profits

The Lancashire Cotton Corporation is now reaping the first fruits of its modernisation programme. The full accounts of the Corporation for the year to October 31st show earnings on the ordinary capital of 27½ per cent compared with 17.7 per cent in 1945-46, a year in which trading revenue had to bear the cost of uneconomic production in the early stages of re-equipment. But the Board has no intention, for the time being, of passing the benefit of improved trading on to the ordinary shareholders whose dividend remains unchanged at 10 per cent. In justification of this policy the chairman has rightly said that it would be wrong to compare trading margins today with those of "the unfortunate past between the two wars" for it is necessary to bear in mind the new capital requirements for additional re-equipment, the need for adequate depreciation allowances and the interest burden to be carried on costly new plant.

Yet there is cause for satisfaction at the way in which the cotton industry, and the Lancashire Cotton Corporation in particular, is getting on its feet again, even though its post-war contribution to production and exports to date is far from what is expected of it in the future. Mr F. W. Tattersall, of Manchester, in an annual review of the cotton trade just published for 1947, indicates that the average profit of 73 cotton spinning mills for the year has been £14.058 per company compared with an average of £9.812 for 68 companies in 1946. The average dividend in 1947 for 108 concerns was 14.71 per cent compared with 12.56 the year before. This level has only been previously exceeded in 1907 and 1918-20—a statistical pointer for those who look to 1948 for an even better year in the cotton industry.

Shorter Notes

The agreement between the judicial managers of New Union Goldfields with Anglo-Transvaal Consolidated by which as from January 1, 1948, the judicial managers would hand over all secretarial, technical and management appointments to Anglo-Transvaal has been opposed in the courts by interests of the shareholders and creditors. In view of this opposition the South African Supreme Court has extended until February 10th the consideration of the application of the judicial managers to have the new agreement confirmed.

The International Emergency Food Council has made a "temporary exception" in its rule barring exports of rice to Europe. Britain has been allocated 24,500 tons, covering the first six months of 1948. This will be the first large-scale importation since 1944. In that year the consumption of rice for food in the United Kingdom totalled 80,000 tons, compared with 96,200 tons before the war. In 1946 consumption was only 6,700 tons; but in 1947 it rose slightly to over 8,000 tons.

The British contract price for Australian butter for the period July 1, 1947, to June 30, 1948, has been increased by £1 10s. to £10 3s. 6d. a cwt. The contract price for cheese has been raised by 15s. 6d. to £5 16s. 6d. a cwt.

Great Universal Stores have announced an offer to acquire the remainder of the preference and ordinary share capital of Polikoff, wholesale clothing manufacturers, following their recent acquisition of 41 per cent of the preference and 61 per cent of the ordinary capital. The offer is for an exchange of shares on the basis of two 5s. ordinary shares of General Universal Stores for every three 10s. preference stock units of Polikoff, holders retaining the right to the 8 per cent dividend payable on January 10th in respect of arrears of dividend up to June 30, 1939; one 5s. ordinary share in General Universal Stores is offered for every eighteen 1s. ordinary Polikoff stock units.

Ships Lanterns

Stern lanterns, lit by a great many candles, were useful for keeping station and were a means of computing direction and speed of other vessels. The Great Lantern carried by the "Sovereign of the Seas" (1637), "would hold ten persons to stand upright without shouldering or pressing one another."

THE "THREE CASTLES" CIGARETTES

20 for 3/8

MANUFACTURED BY W. D. & H. O. WILLS

Time marches on!

Midway between the Future and the Past, I can look back to bygone 1820. Today may be austere, but it won't last—Here's looking forward to the age of Plenty!

JOHNNIE WALKER

"MAXIMUM PRICES as fixed by The Scotch Whisky Association"

"Red Label" 31/- per bottle
"Black Label" 33/- per bottle

Born 1820—still going strong

TURNER AND NEWALL, LIMITED

INCREASED OUTPUT

GROWTH OF EXPORTS

MR W. W. F. SHEPHERD'S REVIEW

The annual general meeting of Turner and Newall Limited will be held, on the 22nd instant, at the Chartered Accountants Hall, Manchester, when it is expected that Mr W. W. F. Shepherd, the chairman of the company, will preside.

Mr Shepherd's statement to the stockholders has been circulated to them with the report and accounts and, after dealing with the accounts of the company, it contains a detailed review of the company's operations during the year to September 30, 1947, both at home and abroad. The following are extracts from the statement:—

It has been possible to increase somewhat the aggregate output from the Rochdale works of Turner Brothers Asbestos Company Limited during the past year. The number of workers available has improved, though it is still insufficient, and by various methods, some of a temporary and some of a permanent character, the volume of production has been raised independently of the size of the labour force. Improvement in output is expected to continue during the forthcoming year. The new factory at Hindley Green, which is to be operated by Turner Brothers Asbestos Company Limited for the purposes indicated in my report a year ago, is now actively in course of erection. Shortage of various types of building labour and some temporary deficiencies in material have resulted in slower progress than had originally been hoped, but production should not be delayed many months beyond the planned date. First priority will be given at the new factory to the production of rubber conveyor belting.

DEMAND FOR FERODO LININGS

Ferodo Limited has continued to experience during the past year a very substantial demand for its brake and clutch linings and other friction materials, and in spite of an enforced shut-down of production for some weeks early in 1947 as a result of coal shortage and lack of electrical power, its production was the highest ever recorded. The large building programme for expansion purposes is progressing satisfactorily, the extension of the building at Chapel-en-le-Frith in which Rubber V Belts are manufactured being completed, and the additional plant installed and in partial production. The output of such V Belts will be increased by more than fifty per cent. in the immediate future in comparison with the production capacity of a year ago.

The record production reached by Turners Asbestos Cement Company Limited principally arose out of increased efficiency of existing plant and methods, and has enabled the company to meet its obligations in regard to all Government-sponsored schemes, and yet to retain some balance to supply the more urgent demands of industry. One of the most welcome features during the year was the steady return of demand for "Everite"

asbestos-cement pressure pipes which, during the later war years, had been dormant owing to the impossibility of starting new water schemes in this country, and the difficulties of exporting this product to other countries owing to shipping restrictions. Throughout the year the plant involved in the manufacture of "Everite" pressure pipes has been occupied to the fullest capacity. It is important to realise that a very substantial portion of the output of pressure pipes is normally exported, and particular mention might be made of a large order which was booked, manufactured and despatched during the year for 45 miles of 12 in. and 15 in. diameter pipes for the water supply for the port of Jeddah in Saudi Arabia.

WASHINGTON CHEMICAL COMPANY

The Washington Chemical Company Limited has, during the year under review, been fortunate in that production was not affected to any considerable extent by shortage of electric power supply. Some difficulty has, however, been encountered as a result of the inferior quality and reduced quantity of coal obtainable, as the company is a very large user of this commodity. During the war a seawater magnesia plant was installed in order to produce synthetic calcined magnesite for Government purposes. This plant has now been turned over to peacetime production, with the result that the manufacture of magnesia of all grades has been substantially increased in volume.

Newalls Insulation Company Limited has been very active during the year in its normal sphere of contract work for heat, cold and sound insulation, both ashore and afloat, and the outstanding items in its current programme are in connection with the equipment of power stations, the treatment of new shipping tonnage, and the reconditioning of ships released from Government service. The company is also supplying substantial quantities of thermal insulation to oil fractionating plants overseas, and is co-operating with certain of the leading engineering companies in this country in the development of a new technique for thermal insulation as applied to gas turbines.

LARGER OVERSEA SHIPMENTS

It is pleasing to be able to report that our export trade from the United Kingdom has again increased significantly during the year. From all of our British factories whose products can be exported, the value of goods shipped overseas during the past twelve months has substantially exceeded that of the previous year, and in many cases is the highest ever recorded. Personal visits have been made to many markets by officials of our various companies, and the reaction in such markets, whether near or distant, has been uniformly favourable. We continue our efforts to improve even on this satisfactory state of affairs, as we are obviously anxious that the asbestos industry shall maintain its place amongst the leaders of those industries which are contributing so vitally to the national drive for exports which will help Britain to pay for its necessary imports of food and raw materials.

The Keasbey and Mattison Company has had a very satisfactory year. Its factories at Ambler, Pennsylvania, and St. Louis, Missouri, have operated throughout the year to capacity of available raw materials, and

its new asbestos-cement factory at New Orleans, Louisiana, has been brought into partial production. It is hoped that this new factory will be in full production early in 1948.

NEW CANADIAN FACTORY

Last year I outlined our reasons for deciding to build a new factory in Canada, in the city of Montreal, and intimated that the construction of this factory had begun. The building and civil engineering work is now practically completed, and the installation of machinery will begin in the near future. It will be appreciated, however, that under today's national and international financial conditions, and in view of the present prohibition of the export of capital from the United Kingdom, it was not possible for us to finance this new enterprise in the normal way, i.e., by the transfer of funds from England. We have accordingly made arrangements for local finance for a lengthy period.

In a world such as that in which we live today in which economics and politics are inextricably mixed, and in which international complications abound, it is quite impossible to forecast the future for more than a very short period ahead. I propose, therefore, as regards our company's future to confine myself to the statement that all our businesses have well-filled order books, adequate and up-to-date production facilities and enthusiastic personnel. Prospects, therefore, for the short term appear excellent, but the politico-economic situation is such that it is always possible, although we hope not likely, that some decision of one or more Governments might have adverse effects on our activities or those of the other industries on whom we so largely depend as outlets for our products. While I think that any serious problem of this kind is unlikely, we must recognise that the possibility exists, and any long term forecast would, therefore, be pointless.

CRYSTALATE LIMITED

INCREASED TURNOVER AND PROFITS

The annual general meeting of Crystalate Limited, was held, on the 19th ultimo, in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), presided, and in the course of his speech said: You will all no doubt be gratified to see the improvement in the net profit this year, which amounts, after taxation, including the new profits tax, to £21,082, compared with £13,251 last year. It is particularly satisfactory to note that the profit on trading has increased from £17,075 to £37,229. You will have seen that the directors have declared a dividend of 7½ per cent., as compared with 6 per cent. last year.

The increased profit on trading is largely due to an increase in turnover, which is always, in my view, one of the soundest methods of increasing profits. Our order book throughout the year has been full, and continues to be full, and except for certain difficulties the results could have been even better.

In my speech last year I mentioned that supplies of raw materials were in short supply. I am pleased to say that for the immediate future, anyway, the outlook in this connection is much brighter.

In common with the rest of the trade moulders of the British plastic industry, we are making a contribution of importance, although indirect, to the nation's export drive.

In conclusion, I feel that our special thanks are due to our managing director, Mr Jack Lesser, who has made two journeys to America within the last few months, and for whom difficulties were only made to be overcome.

The report was unanimously adopted.

BANK OF MONTREAL

ONE HUNDRED AND THIRTIETH ANNIVERSARY

The one-hundred-and-thirtieth annual general meeting of the Bank of Montreal was held on the 1st ultimo in Montreal.

The president, Mr George W. Spinney, C.M.G., in moving the adoption of the report, said: After full provision for bad and doubtful debts has been made our profits for the year were \$10,163,000.

It is appropriate that I should make reference to the fact that November 3rd of this year marked the bank's 130th anniversary. We may well derive satisfaction from the knowledge that after 130 years of service in this new country the Bank of Montreal is strong and virile.

The year has seen production and employment at high levels. Anything more unlike the widely feared postwar period of deflation and unemployment could hardly be imagined. Indeed, many of our immediate and pressing problems are of an entirely different nature, arising as they have out of instabilities characteristic of a boom. The implications of these subtle dangers from within are by no means diminished by all too obvious complications in respect of our external trade.

While we in Canada have been spared the hardships of violent inflation, we have experienced enough of the consequences of a gradual depreciation of the internal purchasing power of our dollar to yearn for the advantages of a dependable standard of value in terms of a stable level of prices.

The problem of price stability is, for Canada, peculiarly complicated by outside influences and in particular by our close commercial and psychological contacts with the United States.

A national effort aimed at stabilisation of prices and avoidance of the cycle of boom and collapse requires more than the co-operation of prudent and far-sighted groups. Broader forces must also be brought to bear and, under conditions as they now exist, the role of fiscal and monetary policies in relation to the price level takes on a renewed and vital importance.

Mr B. C. Gardner, general manager, in the course of his remarks, said:—Total assets at the year-end amounted to \$1,898,000,000 compared with \$1,844,000,000 at the end of the previous year. The levelling off in these figures in contrast to the expanding trends of recent years is, in my view, a healthy development having regard to the background of economic events. Notice deposits at \$904,000,000 compare with \$814,000,000 at the end of the previous year. Deposits abroad at \$147,000,000 are slightly higher than the figures for the previous year.

Total deposits at \$1,783,000,000 compare with \$1,736,000,000 at the end of the previous year. Government deposits at \$101,000,000 show a reduction of \$17,000,000. Demand deposits by the public in Canada at \$577,000,000 are lower by \$32,000,000.

Current loans and discounts in Canada at \$382,000,000 have increased substantially over last year's figure of \$277,000,000. The increased loan requirements of almost all types of business reflect the more normal use of bank credit for the manufacture of goods and the movement of raw materials as well as the higher level of prices. While the general level of inventories does not appear to be out of relation to the volume of sales, there are signs that a careful scrutiny of commitments is essential in many lines.

The volume of banking transactions continued at a high level throughout the year. There has been a substantial increase in the number of current and savings accounts, and we have now more than 1,600,000 deposit accounts in our Canadian branches.

The report was adopted.

ROAN ANTELOPE COPPER MINES LIMITED

The twentieth annual general meeting of Roan Antelope Copper Mines Limited, was held on the 30th ultimo in London.

Mr R. L. Prain, O.B.E., managing director of the company, presided.

The following is an extract from the statement of the chairman, Mr A. Chester Beatty, which was circulated with the report and accounts for the year ended June 30, 1947:—

The main feature of the year was the continued shortage of coal due to the inability of the Rhodesia Railway to carry all our requirements. This situation has been and continues to be most unsatisfactory, and in order to supplement our coal receipts we have had to resort to importing coal at high cost through the port of Lobito Bay, and to extensive burning of wood.

COPPER PRODUCTION AND COSTS

The production of blister copper was 49,641 tons compared with 53,489 tons in the previous year and the cost per long ton f.o.b. Beira increased by £9 3s. 8d. per ton.

The average price received for our product was £80 10s. 8d. per long ton of blister copper f.o.b. Beira, so that our margin between costs and revenue was £28 10s. 4d. per ton, compared with £15 10s. per ton for the previous year.

THE YEAR'S RESULTS

The gross surplus was £1,485,675; to this has to be added interest earned during the year, and deducted the London expenses and loan stock interest: there is a balance of £1,396,668. We have deducted £350,000 as a transfer to the replacements and obsolescence reserve, an increase of £50,000 on previous years' provisions.

Provision for taxation on the profits for the year amounts to £627,000, leaving a net profit of £419,668. After deducting £51,000 transferred to loan stock redemption reserve the net balance for the year is £368,668, which, with £156,828 brought in, makes a sum of £525,496 available for distribution. The directors recommend a dividend of 9d. per share, less tax at 9s. in the £, which will absorb a net amount of £411,936, reducing the carry forward from £156,828 to £113,560.

EFFECT OF INFLATION

I wish to draw attention to the effect of inflation which is to be observed in these accounts, as, for instance, in the increased cost of our operating materials and supplies and in the greatly increased cost of our replacement equipment now on order. When we compare the value of the £ sterling at the time when the mine and plant were developed and built with the value of the £ sterling today, we are forced to the conclusion that the conventional system of presenting accounts and arriving at a profit for the year must inevitably lead to a distortion of relative values. The profit earned today in £'s sterling of current value is inevitably compared to the capital invested in the business at a time when the £ was worth very much more and the result is bound to give a misleading impression of the real earning power of the business and of the return on the capital employed in the business.

Ore reserve at June 30, 1947, was estimated at about 98,000,000 short tons of ore containing 3.27 per cent. total copper, of which 0.08 per cent. was oxide.

While the major development work was maintained at a satisfactory rate, the reserve of fully developed ore was barely maintained, due to labour shortages caused by strikes and the fuel situation.

The effect of our continued policy of selling production forward is that although the world price has fallen the average price receivable per ton for our production for the first half of the current year will be considerably higher than that for the year under review.

The report and accounts were adopted.

MUFULIRA COPPER MINES LIMITED

The eighteenth ordinary general meeting was held, on the 30th ultimo, in London, Mr R. L. Prain, O.B.E., the managing director, presided.

The following is an abridgment of the statement by the chairman, Mr A. Chester Beatty, for the year ended June 30, 1947:—

The main feature was the continued shortage of coal due to the inability of the Rhodesia railways to carry our requirements. To supplement our coal we had to import coal at high cost through Lobito Bay and to burn wood extensively.

PRODUCTION AND COSTS

Production was 47,498 long tons, compared with 50,040 tons for the previous year.

The average cost per long ton f.o.b. Beira increased by £5 4s. 8d. compared with the preceding year. The average price received was £83 7s. 7d. per long ton f.o.b. Beira, our margin between costs and revenue being £34 17s. 4d., compared with £15 0s. 7d. per ton for the previous year.

The gross surplus was £1,771,062, and after adding interest earned and deducting London expenses and loan stock interest there is a balance of £1,692,922. After transferring £300,000 to replacements reserve, an increase of £100,000 on previous years' provisions, and providing £822,000 for taxation there is a net profit of £570,922.

The City Commissioners have decided that our method of valuing stocks does not give a true statement of annual gains for tax purposes. In effect, they held that the gains should be calculated by reference to sales—and not production; and that stocks should be valued with reference to the actual cost and not a "standard" cost. The company has asked the Commissioners to state a case for the High Court.

Deducting £35,700 transferred to loan stock redemption reserve and adding £330,456 brought forward, there is a sum of £865,678 available for distribution. While there has been a great increase in our gross surplus, this has been absorbed very largely by taxation. The recent increase in profits tax has increased our tax liability by £81,000, and this has made our profit lower than that for the previous year. In spite of this the directors, having regard to the current favourable conditions and the fact that a considerable sum was added to the carry-forward for the previous year, have decided to pay a dividend of 5s., less income-tax at 5s., reducing the carry-forward to £193,458.

RETROACTIVE TAXATION

Retroactive taxation has hit us severely. It has always been regarded as one of the fundamental principles of taxation that it should be certain, and it is most disturbing if we are to be faced with a policy of creating new retroactive liabilities which render incorrect the accounts which we have prepared on the basis of the then existing law.

Another feature is the effect of inflation. The profit earned today in £'s of current value is inevitably compared to the capital invested in the business when the £ was worth more, and the result is bound to give a misleading impression of the real earning power of the business and of the return on the capital employed.

The estimated tonnage of ore reserves at June 30 was 134,571,000 short tons containing 3.84 per cent. copper.

The mine is in a position to produce 6,000 long tons per month, provided adequate coal and labour are available. It is expected that this capacity will be increased to 7,500 tons by the end of the present year.

The report and accounts were adopted.

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IMPERIAL Chemical Industries, Ltd., Explosives Division, require a statistician to work at the undernoted address. Applicants should be aged 25/35, preferably have some industrial experience, able to forecast market trends. Salary commensurate with qualifications and experience. Applications to the Staff Manager, 25 Bothwell Street, Glasgow, C.2.

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For the purpose of preparing the Interest Warrants due 1st Feb. 1948, the Balances will be Struck on the evening of the 2nd Feb. 1948, after which date the stock will be transferred ex-dividend. The Bank of Montreal, Financial Agents of the Government of Dominion of Canada, in London.

A.D. HARPER, Manager,
47, Threadneedle Street, E.C.2. 1st January, 1948

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January 10, 1948

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Freedom and Order

MR ATTLEE was more effective in his party broadcast of last Saturday than in any of his previous radio speeches since he became Prime Minister. What hit the headlines in the speech was his criticism—surprisingly harsh for him—of the Communists. But there was another aspect of the speech—indeed, its main thesis—which has not received the attention it deserves. This was partly due, no doubt, to the fact that its subject was the well-worn one of freedom and order in the democratic society and that much of what the Prime Minister had to say was the accepted currency of almost all schools of thought in this country. No one nowadays is startled to be told that, while Russia bases its economy on order with no freedom, and America on freedom with no order (a false picture of America, this, but one that Americans themselves love to paint), Britain must seek a middle way, "a system of a new and challenging kind, which combines individual freedom with a planned economy, democracy with social justice." There is, indeed, a very large measure of agreement on the desirability of a middle course for Britain. There are very few who would deny the need for a considerable measure of intervention by the state to ensure the stability of the national economy, to secure a standard of individual welfare and to regulate the external relations of the economy. Many would go further than this; but nearly all would go as far. And on the other side, equally few would push their advocacy of the planned economy to the lengths of turning it into a police state.

Underneath this widespread agreement, however, and largely concealed by it, there is still a most important conflict of principle. Granted unanimous agreement that what is needed is a reconciliation of authority and liberty, it is still possible to differ diametrically on the nature of the reconciliation to be aimed at. One conception is that, over the whole economy, in every form of activity, there should be an attempt to inject some element of order and to preserve some freedom of choice. No form of economic activity, anywhere in the economy, should be run on *laissez faire* pure and simple; no businessman should be allowed to operate without some form of control upon his actions; and conversely, the intervening power of the state should never be pressed so hard that it seriously discommodes the organised interests of those who are concerned. The other conception is that there should be a demarcation of spheres and that, without banning liberty from the one or authority from the other, there should nevertheless be only one dominant principle in each. Where the decision is reached to run, say, education on a non-economic basis (that is, without making it cover its costs) social considerations should be given a clear paramountcy over economic; but where another form of activity is to be left to the individual management of private incomes, these motives should be constrained by as little interference as possible. The second conception is of a society that recognises the difference between red and white; the first is of a society that is pink all over.

There ought to be no room for doubt which is the more appealing conception. The disadvantages of a society which seeks

to control virtually all activities, while taking the responsibility of initiative in none, can be seen today on every hand. The difficulty about any such conception is that freedom and order, however much it may be desired to reconcile them, are in fact conflicting principles. Each provides its own kind of incentive. Each, within its own limits, will work. It is possible to run an economy on the motives of a free system, on the hope for gain and the fear of loss. It is possible to run parts of an economy, and it may be possible to run a whole economy (though the Russians, the only people to make the experiment, have abandoned it) on the principle of "from each according to his means, to each according to his needs." But if the two sorts of motive power are introduced into the same problem at the same time, they will merely frustrate and oppose each other, as they are frustrating and opposing each other all over the economy today.

Nevertheless, in spite of all this evidence of the dangers of a dilute and frustrate mixture of authority and liberty, this seemed to be the conception that Mr Attlee favoured. He went out of his way to mock at Mr Churchill's admittedly sketchy outline of a discriminating system.

The Conservatives have reached the point of conceding the need for a minimum standard of life, but above that there is to be a scramble for the surplus.

No doubt many people would want to put far more into the "socialised sector" than Mr Churchill would accept. But surely, as a basic idea, the concept of a clear distinction between a socialised sector and one open to healthy individual enterprise (the polite version of "a scramble for the surplus") is a far more attractive one than the alternative of a dead level of frustrated equality. Mr Attlee made much of the necessity for political freedom. But as soon as it becomes difficult for a man who holds unpopular views to earn his living, political freedom is endangered; and the more planning there is, the more will nonconformity be penalised. Moreover, the planning and controlling resources of the state are strictly limited, and if they are spread thin, the planning and the controlling will be slow, stupid and ineffective. Of that also there are examples in everybody's daily experience. Those who wish to see a success made of the planned economy ought to be the most anxious to see its ambit reduced to a few essential functions, where planning can be intensive and intelligent.

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Stated in abstract terms, this may seem to be a remote issue. But it is really at the heart of the practical politics of the moment—or if not of the moment (for the pressure of external events leaves little room for any deliberate policy), then of the immediate future. It will be at the centre of the stage just as soon

Local Currency Funds

AN interesting ceremony took place in Paris on January 2nd when Mr Caffery, for the United States, and M. Bidault, for France, signed the Interim Aid Agreement, by which France is to be given an undisclosed number of dollars—believed to be in the neighbourhood of \$300 million—to tide the country over until the wider Marshall Plan can come into operation. The interest of the occasion did not, however, lie in the actual signature of the Agreement, for the fact that it would be signed had been certain for some time. The interesting point is the possibility that the terms on which Interim Aid is being extended may to some extent set a precedent for the larger plan to follow. If this should be the case, the precedent is a favourable one.

as decontrol becomes a practical policy. The Socialists tease the Tories at present by asking them to name the controls they would abolish now. But the question can be thrown back with some justice. Are the Socialists really sincere when they say they hope eventually to dismantle part of the wartime structure of control? They do not give that impression. When one of their Ministers restores free trading in any corner of the economy, as Mr Strachey did recently, he is attacked, on principle, by his own party. The attitude of far too many Socialist MPs to the businessman is to "find out what he is doing, and tell him not to." The Socialist movement is not at present prepared to take over the responsibility and the initiative for more than a corner of the economy. It is not prepared to provide an alternative motive power in the great mass of economic activities to that provided by private enterprise. Does it really just how much damage it will do if, over four-fifths of the national economy, it consistently applies the brake to the only motive power there is?

It is wrong, nevertheless, to criticise the Labour Party only because it does not see enough value in economic freedom. It can also be criticised because of the timidity of its ideas about the part that economic authority can play. A member of the wartime Coalition Cabinet once remarked in public that if he was asked whether Britain required more freedom or more order in its economic affairs he would reply that it needed a great deal more of both. That is the right approach. There is a great scope for much more courageous and forthright planning than there is today. The great nationalisation schemes have no justification at all unless they result in some farsighted policy being followed that was not possible under conditions of private enterprise and the commercial-matching of costs and revenues. Where the state can really make a difference by intervening, it will receive plenty of support from public opinion for going ahead with courage and determination. But where it cannot supply the initiative and take the responsibility, the task of the next few years should be to cut down its interventions to the irreducible minimum.

The British people do not yet realise how fast they will have to run in the next few decades merely to keep their place among the nations of the earth. Never was there a greater need to preach the doctrine of liberating motive powers and taking the brakes off all forms of economic activity. There is no single motive power, but several, each appropriate in its own sphere. Let the social motive be exploited to the full wherever it can operate to advantage. And where the only conceivable motive powers are those of individual enterprise, let them also be encouraged. It is by this means, and not by the rancorous jealousy of dead-levellism, that it will be possible to achieve "a new conception of society, with a dynamic policy in accord with the needs of a new situation."

It is clear that the United States is not imposing onerous conditions. The French are free to spend the dollars as they think fit, although the United States administrators preserve a certain right to see that the purpose of Interim Aid—which is unequivocally relief—is not abused. The French Government is also free to spend the dollars in countries other than the United States. There is, however, one condition of real importance attached to Interim Aid, which, to judge by the proposals put forward for the full Marshall Plan by President Truman and by the views of so influential a Congressional body as the Herrer Committee, will almost certainly be incorporated in the final plan. This condition is that the French Government

should agree to establish a special fund with the Bank of France, and pay into it all the francs it earns by selling goods secured with America's free gift of dollars. This fund may be used to retire the French national debt, or to withdraw currency from circulation; other uses, which must be mutually agreed between the two Governments, might cover methods of stabilising the franc. A small part of it will be devoted to defraying any costs of administering the Interim Aid that are incurred by the United States in francs.

The idea of creating local currency funds out of money earned from the sale (by governments) of freely supplied American goods is not new. The agreement between the Italian Government and Unrra, for instance, provided for the establishment of a Lira Fund from the proceeds of the sale of Unrra goods. More recently, the Herter Committee carried the idea considerably further by proposing, on the one hand, that each of these "local currency" funds should be put under the control of a mixed board of trustees, part local, part American (with the Americans in the majority) and, on the other, that their purposes should be extended beyond purely financial transactions. For instance, a local currency fund might be used to finance necessary public works, or to expand the production of those local raw materials of which the United States is likely to be in some need in years to come. The President, in his recommendations to Congress, adopted a part of these suggestions; he proposed a fairly wide range of objects of expenditure, but he did not call for the appointment of trustees and left the actual expenditure of the funds to be agreed between the local government and the United States. It can perhaps be safely assumed that, since President and Congress seem agreed on the desirability of setting up local currency funds, a provision to this effect will be incorporated in the final Act.

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It is easy to see why this conjunction of opinion has come about. The project has both logic and obvious attractions. The creation of funds in local currency to equal the sales made by governments of freely supplied American goods can, if these funds are at least under partially American control, make the reluctant Congressman and the reluctant American taxpayer feel that they are getting something for their dollars; they are not getting dollars, but they are getting some other kind of money. The rightness of any proposal to use Marshall Aid for the purpose of reducing inflation and increasing financial stability is almost too obvious to need argument. In most Western European countries, purchasing power is far in excess of available supplies and, if the sale of dollar goods can be used as a species of sponge to mop up some of the surplus local currency, the result cannot fail to be beneficial.

The present conditions of inflationary pressure, however, are not likely to last for ever, and one of the attractions of the proposals for a currency fund is that the reserves thus created might be used with good effect at some future time of deflation, when the problem will be not the excess of demand but the failure of demand to take up the slack of manpower and resources. In these circumstances, governments have in the past shown some timidity in the financing of large projects for public works or reconstruction and the opening up of new resources. The existence of large funds specifically designed for such purposes—combined, no doubt, with the American desire that they should be usefully employed—would tempt the local government to act in times of depression and could be a factor making for greater stability in the economic life of Western Europe. Visionaries go so far as to suggest that such local currency funds might, by agreement between the governments of the Sixteen Nations, be held in trust by all of them for projects of interest to Western Europe as a whole—hydro-electric development, for instance, improvements in transport or the joint financing of schemes for increasing the supplies

of foodstuffs and raw materials from Africa. The existence of such funds might breathe some life into the idea of an international full-employment policy.

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Yet, attractive as some of these possibilities may be, they cannot mask the very real difficulties that would arise from the existence in each of the Western European countries of large funds owing their origin to American action and under some degree of American control in their expenditure. The chief difficulty is probably political. The United States and each of the Sixteen Nations are only on the verge of their Recovery Plan. They have yet to learn how delicate are the problems raised by the direct intervention of one nation in the economic life of another, how vulnerable the intervening government becomes, how sore and unreasonable the nation in which intervention takes place. These facts cannot be shirked, for some intervention there must be. A state cannot prepare to give away over four billion dollars in fifteen months without interesting itself in the results. But the path of wisdom is to confine direct control and intervention to the absolute strategic minimum and to avoid at all costs subsidiary essays into management and control which are not essential to the broad purpose of the plan, and can only create irritation and resentment. These precautions are especially important in Europe itself, where the Communist slogan of "American imperialist intervention" is already being daubed on the walls.

Nor are all the risks simply those of political psychology. If these trust funds were taken out of the control of the local government, it would be surrendering an important part of the reality of its sovereignty as well as the appearance. All European countries are committed to a policy of economic stabilisation, for which the main instruments must be found in controlling the flow of monetary funds, especially the flow of savings into capital. How could such a policy possibly be pursued if there were large funds in existence—and the "local currency" funds will be very large—which could be spent, or withheld from spending, outside the control of the stabilising government?

There are thus reasons, both of reality and of prestige, for approaching the subject with caution. It is tempting to say, from the European point of view, that, for reasons of political psychology, any local currency funds must remain the property of the local government, with no American trustees, and that the needs of economic policy similarly require that both the initiative and the final decision in any use of the funds should lie with the local government. The European government, in this view, should be prepared to agree in advance what categories of expenditure were proper to be met out of the fund, and it should keep the United States fully informed; but there should be no parting with either possession or control. This is an entirely reasonable view. There must, in any case, be a number of American administrators and watchdogs overseeing the broad development of the Recovery Programme, but it should be a point of principle to keep them to a minimum. The local funds are a side issue compared with the general development of the Plan and side issues should not be allowed to generate avoidable friction. Since, in the present inflationary state of Europe, the spending of the funds would in any case have to be postponed for many years, the placing over them of American trustees, particularly of trustees with a deciding vote, might bring about the almost ludicrous prospect of American delegates deciding in ten years' time whether France might reasonably electrify Morocco or Britain build the Severn Bridge.

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But to develop this argument may be to reckon without the host—the host who provides all the good things from the sale of which the local currency funds will arise. What becomes of the argument that the Americans are getting some financial

return for their dollar outlay, if it is made clear that they are to have neither ownership nor control of anything? For psychological reasons, it seems important to Europeans that ownership should rest with them; but for psychological reasons it may seem important to Americans that there should be the symbolic gesture of a transfer of ownership, if not to the United States Government, at least to a body of impartial trustees.

There are all the makings here of an unfortunate clash of opinions and a compromise will have to be very carefully worked out. Such a compromise should not be impossible. The matter of who has title to the funds is of importance to the European governments; but their real interest is the use that can be made of them, in what conditions and on whose initiative. It may be that the Americans, on the other hand, are more interested in the formal legalities of ownership. There is the outline of a bargain here. But it is quite clear that there will have to be a very precise codification of the purposes for which, and the circumstances in which, any local currency funds can be spent—and the precision will have to be greater the further is the departure from complete ownership and control by the local government.

Here also it is possible to see the outlines of a satisfactory agreement by dividing possible forms of expenditure into three categories, the first permissible in any circumstances, the third permissible in no circumstances and the middle one permissible by specific agreement. The first would consist of purely financial transactions, which do not use up any real resources, such as the retirement of debt or the endowment of charitable foundations. There could be very little harm in conceding to a body independent of the local government—such as a board of trustees—the right to the final say (though not, of course, without consultation) in transactions of this kind.

In the second category, expenditure that uses up real domestic resources in the local country, the greatest weight in the actual decision on the timing, the scale and the actual form of such projects, would have to be left to the local government, since it

would be compelled to abandon all thought of rational economic planning, if the distribution of its national resources were not under its own control. Particular care would have to be taken with any proposal to use the funds to finance long-term projects of capital development.

The most important constituent item in the third category, consisting of those forms of expenditure that should not be permitted, is anything that would limit or reduce the local country's dollar-earning capacity. The various projects to use local currency funds for increasing America's supplies of raw materials would probably come under this ban. If, in ten years' time, America can buy tin with what would virtually be blocked sterling, then in twelve years' time, Britain will need another Marshall Plan. It is precisely the inability of the European nations to earn enough dollars that makes assistance necessary now. Any project which now or later reduces Europe's capacity to earn dollars will ensure the failure of the whole recovery programme. The local funds might indeed be used to finance domestic capital projects designed to secure an expansion of output of raw materials, but the output itself would need to be paid for in dollars, if it were to make any contribution to Europe's genuine recovery.

It is difficult to avoid the conclusion that the more the establishment of local currency funds can be governed by very simple and very direct conditions, the happier the consequences, both political and economic, are likely to be. It may be that the Americans will be content to leave the matter where it stands in the French Interim Aid Agreement, which confides the local currency fund, without trustees, to the Bank of France and virtually limits its functions to those of countering inflation. If this is the American decision, it is one that Europeans can applaud, not wholly out of self-interest. But if there is pressure from Washington for something more, the whole subject will have to be most soberly examined. It will be a disaster if there is any premature mounting of high horses on either side of the Atlantic.

Canada's Problem—III

Canada's Economic Future

(From Our Canadian Correspondent)

FROM the confusion surrounding Canada's new controls, and from the political controversies about their form and purpose, one central question emerges: is the dollar shortage temporary or permanent? This question is really a superficial way of posing a much more basic one: is the Canadian economy suited to the postwar world, or does it need a fundamental shift of trade and of industry? If the economy is well adapted to the postwar world, the dollar deficit will automatically disappear. In one way or another, Canadians will earn (or borrow) abroad enough money of the right sort to cover their foreign spending (and lending).

Official speeches by Cabinet Ministers show some apprehension that the problems they face are more than temporary. Part of the government's dollar-saving programme involves changes in Canadian industry; more manufactures are to be exported to the United States and less materials and components are to be imported. But the same Cabinet Ministers, when they are not speaking from or for the record, are apt to be naively optimistic; they hope to start taking controls off in a matter of months and show no willingness, let alone any desire, to face the future frankly.

Sober reflection suggests, surely, that Canada's present difficulties are permanent; that some very far-reaching changes in

trade and production are needed. It is not just a matter of tiding over a few months until the Marshall Plan comes into full operation; even if the Plan succeeds in its purpose of European Recovery this will not mean that Europe, including the United Kingdom, will be able to buy as much from Canada, and on the same sort of terms, as before the war. Nor does it mean that other countries like Argentina and Australia, whose prosperity before the war was always based on sales of food and raw materials to England and Europe, will be able to buy as much from Canada. For the indefinite future Canada's customers in Europe and elsewhere will not be able to pay in US dollars or, if at all, in limited amounts. "Convertibility of sterling," which had a month of life in the middle of 1947, is dead and shows no sign of complete resurrection. What, then, will Canada do?

The great dilemma can be put in a very simple—over-simplified—form. Will Canada shift its exports, sending less to the United Kingdom and other soft-currency countries and (if possible) more to the United States; or will it shift its imports, buying less from the United States and (if possible) more from other countries?

In the immediate dollar crisis the second alternative—the shift of imports—has been used. But all Canadians, not only Cabinet Ministers, recoil from the idea that import restrictions

against American goods should become permanent. The American way of life, or more accurately the North American standard of living, is too deeply ingrained in Canadian standards of consumption and ways of business and processes of production; to cut off imports of American products or components permanently is unthinkable. Every American magazine, every American radio broadcast, every American visitor, that comes across into Canada helps to mould Canadian minds into thinking that anything much less lavish and luxurious than American standards is intolerable. Thus the social pressure, which underlies the economic pressure, to accept the first alternative and reject the second is very strong.

It is these same pressures that limit Canada's ability to import more from the United Kingdom. Of course, Canada is ready and anxious to take a lot more than is available from Britain just at present, especially in the form of textiles, which have been the subject of recent discussions between the two governments. But Britain could never, in the foreseeable future, export nearly enough to Canada to pay for its pre-war or post-war imports from Canada. The consumer-preference and industry-preference in Canada for American-type goods is too strong; over a wide field, and on the basis of any probable prices, British goods are not acceptable substitutes for American goods. Canada's international balance of payments will not be corrected by importing a great deal less from the United States and a great deal more from the United Kingdom.

Thus, in seeking a long-term solution for Canada's problems, we are thrown back on the first alternative: the shift of a substantial volume of exports away from traditional markets such as Britain and towards the United States. This alternative is easier to applaud than to achieve. There are many difficulties, political and social as well as economic. The first difficulty arises from the fact that Canada is still, despite controls new and old, a private-enterprise country; it lies in the orbit of capitalist America, rather than of socialist England and Europe. The government cannot play a very active part in bringing about a shift of export trade. On the other hand, with most of the rest of the world subject to controls, free market forces, the forces of prices and profits, cannot be relied on very far to accomplish the shifts. There is little *prima facie* reason, with prices and exchange rates as they are in the world today, why exports to the United States should be more profitable than exports to other countries. Nor will a depreciation of the Canadian dollar alone help. It would, in some degree, encourage all exports; what is needed is a shift, with some increasing and others decreasing.

The problem of decreasing some exports is, for Canada, even more difficult and painful than the problem of increasing others. This was shown all too clearly in the results of discussions with the British delegation in Ottawa last month. The British, in effect, said they could pay out dollars only for wheat and cheese.

The Canadians, instead of jumping at the chance to divert cattle and hogs and dairy products to the United States, resisted most vigorously. In the end they succeeded in forcing these other products down unwilling British throats for 1948 and in getting, for the first three months, payment for about two-thirds of the trade balance in US dollars.

The resistance of the Canadians to cutting down their exports to the United Kingdom was, of course, political not economic. Since early in the war the Liberal party, in the face of increasing Conservative opposition after the end of hostilities, had followed a policy of selling food under contracts to the United Kingdom and charging considerably less than could have been obtained in other markets. Canadian farmers, especially Prairie farmers, accepted these lower prices in return for the promise of one thing: stability. The United Kingdom was going to provide a steady market for Canadian foodstuffs. No longer would Canadian farmers be subjected to the uncontrolled fluctuations of boom and depression, to the unrestricted forces of supply and demand. The new era was symbolised in the closing, early in the war, of the Winnipeg Grain Exchange.

If the British contracts were abandoned and foodstuffs, including wheat, were sold freely to the United States, the Grain Exchange would no doubt be reopened, the Federal Government would no longer be responsible for the welfare of Canadian farmers, and, worst of all, the farmers would be thrown on the mercy of the American market and the American Congress. Experience, gathered from the Fordney-McCumber tariff of 1922 and the Smoot-Hawley tariff of 1930, showed that no stability could be relied on in that direction. So it is natural enough that the Liberal Government, particularly those members of it who were chiefly responsible for persuading Canadian farmers to accept the low prices on the contracts with the United Kingdom, are most unwilling to see the contracts disappear and to revoke the associated export controls which prevent Canadian produce from being sold at high prices in the United States.

Nevertheless the government, or rather its officials with its full approval, have paved the way for some, perhaps all, of the needed shift of exports. This was done during the trade negotiations at Geneva. In those negotiations, most of the American tariffs on the products of Canadian farms, forests, and fisheries were reduced by one-third to one-half. Broadly speaking they are now back where they were before 1914. Ultimately, and perhaps in the not far distant future, Canada will have to take advantage of these US tariff concessions. They offer by far the most important means, by far the easiest means, of readjusting Canadian exports to postwar needs. With the high prices at present prevailing in the United States, this is one field where the profit motive will do the trick; all that is needed is to take off existing export controls. Unfortunately these controls not only serve to direct exports to the United Kingdom, they also keep prices low for the Canadian consumer. This is a further

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reason why the government is putting off the evil day when economic realities are translated into political realities, when exports move freely to the United States and when Canadian prices move up into normal relationships with American.

Meanwhile, insistence on selling more food to soft-currency countries than they can really afford to buy is likely to have repercussions in unexpected quarters. Before and since the war Canada has built up a large volume of exports of American-type manufactures—radios, refrigerators, stoves, motor cars, tyres, shoes, dresses and so forth. Most of these manufactures have gone to soft currency countries; indeed, the trade has been largely built up as a result of Empire tariff preference. This preference was saved, at Geneva, from American attempts to get rid of it and thus these Canadian export markets were saved too. However, if Ottawa insists on selling excessive amounts of food to soft currency countries, they will have to cut even further than at present the amount of Canadian manufactures they will accept. Canadians who find their markets abroad further reduced by import restrictions in those markets should protest, not to the other Empire capitals, but to Ottawa.

The prospect of selling large amounts of Canadian manufac-

tures—either complete or in bits and pieces—to the United States does not seem very bright. The Minister of Reconstruction will no doubt do what he can to promote it, but his success in selling war supplies to the US Government (and thereby remedying the wartime shortage of dollars) is no measure of what he can get American industry to do in peacetime. There is not the same wartime incentive. Moreover, he was able to get the US Government to abolish all tariffs on war supplies, but there is (as the Geneva discussions indicated) no likelihood whatever that it will abolish tariffs on manufactured goods. If Canadian exports of manufactures are to be maintained they must continue to go to soft-currency countries.

One is forced back to the position that Canada must, for the foreseeable future, come to depend much more heavily on exports to the United States of the products of farms, forests and fisheries. The American market has proved unstable in the past; it may prove so again. But the British market, and other traditional markets abroad, must prove unstable. They cannot afford to pay the amount and the kind of money that Canadians will, in the long run, insist on getting.

(This is the last of three articles)

Towards a Bill of Human Rights?

(By a Correspondent)

THE fifty-seven member governments of the United Nations have just received three new documents on Human Rights. Fifty-seven sets of comment will, or ought to, emerge from this operation. Any wideawake state will find some room for criticism. Yet all are likely to admit that, with only two sessions behind it, the Human Rights Commission which they elected has made a brave enough start with its job.

The nature of some of the comment is not difficult to forecast. A preview of the principal schools of criticism was to be had at the meeting of the Human Rights Commission at Geneva in December. Broadly speaking, three main currents of opinion there moulded the documents that have now emerged. One sprang from the small states. Admitting that the protection of human rights is nearly always (though not, as the Russians would have it, quite always) synonymous with equality of treatment, small states find it easier than large ones to think generously about the subject. This is natural. Small states tend to harbour less variety in the shape of backward peoples, minorities, plural races and the like. They can couch their declarations in sweeping terms. Their tug in this direction—often successful—was manifest at all the recent meetings on Human Rights. They worked in obvious fear lest the Bill should be bereft of all idealism and be reduced simply to the lowest common multiple of concessions which the larger states felt able to make. Some of them are bound to go on criticising the final document on this score.

A second school of critics consists of the Russian bloc. Its members maintain a constant pull towards economic and social rights, and away from political ones. Here again the reason is obvious. They can without effort express the former in terms of their own constitutions. But political rights are agreeable to them only when the politics are agreeable. In a word, it is not rightful to use one's freedom of speech to preach violence against Stalin, but rightful to do so against General Franco.

A third school of thought, led by Great Britain with the United States in support, argues that if the ultimate Bill is to be of any use at all, the maximum possible number of its provisions must be codified into a Covenant of legal obligations, which shall both become a permanent part of international law

and be embodied in the domestic law of signatory states. The British school admits that many important rights—the right to education, for instance, or to freedom from want—cannot of their nature be forced into the Covenant. It admits that they must remain in a vaguer and unenforceable Declaration. But it opposes the Russian bloc, which says that a Covenant is premature until the Declaration is completed. The Russians seek to make the Covenant ultimately unnecessary by framing the Declaration as widely as possible, and by adding to it an international undertaking that anyone guilty of discrimination in any form is committing a crime and must be punished for it.

The documents born of these three currents of opinion are, therefore, a Covenant, a Declaration and a paper on implementation. The first has been described above; it covers legally enforceable rights ranging from *habeas corpus* and the right to a fair trial to that of "freedom of religion, conscience and belief." The Declaration is, by contrast, a statement of ideals. Some of these are already realised in most parts of the world. Others amount to aims designed to educate mankind to better practices. It contains articles providing man with the right to nationality, to sanctuary, to work and rest and leisure, to think what he likes and to say what he thinks. The chief defect of the Declaration as at present drafted is that it is much too long. Partly out of idealism—which could afford to be generous in an unenforceable document—and partly as insurance against the Russian view that there need be no Covenant, it is repetitive. It makes too many points that are better made in the Covenant. It can do with a deal of pruning if the latter survives.

Disagreement over the terms of the Covenant might, of course, never come into the open if it were not for the question of enforcing it. Here, what divides the states concerned into two schools of thought is not a mere line across central Europe, but a gulf of years. The difference between them is that of degree of maturity. On one side of the gulf are ranged states that feel sufficiently sure of themselves to cede a measure of sovereignty in order to better the lot of mankind throughout the world. On the other are a set of states—consisting chiefly

of the Slav bloc—that is ready only to "declare" human rights, much as they were declared in the Virginia Assembly of 1776 or the French Constituent Assembly of 1789. This group is still too jealous of its sovereignty to admit the newer conception that international machinery of enforcement is desirable.

This attitude is not unfamiliar and should not at once be treated with suspicion. Something very like it is displayed by other powers who are responsible for the welding together of mixed populations, and for bringing backward peoples to economic as well as political maturity. Such was the attitude of Great Britain, when at the 1947 Assembly it resisted attempts by India, backed by the USSR, to widen the Charter so as to cause it to cover routine international inspection of non-self-governing territories. At the same time, there is a difference between the British and the Russian attitudes. The difference is that, in the event of a claim that the Covenant of Human Rights has been infringed, the more mature British are ready to admit the intrusion of international machinery into their domain. The Russians are not.

By far the greater majority of members are in favour of implementing the Covenant. Some of them, notably the Australians, the Belgians, the Indians, the Lebanese and the British, have already put forward concrete suggestions for the procedures involved. These are contained in the third document—the proposals for implementation—now on its way round the world. It has so far received far less thought and study than either of the other two, and therefore merits the fuller consideration. There is general agreement that a breach of Human Rights can be aired internationally in one of two ways. Either it can be raised as an issue between state and state, or it can become the subject of a petition to the United Nations from a group or an individual. The former method offers relatively few procedural difficulties. It can be raised in the Assembly, as India raised its case against South Africa in 1946. It can with ease be limited to states signatory to the Convention. It can—since it would invariably involve the breach of an international legal obligation—be referred without difficulty to the International Court of Justice if an impartial legal opinion is required. Petitions from private groups or from individuals present a more difficult problem. They are piling up in the Secretariat's files. Who is going to decide whether they are valid, and merit an international hearing? Who is going to say whether the address of the petitioner shall be passed to his government which might, of course, put his wrongs right, but which might, on the other hand, punish him for telling tales? Who is going to say that only the nationals of signatory states may petition, and therefore to deny redress by international action to stateless persons—perhaps the category of human beings to need it most?

The whole subject bristles with difficulties. Nevertheless some useful suggestions have already been put forward. Most of the advocates of implementation agree that, given certain hard and fast rules about receivability, the United Nations Secretariat can be left to filter the petitions received—to sort those which are trivial from those which merit an international hearing. There is a measure of general agreement on several other points: that the Secretariat's first task shall be to communicate any petition of substance to the Government arraigned; that since a breach of international law is involved, provision must be made for reference, at all relevant stages, to the International Court; that, failing domestic redress at this stage, some international body junior to the Assembly must be charged with trying to remedy the ill by negotiation between the plaintiff and the state accused. There is, rightly enough, much doubting and debating upon the nature of the international body which shall try to negotiate a settlement. The document on implementation now in circulation calls it a "Standing Committee of the Economic

and Social Council." If it is to be this, it will consist of men representing their governments, some at least of whom may tend to judge cases on their political merits. Why should not the Human Rights Commission, which, under its present terms of reference, will become *functus officio* when it has drawn up its Bill, be transformed into a panel of experts appointed by the International Court of Justice and charged with this interim job of hearing and negotiation? Some such scheme as this was proposed by India (which has distinguished itself by sending delegates of real quality both to the Human Rights Commission and to its sub-commissions) and the Indian proposal, though it contains flaws, is likely to attract attention and support because it avoids the institution of a special Court of Human Rights. Many countries feel this last to be too great an innovation at the present untried stage of the affair.

If the new Human Rights Commission were given this duty, it would enable the individual petitioner, at the appropriate stage, to drop out and—if other means of securing redress have failed—his place could be taken by a representative of the Commission, who would turn official prosecutor before the Assembly. For if a petitioner's complaint has substance, there is every advantage to be gained in switching the side lines on which his procedure runs on to the main lines of procedure for dealing with allegations made by state against state.

Here is plenty of food for thought by governments. All would be at a great advantage if they were simultaneously able to consider the new Soviet Declaration of Human Rights which the Russians, who failed to vote in the end for the Declaration and opposed the Convention, have promised to submit in 1948. It is possible to foretell much of what that Declaration will embody; it is not possible to foretell how far it will go to meet the views of the rest of the world with which the Russian delegates to the Human Rights Commission have become familiar. Until it comes to hand, no government can finally make up its mind upon two questions which govern all planning for the future. Is it worth watering down the project for a Covenant that can be implemented and enforced in order to secure universal acceptance for a general Declaration? Or is it better for men of like mind to set up their international machinery, in the places where it will work forthwith, and to hope that, later, others will see virtue in it and adopt it? One reading of the promised Soviet Declaration should serve to show what the answer of the rest of the world must be.

DOCUMENTS OF 1947

HOME

Town and Country Planning Bill.
Economic Survey for 1947.
National Service Bill.
Working Party Reports on various industries.
National Income White Paper.
Conservative Industrial Charter.
Plan for Transfer of Power in India.
Indian Independence Bill.
Progress Report on the Development Areas.
Agricultural Expansion Programme.
Criminal Justice Bill.
Capital Cuts White Paper.

OVERSEAS

President Truman's Economic Reports to Congress.
US National Income.
FAO Survey of World Food Prospects.
Report of UNO Special Committee on Palestine.
Plan for the Level of German Industry.
Marshall Plan Reports—Committee for European Economic Co-operation.
Krug Report on American Resources.
Nourse Report.
Harriman Report.
Herter Committee Reports.
Geneva Tariff Agreements.

All these, and many more, were fully summarised, as they appeared, in

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The operating efficiency of the only section of the Corporation's work that is at all adequately equipped augurs well. But Constellations cost dollars. The costly dilemma of British air transport, which has undoubtedly been aggravated both by ill-luck and also by cumbersome supply policy, is thus underlined. Shall the Corporation be put on a sounder basis by the expenditure of scarce dollars? The reported plans to acquire on favourable terms Canadian-built Skymasters with Rolls-Royce engines partly solve the problem. Dollar costs will also be cut by the transfer next year of the Atlantic maintenance base from Montreal to Bristol. But the immediate prospect also would have been brighter, if the promising scheme to fit Bristol engines to Constellation air frames had been adopted, when it became clear that the Tudors would be delayed. Its somewhat peremptory rejection was not due to BOAC. Indeed one of the distressing features about the activities of both BOAC and BEAC is the slight control they have over many essential factors in their operations. Supply policy seems to be the most serious weakness, but the Courtnay Committee is expected to expand its investigations into the production of Tudors to cover this matter. On those matters over which BOAC has almost full control the report unobtrusively makes a remarkable claim. "The ratio of indirect costs [which are defined] to total expenditure is considerably lower than that shown by the available accounts of other operators concerned with a world-wide network of routes of comparable length and complexity." This claim to administrative efficiency could scarcely have been made unless it could be substantiated. It is a welcome omen for the days when operating conditions are more reasonable.

* * *

New Anglo-Egyptian Talks?

Great Britain and Egypt, like the brothers in some Victorian novel, often indulge in a certain amount of cutting in the club, but close their ranks whenever their common interests are immediately threatened. Mussolini's attack on Abyssinia created this unity in 1936. The state of affairs in Palestine may do so again in 1948. For the chief common interest of the two countries is tranquillity in the Levant. And this threatens to be disturbed if—when the British forces leave Palestine—that land turns, as is only too possible, into yet another battleground between American money and Russian ideas. Last week's news that Dr Sneh had resigned from the Haganah because the embryo Jewish State was looking west when it ought to be looking east is symptomatic. With other items of the same type, it has provoked Egyptian politicians to some serious thinking.

Some hold Nokrashy Pasha to blame for not seeing this situation looming ahead, and saving himself the trouble of a journey to Lake Success. His failure to make the right forecast sprang from the fact that he—and indeed every politician in all the Middle East—did not believe, until the final vote on partition, that the British were sincere in their affirmations that they meant to go. Now he has to act faster than he need have done.

This is the background to the news that both Sir Ronald Campbell, British Ambassador in Cairo, and Sir Robert Howe, the British Governor-General of the Sudan, have arrived in London for conversations this week. Sir Ronald has in his pocket the new financial agreement between Britain and Egypt (which is discussed in detail in a Note on page 72). The question the two British envoys will now discuss is whether and on what basis political negotiations between Britain and Egypt could be resumed. But in Egypt the question is whether Nokrashy Pasha will survive in office long enough to be the Egyptian negotiator. It is not easy for an Egyptian politician to backpedal. His personal enemies at once accuse him of weakening, and appeal to the volatile Egyptian crowd to turn him out. At present, they have at their disposal the infallible rallying cry that he is "not doing enough about Palestine." But if he were to fall, the only likely successor governments would be bound to feel as he does about Palestinian developments and would probably be no less ready to resume treaty talks with London. This would apply whether he were succeeded by a broadly based National Government or by another minority government headed by some royal nominee. From London's point of view the former would be preferable.

Meanwhile, Nokrashy Pasha is bound to go on proclaiming, as he is doing, that he cannot entertain the thought of a new Anglo-Egyptian treaty while a British soldier remains on Egyptian soil. But it is well to remember that this is not the issue over which Anglo-Egyptian treaty negotiations broke down last March. The British army was then prepared to go, on terms to which Nokrashy's predecessor, Sidky Pasha, had agreed. The only real snag to agreement was the future of the Sudan. Now, however, the fact that Egypt has submitted amendments to the proposals

for a new Sudanese Constitution gives a loophole for reopening the treaty talks on the really decisive issue. It is true that the Egyptians have said, so far, that the amendments must be accepted, but the new situation in Palestine may induce a change of attitude. Thus out of a very doubtful asset—a new period of tension in the Middle East—may spring a new chance for successful Anglo-Egyptian negotiations.

* * *

Fighting Ghosts in Greece

The garrison of Konitza has been relieved, but the rebels have vanished into the heights of Mount Grammos whence runs their escape route into Albania. The Greek Army has been unable to surround or capture any large rebel force and must face the fact that, re-armed and re-equipped by their Slav supporters, they may reappear at any point along Greece's northern frontier. The Greek soldiers complain that it is as though they were fighting ghosts.

Unhappily, the relief of Konitza, although its fall would have been a blow, is no positive assistance to the Greek Government. The aim of the rebels is not to take military control of Greece—that they know they cannot do. It is simply to destroy the already rickety economic structure of the country by ensuring that all American aid will be siphoned off into endless mountain campaigns against marauding and vanishing battalions. The rebels can therefore congratulate themselves that their Christmas offensive has had its effect. After a three-hour conference, Mr Griswold has permitted Mr. Sophoulis to devote to military purposes a further proportion of American aid to Greece, so that the army may be increased from 118,000 to 130,000 and the Greek National Guard from 20,000 to 50,000, thus creating a force capable of relieving the regular army of passive garrison duties.

In return Mr Sophoulis has undertaken new measures to deal with inflation, administrative incompetence and the iniquitable distribution of supplies. But behind both his promises and Mr Griswold's concessions lies the problem: will the Americans continue their aid after the expiry of the present appropriation in June and are they prepared to stake sufficient in Greece to see the situation stabilised? The despatch of some well-armed marines to the American Mediterranean task force may give comfort to the worried Athenians. The discussion of their plight in certain sections of the American press is less likely to dispel alarm and despondency.

* * *

Choice or Planning?

The frantically milling crowds of shoppers who have jammed the January sales are illuminating quite a batch of economic truths. They are asserting that battered and neglected right, the sovereignty of the consumer; or rather, they have been asserting that right in a quiet and unspectacular way for some time past, by refusing to buy things which they did not regard as fair money's or coupon's worth. They are demonstrating that that equally battered and neglected instrument both of consumers' sovereignty and of producers' efficiency, the price system, will still do its job if given a chance. They are—if the serious-minded insist—admitting that consumers' sovereignty has its irrational elements; for is there any good reason why the woman of England, having been square-shouldered and short-skirted for the last decade, should now unanimously decide that nothing short of gift price would induce them to buy another garment of similar shape?

But if consumers' choice is convicted of unreason, planned and controlled production does not show up too well either. The woman who triumphantly bears away a *négligée* which would have been very good value even in 1939, is very likely sick and tired of patching the clothes her husband is unable to replace and of vainly hunting for shirts for a son whose sleeves are retreating up to his elbows. Weather vagaries or fashion changes have contributed this year, as in other seasons, to the piling up of slow-moving or unsaleable stocks, and readjustment of errors is made more difficult by the rigidity of the coupon system. It is hard to see any good reason for the Board of Trade's refusal to consider a more elastic regime of valuation in points, such as that which has—on the whole very effectively—balanced supply and demand for foodstuffs. But on these contributory causes there has evidently been superimposed a massive miscalculation by the Board, whose price controls result in a differential profit margin which penalises the producer of men's clothes and rewards the producer of fashion goods. In the wicked old days of free enterprise, a big profit margin pointed to an unfilled need, a small or negative margin to a need already overfilled. Today the margin bears less relation to the consumer's desires than to someone's fifth-hand guess at what it would be least trouble to suppose him to want.

Red Light for Public Schools

The appointment of a non-academic layman to be headmaster of Rugby is an interesting reflection of the economic and social difficulties with which the public schools expect to be confronted. Sir Arthur Forde is an old Rugbyman, but his whole working life has been passed outside the academic circle, as a solicitor and during the war as a civil servant, and he has had no experience of teaching. His appointment is, therefore, a bold step.

The explanation is to be found in a statement by the chairman of the Governors which throws a very illuminating light on what all public school authorities must be fearing and hoping at the present time. Given a liberal and enlightened attitude towards education, the qualities most needed in a headmaster now are a sound judgment and experience of affairs which will enable him to steer towards two incompatible objectives—to make the school pay and to charge fees which are tolerable to the shrunken incomes of the middle classes.

To keep down costs requires a competent sense of administration and practical good sense. The second set of qualities required are more subtle. The country is passing through a social revolution, whose impact on the public schools has hardly begun to be felt. At present these schools are enjoying boom conditions, and the competition for entry is extremely keen. But how long will parents be either able to finance their children's education out of income or willing to meet it out of capital—if they have any? Social pressures are still very compelling. But if there is a real rise in the standards of the state-owned secondary schools, the public schools will feel the draught.

* * *

Flats, Furniture and Service

A recent decision of the House of Lords of considerable interest to the public is one which deals with that borderland where furnished and unfurnished lettings meet. Unfurnished lettings are controlled by the Rent Acts. Furnished lettings are not; nor are lettings where a substantial part of the

rent paid is fairly attributable to the supply by the landlord of furniture or attendance to the tenant, as part of the contract for letting. It is this third case which provides the greatest scope for dispute between landlord and tenant, and the changes in circumstances since the war have all tended to sharpen the disputes that arise. The cost of supplying service and attendance has increased, with the result that a rent still fixed by the Rent Acts provides many landlords with a still diminishing net return. The House of Lords, in a judgment given on two appeals, has now cleared up many misconceptions about what "furniture," "attendance," "service" and "a substantial part" of a rent mean in any such letting. In doing so it has, perhaps at the expense of some landlords but to the advantage of good law, refused to allow common words to be given a distorted meaning simply to remedy a hardship to one class of person. The word "furniture" referred to in the Rent Acts is furniture in its common meaning; it cannot be stretched to cover fixtures, such as built-in cupboards, that serve the purpose of furniture. "Attendance" means personal attendance on the tenant, the kind of attendance given by a lady's maid or a valet. It does not mean the service supplied by the porter in a block of flats, in maintaining the hot water installation, for example, which is common to everyone who lives in the building.

None the less, this decision (like an earlier one of the Court of Appeal, deciding that the Rent Acts cease to apply to a building when it is reconstructed after complete demolition by enemy action) does emphasise the need for a thorough overhaul of the Rent Acts by Parliament, and the new legislation proposed in respect of rating reform provides the opportunity. The Rent Acts by now are a patchwork that merits the description "crazy." The trouble is that the control of lettings of property has become something of a social poor relation. Scraps of attention are paid to it when the outcry becomes particularly acute. At other times landlord and tenant are left to struggle along from one legal decision to another, to the sole benefit of the lawyers, taking the good or bad luck of the draw with the exasperated frustration of one who can do nothing else. A hundred minor injustices are never as compelling as one major one.

Letters to the Editor

Money's Revenge

SIR,—Your leader-writer selects somewhat discriminatingly among the "basic truths about the springs of human action." Two which he ignores must be recognised in any objective analysis of the existing situation. First, the recognition by a large proportion of the wage-earners in Britain that their bargaining position is so weak that only by political action can their share of the national income be increased. Second, the strong dislike of "brutality," even when sanctified by logic, which is embodied in the British political tradition. Some may deplore the former, some may regret the latter. All must recognise both. They dominate the policy of the existing Government; they will circumscribe the action of any government.

What can be done in an inflationary situation? The flow of income can be lessened, or the amount of money lessened, or the price-level can be allowed to rise. A policy embodying any of these remedies will have effects which bear with different weight upon wage-earners and property-owners. Now Stalin is free from the necessity to avoid undue "brutality" to either of these categories (although the problem of holding the balance between wage-earners and peasants remains) because the latter have disappeared in Russia. Were the British government to parallel his action, the equivalent would be the cancellation of a large proportion of the note issue, plus a very substantial capital levy, while money wages were maintained at their previous level. This would involve the loss of the co-operation of privately-owned industry, and would drive them to further brutalities in order to maintain production. And it would place the whole burden of deflation upon property owners. Thus it would disrupt the British political tradition, for the destruction of which the Labour Party is certainly not prepared.

What of the alternatives? To allow prices to rise until "the available supply equals the demand" would involve no one in hardship if all prices rose equally and without any effect on the distribution of income. No one with the most elementary knowledge of economic theory now supposes that to be possible. Inevitably, the process would involve a fall in the real incomes of

wage-earners and a rise in those of property-owners. Moreover the forces generated by a rapidly rising price level are as destructive and as incalculable as those operating in a controlled or semi-controlled inflation. The burden of the charge would be concentrated upon those who elected the present government.

To reduce the flow of income by lessening capital expenditure is a more attractive solution. Its limitations are obvious. By pushing the rate of interest up to the level at which it *does* commence to work, suddenly, drastically and incalculably, by depressing the marginal efficiency of capital (below which level it is of little effect) enough unemployment may be caused to involve distress for the unemployed and to weaken the bargaining position of organised labour. These are both dangers of which a Labour government is, properly, acutely aware.

The policy of the government may be said to be to effect such economies in capital expenditure and in imports as can be embarked upon without undue danger to ultimate recovery or full employment, to lessen purchasing power by moderate increases in taxation, to hold the price level and to trust to an ultimate recovery in production at home and abroad to eliminate the inflationary elements in the situation. With many of the administrative details of their policy I find myself in disagreement. I am critical of their unwillingness to embark upon a capital levy. But what I cannot bring myself to criticise, given their premises, is the logic of their policy.

Not an insignificant proportion of British economists are either in the government or at its disposal. I would suggest that "their system is (not) wholly devoid of any humanity; but it is equally free from muddled thinking."—Yours faithfully,

HENRY SMITH

Vice-Principal's Lodging, Ruskin College, Oxford

China's Tepid War

SIR,—In the able article surveying "China's Tepid War" in your issue of December 20th you state: "The privilege of navigation on Chinese inland waters formerly enjoyed by the 'Treaty Powers' was indeed an abnormality in international commercial

relations, and it can well be understood that the Chinese have wished to abolish it along with extraterritoriality and other marks of an inferior status among nations."

This statement is presumably intended to refer to the domestic trade between Chinese ports on the river, but seems to me to need qualification in regard to the great international waterway of the Lower Yangtze as far as Hankow. Prior to the war ocean vessels from America and Europe made the passage up the Yangtze to Hankow in the high water season and, as these vessels were solely engaged in the China/Foreign trade and did not lift cargo between any two Chinese ports, there seems to be no reason why China should have regarded this as a mark of inferior status and have closed Hankow to foreign shipping. One need only point to waterways such as the St. Lawrence and the Amazon, and to the inland ports on the Great Lakes of North America, which are open to international shipping, to reassure any Chinese *amour-propre* that there may be in this regard.—Yours faithfully,

Stone Lodge, Ipswich

AILWYN

Old Moore and New Diplomacy

SIR,—I passed over a rather petulant reference to astrologers in *The Economist* during the fuel crisis last year, but this week's article shows that your enlightenment must be delayed no longer.

The fact is, that Astrology has better claims to be considered a science than Economics, a pretension the simpler to substantiate since the two subjects exhibit remarkable parallels:—

1. Both claim to study the phenomena which predominantly influence the multifarious transactions of mundane existence;
2. In consequence, both maintain that prophecy is possible;
3. The major cause of the disrepute in which both are held by many ordinary people is the eccentricity of particular individual exponents; for there are astrological determinists to counterbalance Marx, and astrological monomaniacs to balance Henry George and Proudhon.

As for Old Moore, who tackles a branch of Astrology where the factors to be taken into consideration are even more numerous than those affecting monetary policy, he has had his successes. Certainly, they once secured his employment by a national newspaper, and on the whole, it is doubtful if his record is any worse than *The Economist's*, whose predictions in the early twenties were recently derisively recalled in Prof. Pigou's "Aspects of British Economic History."

My own study of the birth-data of economists greatly helped to convince me of the validity of several basic astrological theories. But like the other critics, you will probably prefer to retain your own unfounded prejudices rather than the respect of an admirer of your objectivity in other directions.—Yours faithfully,

24 Claremont Gardens, Tunbridge Wells. BRIAN AUGARDE.

Black Market?

SIR,—Your correspondent "An Exporter" gave up too readily. Whatever the conditions may have been six months ago, at present there is no shortage either of timber or of case-making capacity.

Last year, it is true, there was an acute shortage of timber in February, March, April, and the licences granted by the Board of Trade could not be honoured; but the lesson has been learnt, and stocks are now adequate to provide the consumption of the next four months at least. Thereafter it is a question of dollars. Your correspondent should consult any reputable timber merchant (or the Editor of *The Economist*).—Yours faithfully,

TIMBER MERCHANT

Palestine Immigration

SIR,—There is surely a touch of optimism in the way in which the United Nations have allowed the economics of immigration into Palestine to creep out of consideration. From the Churchill statement of 1922 to the report of the Peel Commission, and in all our recent proposals for Palestine, the over-riding criterion of regulation has always been the economic absorptive capacity of the country. Originally applied with respect to the monthly rate of immigration, it now applies with even greater force to the overall limit to agricultural settlement that the water resources are likely to impose in the near future.

I have no knowledge of hydrological technicalities, but the published data are clear enough in their broad implications. The

Partition Commission, for example, reached certain conclusions regarding the possibilities of further irrigation and settlement;

... in the greater part of the area (the Negeb) there appears to be little hope of any improvement in agriculture by means of irrigation from wells. ...

... the additional agricultural population which the (Beisan) plain could support ... is not likely to exceed 4,000 persons.

... in the Jordan Valley, south of the Sea of Galilee ... say, 55,000 persons.

Concerning the hills, the Peel report says:

... we are satisfied that there can be no expectation of finding accommodation for any large increase in the rural Arab population in the hills.

And, more recently, a table prepared by the Palestine Government shows that, excluding the hills and the Negeb, the total of cultivable land still uncultivated is about 880,000 dunums; enough for some 35,000 families, say 170,000 persons.

The annual rate of natural increase, Arabs and Jews together, was already nearly 20,000 per annum in 1931, and today the figure is about 52,000 per annum. It is unnecessary to trudge through detailed statistical assumptions as to the size of the "lot viable," and the proportions of urban to agricultural settlers, and of new families today to the natural increase a generation back. The Chatham House review (*The World Today*), April, 1947, puts the conclusion in one sentence. "Palestine must be regarded as agriculturally saturated"; for, while there will surely be a large natural increase in the population during the next decade, even without immigration, the known water resources will barely suffice to provide cultivable land for it, and are unlikely to permit any great increase in the type of intensive agriculture that characterises Jewish settlement.

The United Nations scheme has given most of the possible new sources of irrigation water to the Jewish state, and, in particular, it will make practicable for the Jews their schemes for drawing off all they can from the Jordan to irrigate their coastal settlements. Nevertheless it is clear that the absorption of 60,000 immigrants a year—or more, as you have suggested—will involve a vigorous industrialisation such as will create, in the words of the Royal Commission, "a fringe of large towns along the coast out of all proportion to the narrow hinterland ... backed by a range of mountains which cannot be intensively cultivated."

The entire economic absorptive capacity, it seems, will then be taken up by immigration; and it is the implication of this for the Arab population and their future increase—40,000 per annum of the total of 52,000 per annum—which deprives the United Nations scheme, with its timid reference to "joint economic development ... in respect of irrigation ...," of any claim to moral support.—Yours faithfully,

MICHAEL THORNTON

The Heath, Weybridge

From *The Economist* of 1848

January 8, 1848

To the Editor of *The Economist*

SIR,—A recent number of your paper contained an interesting return of the produce of some of the gold mines of Russia. While I admit the vast wealth and power which that country derives from the above source—which, moreover, promises to be not only permanent, but increasing—I would remark that her immense cereal riches are still more deserving of the attention of the political economist.

Allow me to add that there is matter for grave reflection in the prospect, approaching to a moral certainty, that on two colossal states—both as yet in their youth, but assuredly destined, when years and augmented population shall have developed their expanding energies, to outstrip the older nations of the world—that on the United States of America and Russia, in the event of a penury of specie or a general dearth of food, will Europe be dependent for a supply of the precious metals, and of the still more valuable staff of life. So long as these two Powers, alike gigantic and ambitious, remain antipathetically antagonistic in their principles of government, and so counter-balance each other, the liberties of Europe have little to fear at the hand of either. But should they one day coalesce, and seek to supplant the present heptarchy, by constituting themselves "the two Great Powers," it will require united Europe to match the fleets of the Republic, supported by the legions of the Autocrat.—I have the honour to be, Sir, your obedient servant,

London, January 3, 1848

D. F. C.

AMERICAN SURVEY

The Wallace Announcement

(From Our US Editorial Staff)

THE cartoon by Mr Herblock in the *Washington Post* on the day after Mr Wallace's announcement of his candidacy covered practically all of its angles. A comrade labelled PCA (Progressive Citizens of America) is leading Mr Wallace along the street saying "Listen! Listen to the People Cheering!" The sidewalk and the windows of the opposite building are indeed crowded with delighted citizens. The building is labelled Republican Headquarters.

The Republicans have cause for rejoicing. Of the 531 votes that will be cast in the electoral college following next November's election, one more than half of which are enough to win, an even hundred will come from the three states of New York (47), Illinois (28), and California (25). If Mr Wallace gets his party on to the ballot in those states, and does not retire from the contest before Election Day, there is great probability of his drawing enough votes from the Democrats to let the Republicans in comfortably.

Getting on the ballot, as Mr Wilkie's advisers discovered last time, is no simple matter. Electoral laws vary widely from State to State as to the numbers of signatures and the qualifications of signers necessary in petitions to run candidates under new auspices, but all requirements postulate a very considerable amount of successful effort on the part of the would-be new party. In California, for instance, petitions must be filed by February 26th; then they will be scrutinised and the inevitable subtractions made, and only after that process is completed will it be known whether or not a sufficient percentage of voters is interested in having Mr Wallace offered for the people's choice.

In New-York, the situation has changed abruptly. There (but there only) the American Labour Party has enjoyed some success, although it made little headway in the last election for the Governorship, and has long suffered from a sharp clash between the left and right wings. Mr Wallace has now succeeded in splitting ALP in two; he has won endorsement from its State executive committee as a third party candidate, but the price of this endorsement was a refusal by three labour unions to accept the committee's decision. From these unions (the Amalgamated Clothing Workers, United Steel Workers, and United Automobile Workers) the ALP has in the past drawn most of its funds, and much of its executive capacity.

The entire failure, so far, to win organised labour will presumably direct PCA strategy on the basis of minority elements, following the promise in Mr Wallace's announcement speech that "segregation and discrimination of any kind or character have no place in America," rather than on the basis of trade union support, even though a number of the powerful unions in New York are dominantly Jewish in membership. Two hundred thousand votes, picked up in Harlem and various centres of New York Jewry would be enough to wipe out any foreseeable majority that the Democrats might hope for.

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

Trade Union support is, indeed, likely to be spotty. The situation within the ALP typifies the reaction of the Labour movement as a whole—the Wallace candidacy will further exacerbate the left-right cleavage. A leader of the Congress of Industrial Organisations, whose experience in countering left-wing elements qualifies him to judge, has commented that the Communists currently offer the best valeting service available in the United States; they supply speeches, crowds, funds. The policy of CIO's Political Action Committee has been against a third party; an executive meeting in the next few weeks will take specific action on this one. The New York State executive board of the CIO, representing 277,760 union members, has already directed its unions to withdraw from the American Labour Party if it supports Mr Wallace's "piece of political adventurism which can only have disastrous consequences." The American Federation of Labour's tradition of treating with candidates one by one make any support by it of Mr Wallace out of the question.

★

Lack of unified backing is evident even within the Progressive Citizens. Dr Frank Kingdon, who resigned as co-chairman following the organisation's decision to support Mr Wallace, said that the announcement "will bring cheers from the National Republican Club and the Kremlin." The cheerfulness of the Republican National Committee is generally admitted; analysts are measuring the intensity of the cheers according to faction. If the Wallace forces show enough strength to promise to make a real difference in the vote—and it remains to be seen how much his support will be confined to the present core of eager partisans—which of the present Republican contenders will be likely to benefit?

It has been generally conceded that if either Mr Dewey or Mr Taft could be nominated early in the convention, General Eisenhower would remain President of Columbia University for at least four years. Among those who think such an outcome likely, two schools of prophets are audible: those who say it means Dewey, and those who say that if New York seems a Republican certainty, interest will shift to the doubtful State of Ohio (with its 25 electoral votes) and that means Taft.

Whatever the Wallace candidacy means to the Republicans, it requires a shoring up of the Democratic structure. Mr McGrath, the Chairman of the Democratic National Committee, is at present in California, bent on soothing the antagonisms between the respective followers of Mr Pauley and Mr James Roosevelt. Whom will Mr Truman choose as his running mate? How will the new situation affect the idea of drafting Mr Marshall, previously conceived as the one available means of stopping Eisenhower? (The one means, that is, short of a McArthur Republican candidacy?) Will there be cabinet changes? It has been rumoured that Mr Royall, the Secretary of the Army, was about to resign to run for Governor of North Carolina, and that Mr Draper, at present his Under-Secretary, would succeed. But it is now said that Mr Royall is not going to make the race; is he strong enough to remain where he is?

The third point on which analysts are speculating is, why did Mr Wallace do it? Those who regard him as primarily a tool of the Communists have easy going; the more reactionary the regime in the United States, the better the chances for failure of the Marshall Plan, for a domestic depression, and for the achievement of major Soviet objectives.

Others take a more complex view of a complex personality. The new party is clearly designed as a rallying point for Americans who for some reason or another feel they don't belong. Why does Mr Wallace not feel that he belongs? Not because of minority origin—that was made clear in the sentence in his speech which sounded somewhat different from the way it read: "All of my mother's and three-fourths of my father's ancestors came to this country before the American Revolution." But because of political experience?

Henry Wallace's father was Secretary of Agriculture in the early 1920s. Week after week, in contravention of his advice, he saw the Cabinet decisions made which started agriculture on the down grade of which 1929 was the jumping-off place. He died in office. For those decisions, Mr Hoover, then Secretary of Commerce, was mainly responsible. When Henry Wallace the younger became Secretary of Commerce in 1944, he hung his father's portrait over Mr Hoover's former desk. When the Roosevelt revolution was in the making, the first man the Brains Trust called on was Henry Wallace. But within two years, Harry Hopkins had taken his place as the ultimate insider. The disappointment of the 1944 convention when Mr Roosevelt dropped him from the Vice-Presidency in favour of Mr Truman, was the climax. If, on that Tuesday evening in Chicago four years ago, proceedings had not been summarily terminated on instructions from Washington, by the party machine, the Vice-Presidency, and as things worked out the Presidency, would have been his. If there is a Republican victory in 1948, the Presidency will at least no longer be his supplanter's.

So the case against Mr Wallace takes two forms. To some, he is a tool which may even some day turn a sharp edge against its current handlers, a mystic whose religious syncretism has been given a secular counterpart. To others, he is a far commoner American phenomenon, a disappointed politician eager for revenge. It remains to be seen just what form the case for Mr Wallace will take, and how many people will be found making it.

American Notes

The President's Programme

President Truman's cold reception in Congress on Wednesday was perhaps the most effective tribute to the electoral appeal of his Presidential Message on the State of the Union. The sharpening conflict between the major parties as the 1948 elections draw nearer leaves very little time for smoke-room philosophy on the common aspirations of the American people—at least so far as the more controversial domestic issues are concerned. The Presidential Message could not fail to be a major challenge to the Republican majority, which is grimly aware that Mr Truman has gained immeasurably in status, experience—and confidence—in the last two years, and that the 1948 battle may be very much sterner than seemed likely when they regained control of Congress two years ago.

The record from 1945 onwards, however, is quite sufficient to dispel the charge that Mr Truman has formulated a brand-new policy, specifically for electioneering purposes. Apart from the European Recovery Programme, and the new stress upon effective anti-inflationary measures, Wednesday's speech contained a vast programme of domestic legislation for which the President has appealed consistently both in and out of his present office. There can be no doubt of his sincere conviction that prosperity can be buttressed and continued only by the broad extension of social security cover, by national health and educational services, by Federal housing development, and last, but by no means least, by the extension of reclamation and conservation projects along lines already established, with success in the work of the Tennessee Valley Authority.

There is nothing new in the appeal for higher minimum wage rates, which the Republicans may this year decide to be a measure which might take away some of the hostility aroused in the ranks of organised labour by passage of the Taft-Hartley Act. Nor is there any extension of the executive programme in terms of farm price support, or rural development. The Republicans are naturally anxious to establish the charge that the President is concentrating purely upon November, 1948. But perhaps their

most cogent criticism would be that in a year which must be marked by fierce contention and eventual compromise, the President did not take the trouble to establish priorities for Congress along with industry. For with the best will in the world, Congress could accomplish but a fraction of the President's programme before the July adjournment.

Budget and ERP

On present indications, the Budget and the European Recovery Programme will alone prove sufficient to occupy Congress for very many weeks. For ERP, the Administration has already conceded that Congress shall not be asked to approve the total of \$17 billion for the full four-year programme—a reservation sought by Senator Taft and supported by Senator Vandenberg on the somewhat doubtful thesis that such an approval would tie the next President—and possibly a Republican President—for the whole of his first term.

This failure to secure more than a general blessing for the full programme, however, is not in itself so damaging as it may appear to be on this side of the Atlantic, since annual appropriations would in any case be necessary. Far more serious reservations concern the pace of the debate in Congress, and the restrictions which may be placed upon the control of the administrative body, or upon the terms of aid for the European nations.

Another major clash will take place on the Budget proposals, where the President has retreated a little way from his rigid refusal to concede any relief whatsoever for personal taxpayers. In strong contrast to the Republican Bill, which aims at reductions totalling \$5.6 billion over all grades, however, Mr Truman seeks to confine relief substantially to the lower income brackets and to recoup these concessions by higher taxation of company earnings. Opposition will no doubt be strengthened next week, when the Budget Message is now expected to include expenditure totals even higher than those for 1947-48.

Retreat from Cheap Money

(From our US Editorial Staff).—The Federal Reserve authorities chose the eve of the Christmas holiday for yet another sudden move in the long process of retreat from the ultra-cheap interest rates of the war years. The new development was a significant downward adjustment in the prices at which official support will be given for several of the Treasury Bond issues, and declines ranged from $\frac{1}{4}$ in the Victory Bond 2½s of 1967-72 (at 100½) to as much as 2½ on shorter maturities where the authorities clearly decided that there was no longer any gain attaching to substantial premiums which have little relevance to the immediate problems of debt management.

The timid, but none the less persistent, retreat from credit expansion has now lasted since March, 1946, when the peak of Treasury Bond values coincided with the decision to begin a large-scale programme of debt retirement financed from the Treasury cash holding. This was followed by the "unpegging" of Treasury Bill rates, and a general upward trend of short-term rates. So far, however, the authorities have been trying their hardest to ride in opposite directions. They have been fully aware of the inflationary dangers arising from the rapid expansion of business and personal credits, the renewed advance in commodity prices and the inflow of gold. But the policy of curbing inflation has been limited rigidly by the desire to protect the price of long-term bonds, in the interest both of the taxpayer who has to find the interest and of the banks which hold large blocks of the bonds.

In recent months it has become steadily more difficult to maintain this dual policy. Credit restraints, coupled with a vigorous demand for loans, brought sharply lower quotations for corporation bonds this autumn, and thus a strong incentive to sell Treasuries and seek higher yields elsewhere. This, in turn, brought a new threat to Treasuries, and when conditions in the bond market began to look disturbing, the Reserve Board stepped in again to buy Treasuries in the open market at fixed support levels.

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OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, DECEMBER 31, 1947

RESOURCES	
Cash and Due from Banks	\$1,225,791,684.00
U.S. Government Obligations	1,997,223,842.42
State and Municipal Securities	72,143,547.26
Other Securities	159,297,385.27
Loans, Discounts and Bankers' Acceptances	1,324,264,033.92
Accrued Interest Receivable	9,400,461.83
Mortgages	11,692,930.77
Customers' Acceptance Liability	13,491,128.15
Stock of Federal Reserve Bank	7,950,000.00
Banking Houses	31,101,354.61
Other Assets	4,096,053.21
	<u>\$4,856,452,421.44</u>

LIABILITIES	
Capital Funds:	
Capital Stock	\$111,000,000.00
Surplus	154,000,000.00
Undivided Profits	57,024,776.27
	<u>\$322,024,776.27</u>
Dividend Payable February 2, 1948	2,960,000.00
Reserve for Contingencies	17,766,358.56
Reserve for Taxes, Interest, etc.	9,703,411.26
Deposits	4,477,562,449.92
Acceptances Outstanding	\$20,347,254.88
Less Amount in Portfolio	4,963,529.20
	<u>15,383,725.68</u>
Other Liabilities	11,051,699.75
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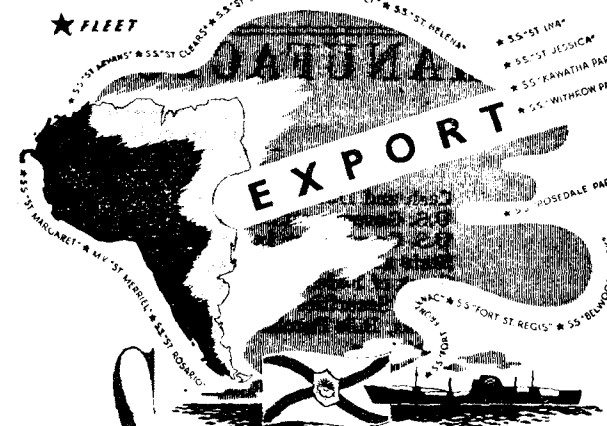
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ASSETS		
Cash and Due from Banks		\$1,443,283,803
United States Government Obligations (Direct or Fully Guaranteed)		2,131,035,234
Obligations of Other Federal Agencies		28,214,818
State and Municipal Securities		231,062,937
Other Securities		80,775,281
Loans, Discounts, and Bankers' Acceptances		1,215,660,245
Real Estate Loans and Securities		2,819,263
Customers' Liability for Acceptances		22,309,381
Stock in Federal Reserve Bank		7,000,000
Ownership of International Banking Corporation		28,491,252
Bank Premises		2,977,704
Items in Transit with Branches		2,454,110
Other Assets		
Total		\$5,203,284,028
LIABILITIES		
Deposits		\$4,874,418,234
(Includes United States War Loan Deposit \$23,605,479)		
Liability on Acceptances and Bills	\$33,460,941	
Less: Own Acceptances in Portfolio	8,427,813	
		25,033,128
Reserves for:		
Unearned Discount and Other Unearned Income		5,673,264
Interest, Taxes, Other Accrued Expenses, etc.		4,650,000
Dividend		
Capital	\$77,500,000	
Surplus	162,500,000	
Undivided Profits	30,115,614	
		270,115,614
Total		\$5,203,284,028

Figures of Foreign Branches are as of December 23, 1947.

\$251,123,478 of United States Government Obligations and \$3,330,105 of other assets are deposited to secure \$207,922,739 of Public and Trust Deposits and for other purposes required or permitted by law.

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MANUFACTURERS TRUST COMPANY

NEW YORK

Statement of Condition as at close of business December 31, 1947.

RESOURCES		
Cash and Due from Banks		\$ 716,527,697.93
U.S. Government Securities		1,173,607,276.55
U.S. Government Insured F.H.A. Mortgages		3,226,973.93
State and Municipal Bonds		27,296,037.43
Stock of Federal Reserve Bank		3,037,500.00
Other Securities		22,035,108.68
Loans, Bills Purchased and Bankers' Acceptances		484,035,603.66
Mortgages		14,063,769.90
Banking Houses		10,243,576.73
Other Real Estate Equities		233,980.73
Customers' Liability for Acceptances		6,486,993.42
Accrued Interest and Other Resources		7,641,834.15
		\$2,468,436,353.11
LIABILITIES		
Capital	\$41,250,000.00	
Surplus	60,000,000.00	
Undivided Profits	22,565,100.78	
		\$ 123,815,100.78
Reserve for Contingencies		10,110,272.44
Reserve for Taxes, Unearned Discount, Interest, etc.		5,990,230.70
Dividend Payable January 2, 1948		1,237,500.00
Outstanding Acceptances		7,068,246.35
Liability as Endorser on Acceptances on Foreign Bills		158,336.00
Deposits		2,320,056,666.84
		\$2,468,436,353.11

United States Government and Other Securities carried at \$49,957,969.94 are pledged to secure U.S. Government War Loan Deposits of \$12,390,127.88 and other public funds and trust deposits and for other purposes as required or permitted by law.

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The reduction of support levels is a move undertaken in the hope that private buyers will now come forward for long-term Treasuries and relieve the Reserve Board from its position as virtually the sole prop to this market. But the success of such a move is clearly debatable, and it remains to be seen whether the market can be assured that support will be sustained at the reduced levels. While the authorities still hope to hold a rate of 2½ per cent for long-term issues, they are quite clearly near a point where only a sudden reversal of the business trend can avert a decision to abandon that level. As a further restraint on inflationary pressure, the new move carries favourable implications for the European programme. On the other hand, the decline in Bond values will not assist the World Bank to raise new funds.

* * *

Typographers on Trial

Is it an unfair labour practice for a union to refuse to sign a written contract? This is the issue which is being debated before trial examiners in several American cities, will eventually be decided by the National Labour Relations Board, and then appealed to the courts. The ban on the closed shop, embodied in the Taft-Hartley Act, is also at stake, for the reason the defendants, the International Typographical Union, refuse to sign a contract is that it could not legally contain any provision for the closed shop they have enjoyed so long. Charges of unwillingness to bargain, of coercion, and of restrictive practices have been brought against the union by the American Association of Newspaper Publishers, the Southern Newspaper Publishers Association (represented by that ubiquitous New Deal firm of lawyers, Thurman Arnold, Abe Fortas and Paul Porter) and the Inland Press Association. The publishers have refused to take what in a time of full employment is the easy way, and countenance the "under the counter" contracts not unknown in other industries; and this has not unexpectedly been taken by the ITU as a determination to use the Taft-Hartley Act to smash the union by court decisions and court costs.

The typographical union is a tight monopoly, which for many years has sharply limited the new entrants to the trade, prescribed costly rules of work, padded employment and slowed down all processes. Mr Randolph, the president of the ITU, is the Petrillo of printing, moved by the same terror of technological unemployment. When the ban on the closed shop became law, the ITU, convinced that the closed shop was its life, voted at its convention to sign no contracts, but to force the publishers to continue the substance of the closed shop by posting union "rules of work," which include the provision that union printers may not be required to work with non-union printers. The publishers, however, stood upon their legal rights; they would grant no wage increases without a written contract. Strikes against 15 newspapers in eight cities followed, with Chicago dailies managing to side-step the consequences by using a photo-engraving process. This produces a paper with a typewritten look, larger print, and the incidental boon of somewhat shorter and sharper writing. The strike, that is, has helped to hasten those very technical changes which the printers so much fear, and which the high costs of printing, under present rules, make almost inevitable.

The Counsel to the Labour Board, Mr Denham, has supported the publishers by filing charges of coercion against the union. This case, the first of its kind on a national scale, will test many of those provisions of the Taft-Hartley Act which deal purely with industrial relations rather than side-lines such as political contributions or Communist affiliation. It is difficult to see how, if it is an unfair labour practice for an employer to refuse to sign a contract, the union can hope for more lenient treatment, particularly when the avowed purpose is to evade another provision of the law. Whether the decision will bring peace to printing, and even whether, once won, it will be observed, are other questions.

* * *

Eggless Thursday

It is blue Thursday no longer. The eggless and poultryless day is now free of all restrictions. Thursday abstinence was devised to reduce pressure on the prices of chickens and eggs, and thus discourage farmers from feeding grain, and particularly wheat, to poultry. It was part of the food programme launched by Mr. Charles Luckman to save an additional 100 million bushels of wheat for export to the hungry. The programme also included a meatless Tuesday, the request to save a slice of bread a day, economies by bakers and industrial users of grain, and reforms in livestock feeding. From the relaxation announced this week, it

might be assumed that voluntary rationing had been an unqualified success, and that the export goal was assured. It is true that winter wheat prospects have improved. But only last week the Department of Agriculture, looking at the revised crop figures for 1947, which are down, for grains, by more than 100 million bushels from earlier estimates, came to the conclusion that only 450 million bushels of wheat could be exported during this crop year, a cut of 50 million in the target.

The favours which have been shown the poultry-farmer contrast sharply with the successful campaign Mr Anderson, the Secretary of Agriculture, has waged against the distillers. The only new authority granted to the Government in the anti-inflation Bill passed by the special session was the power to restrict the use of grain by the liquor industry, and Mr Anderson has immediately cut their quota by a million bushels for the month of January.

In a country capable of Prohibition, turning good grain into alcohol is manifestly more sinful than turning it into eggs and fryers. It is also easier to control. But the obstinate fact remains that while the liquor industry uses 3 per cent of the nation's grain crops, 80 per cent of them is fed to livestock, and by far the most extravagant use of grain, per 1,000 calories of food value produced, is found in poultry feeding.

This gradual liquidation of the consumer side of food conservation arises partly from bad publicity at the beginning; to institute two days of abstinence simply invited the eating of poultry on Tuesday and meat on Thursday, if not more open lack of co-operation. The propaganda of the farm bloc has been much more skilful, with its deceptive argument that a dead chicken eats no grain. And the Administration may well be alarmed at the political consequences of another meat famine in the spring. But world food prospects suggest that this is all the more reason for a fresh and more effective start, with an even higher savings target, rather than the scuttling of food conservation.

* * *

Rail Rates Up

Rail freight rates were increased by a further 10 per cent from January 5th onwards, making with the "emergency" award granted by the Interstate Commerce Commission last October, a general advance of 20 per cent within a few months. The present award will last until June, and the ICC has stipulated that the railways must be prepared to grant rebates if the "final award" is below the levels now prevailing. Such a decision, however, seems unlikely, to say the least, and it is clear that the Interstate Commerce Commission has been impressed by the managements' evidence on rising costs.

The new advance will do little more than cover the recent increase in wage costs. The roads originally petitioned for an

U S Business Bulletin

THE ECONOMIST receives every week, from its own correspondents and from other sources, a great deal more information on business conditions and economic developments in the United States than can possibly be used for "American Survey."

It is therefore proposed to issue for private circulation a fortnightly "U S Business Bulletin" which will contain a more extensive digest and analysis of this information than can appear in the paper. It will be designed to be of value both to exporters and also to those more generally interested in economic affairs in America.

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advance of 17 per cent last summer, but this claim was quickly reinforced in the face of wage demands, and the overall rise requested from the ICC would amount to at least 30 per cent. Eastern railroads, however, have been especially affected by war-induced shifts in population, industrial output, and traffic trends, with the result that they are now taking a substantially smaller share of gross revenues than in the prewar years. For this reason, claims by Eastern railroads range up to more than 40 per cent on many commodities (excluding the awards given recently). It is this shift in traffic which has caused the ICC to defer a "final" award, since many abnormal factors still persist, and there has been insufficient time to study the permanency, or otherwise, of shifts in revenue. Railroads in western states, for example, have benefited enormously from bumper grain crops, and exceptionally profitable long-haul traffic. Although freight rates remained almost stationary from the outbreak of war in Europe until 1946, the grant of the full demands by railroad managements would bring the average level to more than 50 per cent above 1939 schedules.

Synthetic Rubber Debate

Recent moves in Congress suggest that the Administration is now determined (presumably on the advice of its service spokesmen) to maintain synthetic rubber output at the higher levels determined by present legislation, and by the agreement with Britain covering colonial preferences and imports of natural rubber.

No full programme has been presented, but Mr Arthur Hill, chairman of the National Resources Security Board, recently told a Congressional committee that plans had been put forward, and that the President "was generally in accord with them." He said that the US government proposes to maintain output of buna-type (GR-S) rubber "for at least two years" at a rate equal to one-third of the level of all natural and buna-type rubber consumed in the United States. This would stay as the maximum level, but after that time, the President would be empowered to reduce synthetic output.

"Stand-by" capacity will be maintained for at least 600,000 tons of buna-type rubber. For two years, four per cent of all new rubber consumed would be the specialised *Butyl* product, with provisions for lower future requirements, as for buna-types, to be established by Presidential decision. Regulatory powers over consumption will continue to cover tyres and tyre products, and latex foam cushions.

Conflicting evidence has been given on the issue of government ownership of the synthetic plants. The Resources Board wishes to sell, or lease, active factories to private industry, and to abandon patent pooling arrangements "so as to provide incentive for competitive research and development." The Reconstruction

THE WORLD OVERSEAS

European Coal Organisation

(By a Correspondent)

"IT is, perhaps, in respect of coal that international co-operation between European countries has been most effective since the end of the war." Such was the tribute paid to the European Coal Organisation (ECO) by the Sixteen in their final report last summer. Like so many of its contemporaries, ECO was a by-product of war and of Shaeef. After an initial period of informal activity, the organisation reached independent status in January, 1946. And it was in this shape—except for such operational improvements as experience dictated—that ECO survived up to its liquidation last week. On January 1, 1948, its functions became the responsibility of the Economic Commission for Europe (ECE); and Geneva succeeds London as the principal public forum for Europe's coal diplomacy.

It is surprising that international co-operation should have thus flourished in respect of the very commodity which, by its outstanding importance to every process of industrial production—not to mention its unequal geographical distribution—contains

Finance Corporation, which now controls the Federal plants, opposes their transfer, and declares that an operating deficit of \$44.7 million from 1942 to 1945, had been replaced since that time by earnings of \$109.8 million.

With a very full programme for 1948, many Congressmen would be willing to agree to a simple extension of present legislation which expires on March 31st this year. In the view of the State Department, however, the present Control Act, with its provisions for the admixture of natural and synthetic rubber runs counter to provisions of the charter for an International Trade Organisation. For some way ahead the scope for any fresh concessions to the rubber planters would seem to be very slight.

Shorter Notes

"There are few signs of any factors that would cause an economic collapse," declares Mr Ewan Clague, Commissioner of Labour Statistics, in a New Year survey of industrial prospects. He says that the nation has begun the year with "a very strong basic economy," and he believes that consumer prices will go still higher in the near future. Mr Clague last summer forecast the vigorous upturn in activity which followed the moderate setback from early spring peaks in prices and output.

A great deal of comment has been aroused by the decision of the General Electric Company to reduce prices from three to ten per cent on a wide range of products, including refrigerators, and radio and television receivers. Earlier attempts to beat the inflationary price spiral (by such industrial leaders as Ford and International Harvester) have proved quite unavailing. But there is in some quarters a disposition to believe that the GE move heralds a more competitive phase over many consumer goods industries.

The ban on the making of records imposed by Mr Petrillo, of the Musicians' Union, went into effect on January 1st, bringing a much-needed rest to musicians who have been working around the clock to build up the stocks of master-recordings with which the record companies hope to outlast the Petrillo siege. It is estimated that the companies now have enough stocks on hand to last for a year—if they prove to be the songs the country wants. After the last ban it took 27 months to reach an agreement. Mr Petrillo has suggested that the ban will be permanent this time—but he has also said it will last until a new deal is worked out for the union, which under the Taft-Hartley Act can no longer collect royalties on new recordings.

every ingredient of political dynamite. It is perhaps even more surprising that a commodity which yields to its possessor so rich a crop of bargaining power (and of prestige) should have let itself be multilateralized to the point of being treated as a commodity of any kind at all.

The problem of Ruhr coal has haunted the Council of Foreign Ministers more than once: it has also kept the experts busy in London, Washington and Berlin. In Paris last summer, the prospects of British coal were a vital factor in the deliberations of the Sixteen, while Poland has, since 1945, concluded a series of very remunerative bilateral agreements based on her growing exportable surpluses.

All this activity has struck the headlines from time to time ECO, on the other hand, except for its valuable statistic work, seldom ventured into the limelight. Its contribution to the maintenance of the "coal peace" was made largely behind the scenes. It was, however, a contribution which was no less powerful for being unsensational. The study of its work shows

some interesting light on the likely development of ECE's Coal Committee in the future.

The purpose of ECO, as set out in its Agreement, was to "promote the supply and equitable distribution of coal and scarce items of coal mining supplies and equipment," as well as to "safeguard, as far as possible, the interests of both producers and consumers." Its principal instruments were a General Purposes Committee which acted, in most respects, as the steering body, and an Allocation Purposes Committee which kept the supply and demand relationship under constant review and made the appropriate recommendations to the governments concerned. Full members of ECO were: Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, Netherlands, Norway, Poland, Turkey, the United Kingdom and the United States. Finland, Italy, Portugal, Sweden and Switzerland participated as associate members. Austria was neither a member nor an associate, its coal requirements having in the past been met by a direct allocation from the Bizone of Germany.

Bargaining for Coal

In the field of allocations, the first objective was to secure for each country a minimum amount of coal. Coal committed by bilateral agreements (mainly Polish coal) was naturally taken into account in assessing each country's quota. This left Ruhr, Saar and American coal for direct allocation. The yardstick employed was a complicated allocations formula which made allowance for each country's internal production, its bilateral exports and imports, its war damage, its reconstruction plans, its development of hydro-electric and other sources of power and a number of lesser factors. On the basis of this formula—which was itself subject to frequent revision—governments consented each quarter to confine their purchases of Ruhr, Saar and American coal to within agreed percentages of the total quarterly supplies.

Allocations thus bore no resemblance whatever to the functions of the wartime priority boards. ECO quarterly agreements were in effect "treaties" freely negotiated among sovereign countries anxious to avoid a "free-for-all" scramble in a commodity the shortage of which set an effective limit to the rate of European recovery. Delegates' heads at an allocations meeting remained stuck together in tough, though friendly, bargaining until an agreed solution was finally evolved, acceptable to all parties. This agreement was in any case purely "permissive" in the sense that ECO never physically allocated tonnages of coal, but merely set maxima over and above which governments would not contract for imports. They were quite free to contract for tonnages below their respective maxima and a special procedure existed whereby unclaimed quantities could subsequently be offered for re-allocation.

Incentive Schemes

As Europe progressed from the phase of rehabilitation to that of reconstruction the need was felt to render the system more flexible. Small tonnages of coal were set aside each quarter for supplementary allocation to certain countries in respect of specific purposes. Belgium, for instance, would be granted a supplementary tonnage of coal to enable it to put into use some of its hitherto idle capacity for the production of nitrogenous fertiliser. In return Belgium undertook to deliver to certain other European countries specified tonnages of fertiliser representing the amount of extra coal it had received. For reasons largely connected with the general pattern of world trade, the potentialities of this coal incentive scheme were never in fact widely developed; the amount allocated to this end was of the order of half a million tons or less per quarter. Its administrative difficulties were immense, and it is easy to see how the system would be open to abuse.

ECO's other main function was that of making recommendations and assisting member countries on a variety of problems of production, chief among them those of manpower and of mining equipment. It was served for this purpose by a production sub-committee, assisted in turn by a number of working parties on special supplies such as pitch and pit props. Following on the Paris Conference, ECO also established an *ad hoc* working party on mining equipment to assess the detailed requirements for machinery of European coal producers. On the allocations side, it was similarly assisted by a movements working party which prepared—in close collaboration with the European Central Inland Transport Organisation—a transport programme for the tonnages allocated each quarter.

Initially the problem had posed itself in comparatively simple terms: a given supply of coal had to be equitably distributed

among a number of claimants whose aggregate demand vastly exceeded available supplies. Gradually, however, the problem began to assume more complicated shapes. Into the neat pattern of coal shortage there projected themselves two intruders: the shortage of dollars and the shortage of specific grades of coal. The dollar shortage proved to be an even more effective limitation on the amount of coal consumed than did the availability of coal itself. This made it essential for the dollar-starved importers to secure not only favourable general allocations, but favourable proportions from the most economical source. And as both German and American coal were payable in dollars, relative price levels became all-important.

As regards grades of coal, there has been for some while a similar tendency to shift the emphasis from general allocations to allocations of high-grade metallurgical coking fines (or hard coke itself), the lack of which is restricting European iron and steel output. France, the Benelux Union and others are clearly interested in any revision of the ECO allocation formula which would enable them to obtain a higher proportion of their quarterly imports in the form of metallurgical coal or coke. This could only happen if non-steel producing countries were willing to obtain equivalent amounts of ordinary coal from America or other sources, an arrangement which immediately encounters new difficulties in the form of existing bilateral agreements, price differentials and the increasingly important consideration of long-term markets and sources of supply.

This, briefly put, is the problem the Economic Commission for Europe will inherit from its predecessor. It will inherit with it a spirit of co-operation and a determination to succeed which have enabled ECO to surmount a host of difficulties in its two and a half years of existence. In theory, ECE will project ECO's activities into a wider geographical sphere, for all European countries, east as well as west, are invited to the meetings of its Coal Committee. But, in the prevailing political situation, this wider membership is likely to remain theoretical for some time, and the Coal Committee's membership for the present will not differ a great deal from that of ECO.

By and large, the Coal Committee proposes to follow the pattern of work and organisation which has hitherto served ECO. The comprehensive structure of the Economic Commission may, however, enable it to relate the problems of coal more closely to other economic problems than was the case in ECO: it may wish to relate it to the longer-term problems of transport, electric power development, timber and general industrial production. To what extent ECE will succeed in this depends primarily on the place the Commission will eventually occupy in European reconstruction. One thing, however, is fairly evident: with the emergence of the buyers' market, the emphasis will increasingly shift from the problems of simple allocation to those of productive efficiency.

Communist Setback in Czechoslovakia

[FROM OUR PRAGUE CORRESPONDENT]

THE course of true Communism which ran comparatively smoothly in Poland and Hungary this summer has come up against some unexpected obstacles in Czechoslovakia during the past two months. Indeed, the establishment of the Cominform last October, instead of being the prelude to the liquidation of right-wing Socialism in this country as had been widely predicted, has seen the Social Democrats stage their first come-back since their defeat at the polls in May, 1946. The other non-Communist parties have also begun to show signs of a returning and unexpected vigour.

Chronologically, the first major set-back the Communists received was when they failed to oust the Slovak Democrats from control of the Slovak Board of Trustees. This particular battle is not yet finished, but the Communists certainly lost the first round on points. They succeeded in making the former Board resign and they reduced the number of Democrats on its successor. They also established a precedent for giving the Premier of the Central Government the right to select members of the Board, thus increasing the dependence of the Board on Prague. But not one of the posts surrendered by the Democrats went to the Communists or to non-party organisations under Communist control. The only new "non-party" member—the Trustee for Justice—

has close affiliations with the Democrats and the other vacancies were filled by members of the Social Democratic and Freedom Parties. The Communist threat of a general strike if their demands were not accepted in full had to be dropped because it was suddenly realised that if the strike materialised, it would be the Communist Premier, Mr Gottwald, and not the Slovak Democrats who would have to deal with it. In fact the result of this particular fight was that what the Democrats lost in seats, they regained by agreeing to turn out the *Hlinka* elements in their ranks thereby making it possible at last for the Czech non-Communist parties to co-operate with them.

Stronger Socialist Leadership

A second blow for the Communists was when the Social Democrats decided to depose their leader Mr Fierlinger and appoint Mr Lausman in his stead. Under Mr Fierlinger, the party had put co-operation with the Communists first and had seldom dared to strike out a line for itself. Mr Lausman was elected on the platform of not trucking to anybody. Actually the change had been impending for some time, but it was speeded up by the attack on orthodox Socialism launched by the Cominform. Communist disappointment, not to say rage, at the defection of their allies has been reflected in *Rude Pravo's* acid campaign against Social Democratic "reactionaries"—a charge which Mr Lausman at any rate could afford to ignore seeing that he was the Minister who planned and carried out the nationalisation of industry in Czechoslovakia. Mr Lausman's paper, *Pravo Lidu*, has taken up the challenge and the sniping campaign between the two parties has only been interrupted by the Christmas holidays during which the Czech public had a blessed relief from newspaper polemics for four days. *Pravo Lidu's* counter-attack has concentrated on the alleged complicity of members of a "certain party" in the postal bomb affair last September. Two of the three Ministers to whom the bombs were posted were Czech Socialists—the third was Mr Masaryk—so *Pravo Lidu's* interest in the matter clearly foreshadows the possibility that the Social Democrats are prepared to resume their prewar alliance with the Czech Socialists. If this happens, the Communists will in future have to contend with an adverse majority in the Government and the National Assembly on most, if not all, contentious issues.

The Communists are on the defensive and the question of regaining the initiative and in particular the manner in which they set about doing so are matters of supreme importance. That this fact is realised can be seen by the country's reaction to President Benes's Christmas message in which he urged everyone to remember Karel Havlicek and praised the morale of the students. The President dotted no i's but everyone knew that Havlicek was the man who had stood up for freedom of speech under the Austrians and that the students had recently been warned by Mr Kopecky, the ebullient Minister of Information, that they might find themselves in gaol for their political opinions. Mr Kopecky added that "anti-Communism is high treason."

Political Arrests by Both Sides

At present, however, activity on both sides is confined to sniping. For example, the Communist Ministry of the Interior has arrested 36 people, mostly Czech Socialists, but with a sprinkling of Social Democrats, in connection with a spy plot said to have been discovered in Most and connected with an unnamed foreign state. The Czech Socialist Ministry of Justice has similarly arrested several people in connection with the bomb affair and has stated that one of them, Josef Stepanek, chairman of a local National Committee, is to be charged with trying to murder the Ministers in question, thereby endangering the Republic. Several other persons who were arrested on orders of the Ministry of Justice were subsequently released on orders of the Ministry of Interior only to be re-arrested a few days later. Several of the bomb suspects and all except one of the spy suspects have now been under arrest for nearly two months and there is no sign that their trial will soon begin. The lucky one is Major Polak, an employee of the British Council, against whom the prosecution found no evidence. It should be added that the authorities are under no legal obligation to release anybody or even to let him have legal assistance until the case for the prosecution is complete, so that the release of Major Polak can be regarded as a friendly gesture.

Whether either set of trials ever comes off remains to be seen. If they do they will provide a major political sensation. The cases would have to come before the ordinary courts which are accustomed to judge according to the law and the evidence and not according to the Communist theory of interpreting the will of the

people which was sometimes applied by the special—but now extinct—postwar courts for the trial of traitors and collaborators. In the circumstances, therefore, it is possible that both sets of accusations will be dropped.

There is little doubt that the spy arrests were intended to be the opening shots in a vigorous campaign to force the Czech Socialists and Social Democrats to purge themselves of elements which the Communists regard as treasonable. A purge brought about under Communist pressure would obviously mean a transfer of votes to the Communists in the elections next May and would tend to bring the Party concerned into a relationship with the Communists resembling that of the non-Communist Government parties in Hungary and Poland. But the rebuff the Communists suffered when they tried to disrupt the Slovak Democrats has clearly upset the plans of the Party's High Command. It had not been expected that the other parties would put up a united resistance and still less that they would win some initial successes. Any hope that they would prove as easy to subdue as similar parties in Hungary and Poland has been completely dispelled.

Queue Priority for Communists

Of course, the Communists are not relying solely on disruptive tactics in pursuing their objective of a 51 per cent majority at the polls. They are carrying on a vigorous recruiting campaign and claim to be winning over one member of the Czech Socialist Party every ten minutes. They also offer incentives, one of which is tickets to workers entitling them to be served in the shops before the mere intelligentsia and black coat wearers. Their popularity in the universities is at a very low ebb. The results of the elections to students' faculty committees last month invariably showed a decrease in the Communist vote and a corresponding increase in the votes cast for other parties, including the Social Democrats. At Brno there is not a single Communist on the Committee of the University Students' Union.

It is safe to say that many people who voted for the Communists at the last election would rather see them beaten now than see their country follow in the wake of Hungary or Poland. It is axiomatic and patent that the Soviet Government is determined for strategic reasons to keep Czechoslovakia in the Russian orbit. But it is not so widely realised that for the same reason this is also the policy of every Czech party, so that the USSR could well afford to sit back and let the Czechs go their own way. Nor do the Russians realise that their prestige would rise if they did so. The Soviet Union, in fact, stands to lose, not gain, if the Czech and Slovak Communist Parties use unconstitutional means to gain their 51 per cent majority.

Is Australia Moving Right?

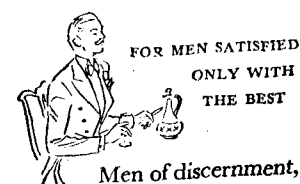
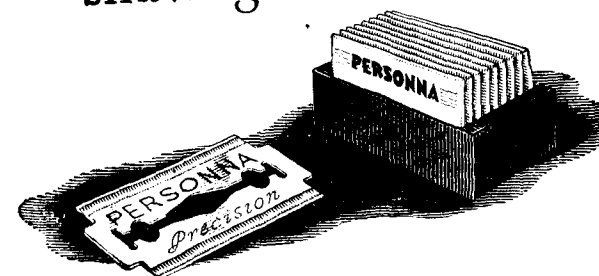
[FROM OUR CANBERRA CORRESPONDENT]

THE Federal Labour Party's dreams of ruling Australia until the 1960's have been rudely shattered by Mr Chifley's decision to nationalise all the trading banks and absorb them in the Commonwealth Bank of Australia. It was largely a personal decision by the Prime Minister which stunned the Cabinet; but it has since received full and unanimous support from all Ministers and the party rank and file, whose loyalty to and confidence in Mr Chifley are profound.

No other Federal Labour member could have induced the Labour Party to put its bank nationalisation plan—so long on the Party's platform—into action. No other Federal Labour leader would have maintained the unity of all sections of the Labour Movement, because only Mr Chifley can combine in correct proportions personal charm, disarming appearances of moderation, deep-rooted obduracy and a sincere conviction that he is acting in the best interests of "the ordinary bloke who looks to the Labour Party for a light on the hill, to lead him to security and freedom from exploitation." Only a private member, the elderly Frank Brennan, Attorney General in the Scullin Ministry, rose in the secret party meetings later to warn that "Australian Labour has foundered on the rock of experimental financial policy before."

The steadily growing hostility to the Chifley Government, since the bank nationalisation plan was announced, has exceeded the worst secret fears of Labour members with "doubtful" seats. As late as July, according to the singularly accurate Australian Public Opinion Polls, the political barometer was set steady for a return of Labour to power in 1949. It has now oscillated violently. From the results of recent by-elections, the Victorian State elections and

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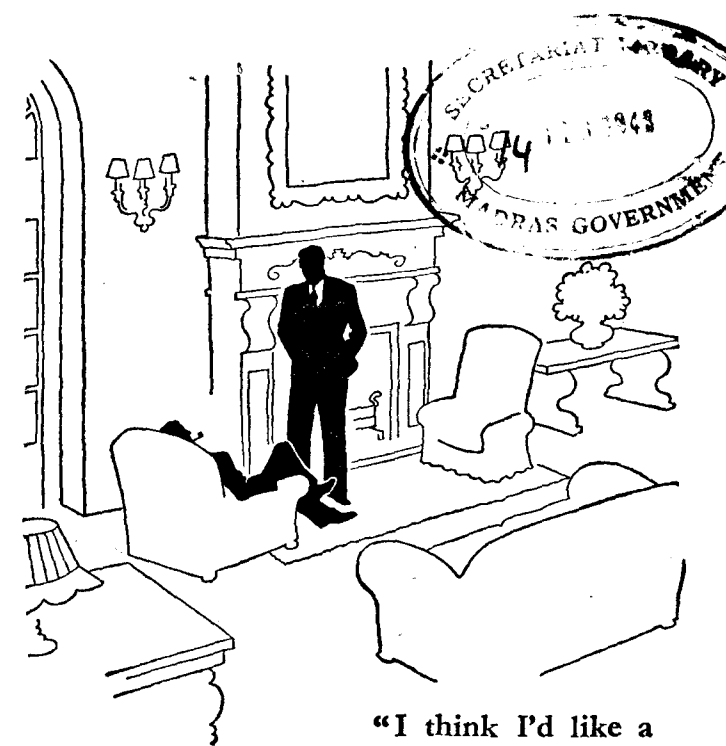
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OF AIRCRAFT IN THE WORLD

The Biblical exhortation to "praise famous men and our fathers that begat us" is one which Britain may well take to heart, especially in the field of the Sciences. She has ever been too ready to acquiesce in the claims of other nations to lead the world in scientific resource and invention, when history reveals that Britons stand second to none among the world's scientific pathfinders and pioneers. It is with the object of demonstrating that Britain has always been in the van of scientific progress that this series of announcements, under the title "Ancestors of an Industry", has been prepared. It will tell the story from Robert of Chester, the English monk who in 1144 opened the door of Eastern chemical knowledge to Western Europe, up through the centuries to Sir William Bragg and Lord Rutherford, whose researches in the present century led to the liberation of atomic energy. These announcements will, it is hoped, serve to give the people of Britain a new sense of the richness of their heritage, and nations overseas some idea of the debt the world owes to British scientists and chemists.



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from the unpleasant atmosphere surrounding disturbed politics in Tasmania—where the Labour Premier (Mr Cosgrove) is facing criminal proceedings arising from allegations of bribery—there is no doubt that at a Federal election now, the Chifley Government would be defeated overwhelmingly, with little hope of Labour's return for many years.

In 1946, Mr Chifley spoke emphatically against making promises. He claims now that the Menzies-Fadden opposition induced the people to give him a blank cheque. In his policy speech he offered no more than that wartime controls would be slowly "tapered off," and that a close check would be kept on central banking policy under the Banking Act, 1945 which gave enormous powers to the Treasurer to direct the trading banks in credit policy, abolishing the Bank Board which administered the Commonwealth Bank). In 1946, Mr Chifley met the newspaper clamour for tax cuts with agreement to "consider reviewing taxation from year to year." Against the rousing eloquence of the Leader of the Opposition (Mr R. G. Menzies) at crowded meetings throughout Australia, and in spite of the glowing promises of heavy reductions in personal taxation from the leader of the Country Party (Mr A.W. Fadden), the slow-speaking, husky-voiced Chifley retained the Labour strength won by John Curtin in 1943. In fact, Labour not only polled as well as in 1943 on the old basis of enrolment, but also obtained more than half the new votes. The combined vote of the Liberal and Country Opposition Parties increased from 1,325,000 in 1943 to 1,900,000, the extra votes being won at the expense of independents.

What Mr Menzies calls "the myth of the moderate Ben Chifley" is now being dispelled with all the resources of modern propaganda. The Australia-wide whispering campaign against Mr Menzies, the disloyalty within his own ranks, and the Australian electoral opinion that only Labour had the strength to rally the working people behind the war effort have disappeared.

Landslide in Victoria State Elections

Labour Party losses were noted in two earlier State elections ; in Western Australia, where the Labour Government was defeated, and in South Australia, where the Playford Liberal-Country Party Government was returned with stronger support. But these reverses were not taken very seriously by Federal Labour, because there were 20 unopposed seats in Western Australia and 55 per cent of the electorate did not vote.

In the Victorian elections, which were forced as a direct result of the Bank Nationalisation Bill then before the House of Representatives, there was a very different story. The elections were forced upon the Lower House, based on popular representation, by an Upper House, elected by limited property franchise. The latter refused to grant Supply unless the Government tested public opinion on bank nationalisation. Such methods could not be tolerated by the electorate normally, but in spite of desperate efforts by the Cain Labour Government to fight the election on this issue and to command support for its legislation, which was not questioned by the Opposition on the hustings, the people voted on bank nationalisation. Labour in Victoria was routed. . . .

The Federal Prime Minister, contrary to practice in most State elections, refused to comment or to participate in the campaign. The Victorians did not want to be embarrassed by Mr Chifley. He and his supporters were being heard on the national radio in direct broadcasts from Parliament of the debate on the banking bill. But Mr Menzies and Mr Fadden took an active part, supported by the President of the Liberal Party, Mr R. G. Casey, the former Treasurer and former Governor of Bengal, who is expected to contest the next general elections. His future and the choice of a non-Labour leader is another question of Australian politics which must be resolved quite clearly, if there is to be a clean-cut contest in 1949.

Meanwhile Labour members have tried to take consolation from the fact that the Victorian State electoral system, which gives a higher value to country voters, weighs unfairly against Labour. They argue that the people were stampeded into a fear of losing their money and that the force of the arguments of Government members in the debate on the bill did not have time to be effective. Mr Chifley told his followers: "the hysteria will die down before 1949."

Illusions about Public Confidence

With the passage of the nationalisation Act to the High Court, where State Governments and private banking companies are challenging its constitutional validity, public interest cooled. Labour members left for the recess confident of a happy Christmas and a bright New Year, which would usher in a 40-hour week for the workers, greater social benefits and a steady return of con-

fidence in the Labour movement. They said, "Victoria was always a conservative area. New South Wales would be a different story."

Two events have shattered this illusion. Ten days before Christmas there was a by-election for the New South Wales Parliament in the Labour stronghold of Hartley, held for many years by a Labour member who recently retired from politics. The Opposition campaign concentrated on the banking issue. The Labour member was returned, but there was a 12 per cent swing against Labour. If such a swing was sustained throughout Australia, it would be disastrous for the Chifley Government in both Houses of the Federal Parliament.

The second event was in the Prime Minister's own preserve of Macquarie, New South Wales. For many years he has been a councillor of the Abercrombie Shire Council in one corner of his electorate. Throughout the war he retained this municipal interest. It helped him to "keep his ear to the ground" and to understand problems of local Government. A week before the Hartley by-election Councillor Chifley was defeated because, his opponents said, "he is too busy with banking to attend to our affairs." Attempts have been made to explain this away, but in the context of recent happenings it is significant of a general move away from confidence in the Chifley Administration. People recall that the Macquarie electorate has been lost by Labour before when Labour Governments have been doomed.

The banking issue will determine the 1949 elections. Labour places all its hopes on the strenuous efforts of the Attorney-General's department to expedite the High Court hearing, so that the banking adjustments may be made, and the fears of the public allayed before September, 1949. If the Act is declared invalid, then repercussions within the Labour Party are certain. Members, unswerving in their belief in their nationalised industry, will have no further faith in the parliamentary method of achieving public ownership in Australia. The pressure of state interests against the Federal tendency to centralise power will also re-assert itself. The confidence of the Prime Minister and of the Attorney-General, Dr Evatt, in the Commonwealth's power to nationalise the banks will be undermined and, with that, party confidence in their judgment.

Fears of Small Business Men

The Labour Government at present, however, remains solid, and will introduce legislation during 1948 which the rank and file hope will retrieve the electoral position, whatever happens to banking. The subjects under discussion include proposals for a larger Federal Parliament and a general redistribution of seats, the latter being required as a result of the changes in population revealed by the 1947 census. Whatever proposals are brought to Parliament, the Chifley Government will be accused of jerry-mandering the electorates; and whatever the Cabinet attempts the Labour Party will expect a strengthening of their electoral possibilities. Debates on these issues alone, the Opposition believes, will weaken Labour's election chances.

During 1948 the Australian Federal Government also intends to widen the scope of social services, introduce a national medical system and endeavour to abolish the means test on all rights to social services. Cuts in income tax are also regarded as certain, and cynics forecast that these will operate on the pay-as-you-earn system a few weeks before polling day.

Mr Chifley himself is known to regard maintenance of the "full employment" policy and Australian ability to meet the repercussions of any overseas economic catastrophes as the main plank of the Government's popularity with the wage earners. Hence the Government's reluctance to apply the restrictions involved in the present dollar exchange crisis. This distaste is all the more bitter because, however carefully the full impact is shielded from the majority of wage earners, the import restrictions hit the middle classes whose swinging votes and non-party allegiance make and break Governments. And these middle classes have been critical for some time of taxation policy—a criticism which has been subdued mainly because the Chifley Ministry has been expected to keep industry stable.

Bank nationalisation and the forecasts of the Opposition parties of "more nationalisation to follow" have resurrected these criticisms and killed their expectations. However much Labour is able to show that, "contrary to the idea that bank nationalisation is a Socialist move for Socialism's sake, it is a public move to make private enterprise possible," the small business man is worried.

All these tendencies should not be exaggerated, however, nor should it be thought that Mr Chifley will stop at nothing to keep his party in office. He is an astute and sincere parliamentarian who believes "public opinion is usually some years behind its knowledge of the value of measures designed for the public good."

THE BUSINESS WORLD

Cheap Money Epilogue

TWO events in the past ten days write *finis* to the campaign for cheaper money, as waged in its extreme form by Mr Dalton. The first is the abandonment of any attempt to place the British Transport Stock at a rate below 3 per cent. And the second is the notice to local authorities that loans from the Local Loans Fund of more than 15 years' duration will until further notice carry interest at 3 per cent. It is commonly believed that policy is thought out by officials, and that Ministers have only to endorse it. But who can believe that these two events would have taken place, at least in the same unspectacular way, if Mr Dalton had remained in the saddle? The opening days of 1948 have produced a clear admission of defeat for the ex-Chancellor's policy which he would have striven—though, perhaps, unsuccessfully—to avert. At any rate, he was always enough of a salesman to avoid giving the appearance of an abject surrender.

Surrenders deserve their epilogue. Of Mr Dalton's campaign it can be written that he succeeded for a time in bending interest rates to his will, at the expense of a prodigious increase in bank deposits. He was prepared to monetise the National Debt on a scale which added quite unnecessary fuel to the postwar inflation. At a time when demand for consumption and capital goods was already clamant, and the physical controls none too secure for their task of ensuring that physical resources were devoted to the urgent needs of postwar reconstruction, he acquiesced in the creation of more credit—more effective money demand—in order to drive the price of Government borrowing down to 2½ per cent and lower. And what is the direct fruit of these efforts? The issue of £753 million of 2½ per cent Savings Bonds, 1964-67, which now stand at 95½, and of £482 million 2½ per cent Treasury Stock, repayable at Government option from 1975, which has lost its original subscribers 18 points in twelve months, which is equivalent to about 13 years' net income after tax at 9s. in the £. Two and a-half per cent Consols—the Goschen prototype against which Mr Dalton once measured his task—now yield £3 1s. 4d. per cent flat; in the Autumn of 1945, before he started upon it, they yielded £2 16s. 9d. per cent.

Apart from the floating debt, on which appreciable economies have been gained from the halving of short-term money rates in October, 1945, it is difficult to find benefits from the policy of ultra-cheap money which even begin to match the harm which the policy has wrought upon the British economy as a whole. The local authorities might be quoted as an exception to this statement. They, at any rate, enjoyed a series of conversion issues at 2½ per cent during the high summer of the cheap money campaign. But it was not long before that patient herbivore, the public stag, was being compelled to absorb anything up to 90 per cent of loans which the ordinary investor, in his die-hard way, still refused to accept on the same credit rating as Government stocks. Then in May, 1946, the Treasury cut the rate on loans from the Local Loans Fund by one-half per cent (broadly speaking) to 1½ per cent for 5 years or less, 2 per cent for 5 to 15 years, and 2½ per cent for more than 15 years. These rates have now been increased by one-half per cent, but in the meantime a good deal of local authority borrowing from the Local Loans Fund has already been carried out, in anticipation of the final cost of schemes which will take some time to complete. More than one local accountant has taken Mr Dalton

at less than his face value, and borrowed as much as possible from the Local Loans Board at 2½ per cent, in anticipation of a rise in rates and it is suspected that some, at least, of this money is now temporarily invested in the gilt-edged market at 3 per cent. What the public lose as taxpayers by this devious process, they may perhaps make good as ratepayers.

This review of achievement suggests that the exotic phase of cheap money promotion, so far from being a proud matter for patriots, has produced unhealthy and debilitating consequences for the British economy. The abandonment of the doctrine that 2½ per cent is the appropriate long-term rate for Government

GROSS REDEMPTION YIELDS (Per Cent)

Note: All yields to earliest date except Middles, Medium Longs and Longs for August 15, 1947, November 10, 1947 and January 7, 1948.

Stock and Redemption	Eve of Savings Drive, Sept. 7, 1945	Cheap Money Peak, Nov. 14, 1946	Fuel Crisis, Mar. 24, 1947	Dollar Crisis, Aug. 15, 1947	New Chancellor, Nov. 10, 1947	Transport Stock Issued Jan. 7, 1948
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
3% Conversion, 48/53 ...	2 13 0	1 7 8	1 13 1	1 2 9	1 0 6	0 17 4†
17% Exch. Bds., 1950 ...	1 13 6	1 5 6	1 8 10	1 17 6	1 8 2	1 8 10
24% Nat. War Bds., 49/51	2 0 8	1 7 9	1 13 9	2 3 4	1 11 5	1 12 2
34% War Loan, from 1952	2 19 0	2 1 0	2 14 7	3 4 8	2 13 9	2 18 1
Middles						
24% Nat. War Bds., 54/56	2 10 0	1 17 5	2 6 9	2 15 8	2 9 2	2 10 4
3% Nat. Defence, 54/58	2 14 7	1 18 8	2 9 4	3 0 0	2 13 10	2 15 9
3% War Loan, 55/59 ...	2 14 0	1 19 7	2 8 10	3 0 6	2 13 9	2 16 8
Medium Longs						
34% Conversion, from '61	3 0 6	2 5 8	2 15 10	3 5 11	2 17 2	3 1 10
24% Funding, 56/61 ...	2 13 11	1 18 5	2 9 0	2 16 10	2 11 0	2 15 1
3% Savings Bonds, 55/65	2 17 10	2 5 11	2 10 11	3 1 1	2 16 7	2 19 2
Longs						
3% Savings Bonds, 60/70	2 19 4	2 4 8	2 13 8	3 2 3	2 17 5	3 0 5
24% Savings Bonds, 64/67	...	2 3 8	2 11 10	2 19 0	2 13 5	2 17 4
3% Savings Bonds, 65/75	3 0 3	2 5 11	2 14 7	3 2 3	2 17 6	3 0 7
3% Brit. Trp. Stk., 78/88	...	...	...	...	...	3 1 10
Undated						
24% Consols ...	2 16 10	2 10 6	2 14 0	3 1 11	2 16 3	3 1 1
24% Treas. Stk., from 75*	...	2 10 0	2 13 6	3 2 5	2 16 3	3 1 4

* Flat yields.

† Called for repayment March 1, 1948.

borrowing may only be tacit, but it is certainly complete. It marks the first positive action by Sir Stafford Cripps in a matter of policy where, as recently as two months ago, he was content to follow, and to justify, the line of his predecessor. Any other view of the events of the past ten days would have to rest on the assumption that it represents only a temporary reverse for ultra-cheap money—that 3 per cent may, somehow, provide a spring-board from which 2½ per cent can be regained. But Sir Stafford Cripps is not personally committed to cheap money *à outrance*, and in his preoccupation with physical planning it is likely to have occurred to him that Mr Dalton's policy was a hindrance, and not a help. Cheap money promotion on the scale of 1946 would be entirely out of character for the new Chancellor.

In due course, no doubt, Sir Stafford will give his views on interest rates. It is quite certain that he would be heard with respect in the City, which at the moment feels some lack of sober guidance on this crucial matter. The terms of the Transport Stock issue did not suggest that he is moved by any undue solicitude for the investor, though there is no need to alter in any material respect the necessarily quick judgment which was offered on the stock in last week's issue of *The Economist*. The Treasury has done very well for the Transport Commission (and contingently for itself, if the Government should, at any future

time be called upon to implement its guarantee of interest). But there is no general feeling among railway stockholders that the terms present them with a raw deal—not even, let it be said, among those who objected from the first to the method of compensation based on Stock Exchange prices. That fact alone accounts for the limited measure of selling which has been recorded this week. Even on the first day of dealings on January 2nd, pressure to sell was never so intense that prices gave way; indeed, once the first flush of selling had been absorbed, the discount on Transport Stock improved from 3¼ to 2¼, and this week, in quiet dealings, the price has further improved to 98.

A stock of this size, issued slightly above the market, is bound to take some time to settle down with its peers in the gilt-edged list. At the moment, the gilt-edged market is a happy hunting ground for switching operations. It presents more anomalies than at any time since last August. The accompanying table of gross redemption yields prompts any number of questions. If 3 per cent Transport Stock is properly priced to yield £3 1s. 10d. per cent over its maximum term of forty years, are 3 per cent Savings Bonds 1960-70 fairly valued to yield only 1s. 5d. per cent less over a mere twenty-two years? Again, is a date—even a forty-year date—now of such little account that Transport Stock should yield more than the “irredeemables” like Old Consols and 2½ per cent Treasury Stock? What, again, is the institutional investor to think of the relatively violent fluctuations in 3½ per cent War Loan, which now yields only two shillings less than 3 per cent, assuming redemption in 1952? Is a rise in interest rates to 3½ per cent or more on the cards in the next five years? If it were, of course, the peg which now keeps War Loan as stable as it is would be removed, and its status would lapse to that of a one-way option stock of a distinctly speculative flavour.

Again, the compression of yields between short bonds and long-dated stocks which was such a marked feature of the peak of the cheap money drive has been noticeably modified by recent events. There was a time fourteen months ago when the yield differential between shorts and longs was little more than one per cent; today, it is nearer 1½ per cent. Indeed, the behaviour of the shorts in recent months has been particularly instructive.

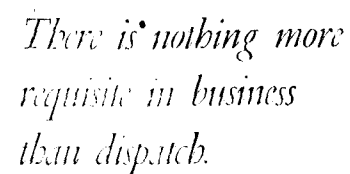
Steel in 1948

OF all the recent encouraging signs of expanding industrial production, the determined rate of increase in steel is, perhaps, the most heartening. The industry has not enjoyed the same public attention and encouragement that has been given to coal, but it has hit its production target for 1947 all the same. Indeed, in the first three weeks of December, output was running at the equivalent rate of 14.4 million ingot tons a year. Thus, before the end of the Old Year, it was showing that it was well in train towards achieving, and, perhaps, exceeding, the target set for 1948 of 14 million ingot tons.

A provisional estimate of home steel output for 1947 shows that 12.7 million tons was produced—a figure almost identical with that of 1946. A year ago, the steel industry hoped to produce between 13 and 13½ million ingot tons, but before many weeks had passed its target was hastily revised to 12½ million tons, owing to the shortage of coal. Coal has dogged the industry right up to the end of the year. It has been a common cause of complaint ever since the summer, when production began to show its paces, that the blast furnaces were not receiving enough metallurgical coke. For many weeks, a brand new blast furnace has remained idle at the Colvilles works in Scotland solely because coke could not be provided for it. Perhaps steel output might have been increased by as much as 250,000 tons during the second half of the year if sufficient coke had been available to increase the output of pig iron. Yet it was not until quite

late in the year that the output of metallurgical coke began to be stepped up towards the limit of coke oven capacity. During the autumn, despite the urgent need for steel, weekly deliveries of coal to the coke ovens were below 400,000 tons, and in some weeks well below; if there had been more emphasis on the need for coke, and less on the need for building up coal stocks, another 40,000 tons of coal could have been coked each week. The shortage of coke, however, should now be rectified, for the industry appears to have been promised a weekly allocation of 200,000 tons. Hence, it should be able further to expand its pig iron production, which rose from a weekly average of 123,100 tons during the fuel crisis last year to 167,000 tons in the first three weeks of December. Greater output is still urgently needed, for stocks have been heavily drawn upon in order to raise the output of steel as high as possible, and the present level of stocks amounts to a mere week's supply on the average. To face the steel target for the current year with real confidence, the industry requires some 9.4 million tons of pig iron, of which 7 million tons would be used for steel, and the remainder for foundries and ferro-alloys. Even at the recently increased rate of pig iron output, there is still a gap of three-quarters of a million tons to be filled if requirements are to be met, and stocks are now only one-third of what they were a year ago.

The encouraging output of recent weeks, then, has been



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work much more smoothly than the old—at least in its early stages. The new scheme is intended to be in working order by the end of this quarter. But only this week the Ministry of Supply has announced that forms will be sent out to nearly 20,000 steel-using firms during the course of next week asking for information about their receipts and consumption of steel during the last quarter of 1947, and their stocks at the end of the year. There is little doubt that some users have been able to build up useful stocks of steel, while others have gone relatively short; information about stocks is therefore an essential element in an efficient system of allocation. But to take a census at the very moment when the allocation system is in a state of flux is hardly calculated to make the introduction of the new system any smoother. On all present indications it will be many months before the system of steel control is turned into an efficient instrument for the allocation of scarce supplies. And if, on top of these changes, there should be superimposed the threatened new principle that supplies of raw materials will be

Business Notes

Sealed Lips on Contracts

Sealed Lips on Contracts

Although the new Canadian contracts may not cause British food prices to rise, the new prices agreed with Australia, and presumably New Zealand too—Britain's chief food suppliers—will undoubtedly do so, if the Government's limit on food subsidies of about £400 million a year is to be observed. Already, the rate of food subsidies is probably nearer £430 million and the new contract prices with the two southern Dominions are likely to add a further £5-£10 million. Yet, on the question of prices, the Ministry of Food still remains stubbornly silent. In the past, the excuse for secrecy was that it enabled differential contract prices to be negotiated with the various suppliers—an argument also used, but to less effect, by the Ministry of Supply. But contract prices have never been a secret except in the United Kingdom. Even during the war it was possible to find what prices Britain agreed to pay simply by reading the Dominion press. A classic example is, of course, the recent publication of the details of the Canadian contracts. Everything known so far in Britain has come from Canada. Not a word has emanated from Montague House despite its annual outlay of £27,000 on public relations. *Secrecy does not prevent would-be*

Why this reticence? Clearly, secrecy does not prevent would-be suppliers from making a quite accurate estimate of Britain's bargaining terms with the Dominions. Producers have the clearest knowledge of what they can expect to demand for their produce. Is official reticence in London, then, merely a cloak to prevent informed discussion of the Ministry's trading policy? The same point applies to the Ministry of Supply. No balanced judgment about either Ministry's purchasing policy can be made until detailed trading accounts are submitted to the scrutiny of Parliament and the electorate. It was once asked, unofficially, if *The Economist* was acting as an "agent provocateur" in the interest of some foreign power because it repeatedly asked for full information on Government contracts. No doubt the questioner intended a joke, but he surely overlooked the interest of voters and taxpayers in this matter. Of all monopolies, a Government monopoly whose lips are sealed can be the most menacing to the public interest.

Anglo-Danish Trade Dilemma

High hopes are entertained about the outcome of the Anglo-Danish food negotiations which opened this week in London. Britain has already agreed to pay higher food prices with Canada and Australia and has also made total concessions on the 1941 financial agreement with the Soviet Union in order to get coarse grains. The Danish talks broke down last October on the question of price. Denmark then asked 341s. 6d. a cwt. for butter, which Britain would not agree to pay. It remains to be seen whether Denmark will now be prepared to negotiate on the basis of this figure. Clearly, much depends on what Britain can offer in return by way of coal exports. Since October, world prices of feed grains and oilcakes have risen further and the Danes are likely to claim that their higher costs of feeding stuffs justify a price above 341s. 6d. Denmark has already sold butter to Belgium and

allocated to users in relation to their export performance, the danger of further confusion will be heightened.

This will be a critical year for steel, which has become a kind of economic maid of all work—an essential material whose supply is far below the potential demand for home and export uses, and whose control (as the recent White Paper on capital cuts demonstrated) has virtually become the modern substitute for the rate of interest. Control by reference to one scarce factor of production has its limitations and dangers—there have been examples enough in official planning during the past year to demonstrate that point. It may be that too much is expected of the industry, given present shortages of materials—or, if these are rectified, as everyone will hope, that the industry will still find it difficult to play its essential part in the new system of allocation. Those are the basic problems, and it will take all the skill and patience of Government, the industry, and its customers to solve them—or even to make their consequences tolerable.

Russia at 394s. a cwt. and more recently has arranged to supply Portugal and Switzerland at 420s. This figure will presumably provide the upper limit in the negotiations. The weakness in Denmark's bargaining position, however, lies in its inability at present to offer sufficiently large quantities of either butter or bacon. Some 50,000 tons of butter should be available for Britain in 1948—but the Ministry of Food is thought to require at least 80,000 tons. Moreover if Denmark is to build up its pig population to the prewar size over the next year or 18 months, only token quantities of bacon will be available for export meanwhile.

Britain hopes to export at least 11 million tons of coal this year, but most of this quantity has already been earmarked for the purchase of raw materials. Denmark would like at least a million tons—one-third of its annual requirements before the war—in order to curtail the domestic production of peat and so to release labour for agriculture. Yet Britain may not find it economic to offer such a large quantity in return for only 50,000 tons of butter and much less bacon. Denmark also requires supplies of steel—which despite the record British output scheduled for 1948 will still be very short—and facilities for purchasing dollar goods.

The relative bargaining powers of the two countries are probably much more equal on the present occasion than they have been in the past. That in itself may be its danger. Denmark may feel that it has only to hold out, in the hope that Britain will sooner or later agree. On the other hand Britain may think that even half a million tons of coal might be exchanged to better purpose elsewhere. If both sides are satisfied with the quantities of coal and butter offered, the bargaining about relative prices should present no insuperable obstacle. At least there is a mutual desire to come to an agreement, although perhaps not at any cost.

New Canadian Food Contracts

The terms of the new Canadian food contracts have caused little surprise. The higher prices, asked for and agreed to, have been counterbalanced by smaller quantities—a neat example of the effect of Britain's attempts both to stabilise retail food prices and at the same time to freeze the total amount of subsidies, in a world where inflation is rampant and dollars are scarce. Prices in each of the four contracts have been raised; bacon from 29 cents (1s. 5d.) to 36 cents (1s. 10d.) a lb., beef from an average 23 cents (1s. 1d.) to 26 cents (1s. 4d.) a lb.; eggs from about 45 cents (2s. 2d.) to 50 cents (2s. 6d.) a dozen, and cheese from 25 cents (1s. 5d.) to 27 cents (1s. 6d.) a lb. These increases reflect the higher costs of feeding ~~some~~ in Canada—caused in part by the revised wheat contract price and in part by the general shortage of grains. In fixing the new price levels, no attempt has been made to reach parity with American prices. The new contracts will, however, cause a rise in prices on the Canadian domestic market.

The Canadian agricultural stabilisation programme was first keyed to the British contracts during the war. British contracts with the other Dominions call for total output or the exportable surplus or specific quantities. With Canada, however, the contracts set output targets for the Canadian farmers. Often

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on two similar housing schemes before and after the war. These schemes were carried out in a town in the home counties; they were built under contract by the same concern and they had an almost identical proportion of parlour and non-parlour type of three-bedroom house. The prewar scheme of 116 houses was finished in 1936; the postwar scheme of 70 houses was begun at

the end of 1945 and finished in 1947. The houses were built to similar specifications though they differed in floor area, the pre-war houses having an average of 799 sq. ft. and the postwar scheme an average of 837 sq. ft., with some additional amenities. In each scheme the contractor used mainly a permanent staff resident in the locality.

Thus, in essentials, the two schemes are closely similar, and this similarity has enabled the contractor to make an objective analysis of the fall in the productivity of building labour compared with prewar years. His calculations show that the average house in the 1936 scheme was finished in 1,661 man-hours, while the postwar houses (with about 5 per cent greater floor space) took 2,795 man-hours. If allowance is made for this increase in floor area, the increase in man-hours required on the postwar project was approximately 50 per cent, representing a loss of efficiency of 33 per cent. The troughs shown on the graphs measure the effects of bad weather and holidays. One of the reasons for diminished output in the postwar scheme was the unusually severe winter of 1946-47. Indeed, the graph shows an almost complete stoppage of work for nearly 12 weeks; the contractor's records for the postwar scheme reveal that some work was lost owing to bad weather on no fewer than 140 days; and 392 additional man-hours per house were lost by bricklayers, carpenters, and labourers owing to weather alone, though these are not shown on the chart, which is concerned only with working hours.

The contractor (to whom *The Economist* is indebted for the provision of these interesting figures) asserts that neither shortage of materials nor any deficiency in management contributed to the poor rate of output in the postwar scheme. This was affected by unbalanced and inadequate gangs of labour—particularly of unskilled labour—though the contractor uses mechanical hoists and other devices to raise bricks, concrete blocks and other materials on the site. Mortar mixing was carried out entirely by machine, and it is claimed that mechanisation was carried to its economic limit. Even if all the mitigating circumstances of bad weather and insufficient labour are allowed for, the chart shows a remarkable decline in output per head in the postwar compared with the pre-war period. The analysis of man-hours spent per house by different trades gives some impression of the fall in productivity per head, which is particularly evident in bricklaying, carpentry, plastering and painting. Since these figures were prepared, of course, payment by results has been introduced in building. In some areas it is claimed that an increase of output of as much as 40 per cent has resulted, but 20-25 per cent is probably a fairer average.

Copper Refining without Dollars

Owing to the limited electrolytic refining capacity in sterling countries, the supply of an adequate quantity of electrolytic copper for Britain has necessitated fairly heavy dollar expenditure in the past, as most of this capacity lies in dollar areas. Some relief was obtained last year when the Ministry of Supply instituted the toll refining scheme. Copper scrap was shipped to the United States and the refined metal returned. Now the Ministry of Supply intends to go one step further.

According to American reports the British Government has arranged with the Phelps Dodge Corporation to refine 15,000-20,000 tons of blister copper to be shipped from Northern Rhodesia; the refining is to be carried out at their Laurel Hill plant. Britain has the option to pay the refining fees either in dollars or in the equivalent dollar value in the form of refined copper. The first shipments of Rhodesian blister copper are due to arrive in the United States in February and the first batch of refined metal should be on its way to the United Kingdom in April.

Britain has also agreed to buy 24,000 tons of refined copper from Canada during the first six months of 1948, the cost of which will be met mainly in dollars. Details of the 1948 Canadian copper contract have not been published, but it would appear to be for specified quantities, rather than like the 1947 contract, which called for 75 per cent of the Canadian output in excess of domestic requirements. Unless output in Rhodesia expands very sharply, Britain will probably be again forced to buy from Chile or other Latin American copper producers, in order to cover its 1948 requirements. Reports from Chile mention the probability of a new copper tax being levied to help reduce the budget deficit. With the world demand for copper remaining firm, part of this tax could no doubt be passed on to the consumer.

At the moment any dollar economy is worth while, and the new refining scheme is certainly worthy of trial. The copper sent to the United States to meet the refining fees will, however, have to be made up from supplies from non-sterling countries if British

manufacturers are not to go short, unless it is possible for the Rhodesian mines to step up output.

Silver Hoarding

The recent seasonal demand for currency has borne with special severity on silver coins and has been such as to suggest that a considerable amount of hoarding of silver coins has been taking place. The statistics of currency circulation show that during 1947 the coin circulation was increasing steadily up to last October (the last available figures) while the Bank of England notes in circulation were falling. The growth in the coin circulation, namely from £142 million in December, 1946, to £146 million in October, 1947, will undoubtedly have undergone substantial acceleration since then. The Bank of England return shows that between October 15th and the end of the year the coin holding in the banking department fell from £2,139,000 to £262,000. There was no comparable movement in 1946.

On the evidence of these figures it would appear that some of that strange band of people who normally keep large sums of cash about them have of late been shifting their hoards from paper money to silver coins. Silver must be a highly inconvenient medium to hoard, but the technical difficulties involved have evidently been outweighed by the fears attaching to the holding of notes. The greatest of these fears is that of a compulsory conversion operation, linked, perhaps, with a partial compulsory blocking *à la Gutt* or confiscation *à la Stalin*. Recent answers to Parliamentary questions have left some room for uncertainty on this point and have therefore encouraged the conversion of notes into coins, since the latter are bound to be kept outside the range of conversion operation.

There can be no substance in the suggestion that behind this hoarding of silver coin there lies the pursuit of profit. Silver would have to rise to about 120 pence per ounce before the silver content of the post-1921 coins became worth more than the nominal value of the coins in question. The present price is only 45d. Whatever may be the explanation of this abnormal demand for silver coin, it has caused considerable inconvenience. In many districts banks have been compelled to restrict the amount of silver coins they are prepared to pay to customers. In some parts of the country it has become difficult for large firms to accumulate sufficient supplies of coin for wage payments and the odd amounts have been left owing to employees. The hoarding movement is so absurd that it can in the long run be expected to correct itself. Meanwhile the Mint is doing its best to keep pace with the situation by increasing the coinage of cupro-nickel.

Wages in 1947

Any doubts about the existence of inflationary pressure would quickly be dispelled by reference to the current Ministry of Labour Gazette, which gives evidence of the rising trend of wages. During November, the wage advances granted to two large and important groups of workers—miners and building operatives—contributed powerfully to the increase of £665,000 in the weekly wages of 1,500,000 workers. This brought to £1,637,000 the cumulative increase in weekly wages for the first eleven months of 1947, affecting more than 4,500,000 workers. Admittedly, this increase is on a smaller scale than in 1946, when 7,600,000 workers benefited from an increase in their weekly wages of about £2,700,000. November's increases, however, brought the average wage rates to a level of 73 per cent above that of September, 1939, compared with 70 per cent at the end of October and 65 per cent at the beginning of the year.

At the same time, the trend towards shorter hours continued during November, though the number of people affected was only 52,000. Up to the end of November, just over 5,000,000 workers had their hours reduced by 3½ hours a week, on the average. The agreements in mining and some other industries to work overtime will mean that in fact a longer week is being worked, but only at the expense of a substantial increase in labour costs.

Where is this process to stop? A reasonable case can be made out for the increase in miners' wage rates. It is their first increase since 1944, and may prove to be justified on incentive grounds, both for output and recruitment. The builders' increase of 3d. an hour is more difficult to justify at a time when a contraction of the building labour force is called for. On the other hand, it appears to have been the necessary price to pay for the introduction of a system of payment by results. So each individual rise can be justified *prima facie*, but the total effect is a competitive scramble, when other groups of organised labour join in to restore the old margin between their rates and those of



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The truth game

"Glad you like this sherry—it's South African."

It's extremely good. I got some South African wine the other day . . .

I know. A good wine, but not of this quality.

Precisely, but why the difference?

Well, this is a truly representative South African wine. You see, though the Cape has been for centuries one of the world's finest wine countries, it couldn't compete in Britain with European countries until Empire wines got a duty preference twenty years ago. That bucked up the South African industry.

But why haven't we tasted such wines before?

Because really fine wines are achieved by selectivity, experiment and slow maturing. South Africa has done as much in twenty years with some wines

as the Continent has in generations.

Only certain wines, then?

So far. All are good, but not all are fine. The improvement is naturally progressive.

Were South African wines well-known here before the preference twenty years ago?

Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire industry up the garden again. It wouldn't make sense.

So we can look forward to several kinds of really fine wines from South Africa?

You certainly can, and very soon too."

SOUTH AFRICAN WINE FARMERS ASSOCIATION
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groups which have secured increases. Higher wages have just been granted to cotton spinners and a claim from the weavers is now under negotiation; one of the early tasks of the Transport Commission will be to work out a new wage structure for railway-men. There is also considerable dissatisfaction among engineers, once the aristocrats of labour, but now, like other aristocrats, displaced by other classes.

The TUC's decision to leave it to the good sense and restraint of individual unions not to press for wage increases until output is increased, may be inevitable, given the constitution of the TUC and the attitude of most trade union leaders. But this attitude of non-intervention, though it is no solution of the wages problem, will almost certainly be exploited by unscrupulous leaders; in particular, Communist elements, who have already announced their intention of pressing for higher wages, may well be ready to back up this policy by creating industrial trouble. The past year was one of relative industrial peace. Up to the end of November, 2,355,000 working days were lost through disputes, compared with 2,107,000 in the same period of 1946, and most of the trouble was confined to the mines and the docks. The total number of working days lost since the end of the war is just over 6,500,000, compared with over 89 million at the same period after the end of the 1914-18 war. The coming year may prove rather more difficult.

Money Velocity Falling?

A complaint in these columns twelve months ago that the figures of bank clearings, as then presented, were misleading, evidently did not fall upon deaf ears. The Bankers' Clearing House published for 1946 its customary, elaborate series of statistics, but made no attempt to show how far comparison between 1946 and earlier years was vitiated by the fact that during 1945-46 the clearing mechanism was in process of readjustment towards its prewar system, involving a reincorporation of many items into the internal clearings of the individual banks, which under the wartime arrangement passed through the general clearing. For 1947, the main statistical series and chart are again presented in unadjusted form (any attempt at precise adjustment would presumably have been impracticable), but the accompanying report is this time at great pains to point out which figures are comparable and which are not. Indeed, in dealing with the figures of the provincial clearings, estimated adjustment factors are given for the enlargement which occurred during the year in the areas embraced by the Manchester, Nottingham and Sheffield clearings. The Clearing House is to be congratulated on this change in its traditional habits of compilation and presentation. These figures afford virtually the only means of measuring the velocity of money turnover, and any effort that can be made to ensure comparability and statistical (as distinct from merely arithmetical) reliability is well worth while.

The readjustment of the main clearing mechanism was not completed until August, 1946, so that the only figures for 1947 which can be compared with those for the previous year are those for the past four months. This comparison suggests that the rate of money turnover lately has been perceptibly slower than it was at the end of 1946. Total clearings in these four months were £24,333 million, compared with £23,343 million in 1946, an increase of only 4.3 per cent. For the three months

BANK DEPOSITS AND CLEARINGS
1947 compared with 1946

	Gross Bank Deposits %	Bank Clearings Total %	"General" %
September.....	+ 5.9	+11.6	+12.8
October.....	+ 5.4	- 1.8	+11.8
November.....	+ 4.8	- 6.2	+ 6.6
December.....	...	+16.0	+16.9
September/November.....	+ 5.4	+ 0.7	+10.3

for which comparison can be made with the movement in bank deposits (that is, the period September to November, since the December deposit figures are not yet available), the aggregate clearings were a mere 0.7 per cent above the similar 1946 total, whereas bank deposits showed an average increase of nearly 5½ per cent. On the average during the three months, the aggregate of bank deposits was turned over 3.18 times, compared with 3.32 times in the similar period of 1946.

It appears, however, that this slackening of velocity was wholly attributable to the reduction in financial activity which followed

the suspension of sterling convertibility and the break in stock markets, for in two months out of the three the turnover in the Town Clearing, which is always dominated by financial transactions, was actually below that for 1946. In this connection it should be noted that the period with which comparison is made was that which marked the most feverish phase of the activity engendered by Mr Dalton's cheaper money drive. Turnover in the general clearing, which is less affected by purely financial business, showed a substantial increase over 1946 in each of the four months. The double comparison is summarised in the accompanying table.

Changes in the turnover of the provincial clearing houses tend to support this conclusion that the general, as distinct from the financial, circulation of money has actually increased in velocity, for nearly all of them show for the full year a larger increase than has occurred in the average level of bank deposits during the year.

Dollar Silver

Silver required in Britain for essential industrial purposes has, since the first week of December, ceased to be obtainable from dollar sources. The official market in silver had been freed from control in February of last year. At that time, the Bank of England withdrew from the market and allowed silver required for essential uses to be obtained in the cheapest market, even if this was the United States. In effect the bulk of the silver made available for authorised industrial users in Britain during 1947 was dollar silver. No less than 23 million of the 34½ million ounces imported into Britain last year came from the United States, Canada and Mexico. Most of these purchases were made under open licences granted to recognised firms in the bullion market. Owing to the shortage of dollars, these open licences were withdrawn last month, and no further purchases of silver from the dollar area were sanctioned. This meant that the Bank of England had to return to the official market and for the past five weeks the bulk of the metal sold to essential users through that market has, in fact, been provided through the Bank.

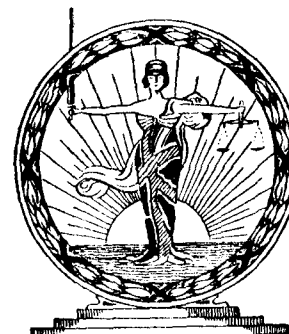
The supplies out of which the authorities can satisfy this demand are being steadily expanded by the substitution of cupro-nickel for silver coins. The manufacture of the former is being steadily increased at the Mint and the conversion is now well under way. Ultimately this conversion is expected to yield some 250 million ounces of silver. But no less than 88 million ounces of this will be required to repay silver obtained from the United States under lend lease.

Repaying TDRs

The opening of the main tax-gathering season of the year has reversed the recent trend of the floating debt, discussed in these columns a fortnight ago. In the past week the "active" portion of the debt—the part financed through the banking system and money market—has fallen even more steeply than it did, last August, at the peak of the drafts on the dollar credits. The change of trend actually began in the previous week, when the issue of "tender" Treasury bills fell short of maturities by £10 million and Treasury deposit receipts held by the banks were reduced by £1,000,000. This week's repayments have amounted to £20 million and £17½ million respectively. So far, therefore, the brunt of the seasonal influence has fallen upon the supply of bills, but this does not mean that the authorities have abandoned their postwar policy of progressively shifting the emphasis of floating debt finance from TDRs to bills.

In each of the past six years the weekly offering of bills has been increased in the autumn so as to provide the banks with bigger maturities during the period when they are called upon to make large transfers of tax monies to the Exchequer. Last autumn's additional bill issue, however, was relatively small, amounting to £60 million, and of this only £40 million was attributable to issues beyond the present "basic" offering of £170 million per week. In the ordinary course, the seasonal reduction of the bill supply would be roughly limited to the additional maturities (last year, indeed, there was hardly any reduction at all), but this year a technical complication arises from the fact that impending maturities of TDRs are abnormally small. Next week there are nominal maturities of £40 million, but thereafter there are three weeks without any maturities at all. Up to mid-February, indeed, this year's maturities will total no more than £220 million, in contrast with £460 million in the similar period of 1947. It will be surprising, therefore, if in this period the surplus of revenue does not force the authorities to reduce the weekly Treasury bill issue, by under-allotments or

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There are no Debentures, Mortgages or Loan Capital outstanding.

The List of Applications will open and close on Wednesday,
14th January, 1948, for an

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by
PHILIP HILL & PARTNERS LIMITED
of
**760,000 Shares of 5s. each at
13s. 6d. per share**

The Offer for Sale shows (inter alia) that:

- (1) The Company was incorporated in England on 4th December, 1917, as a Private Company and was converted into a Public Company on 5th January, 1948. The Company has agreed to acquire as from 1st March, 1947, the undertakings, assets and liabilities of Thomas Hope, Limited, and Sankey Hudson & Co., Limited.
- (2) THOMAS HOPE, LIMITED, carried on the business, established in 1899, of manufacturing scholastic stationers and was one of the largest of its type in the country. There are contracts, some of which have been held for over forty years, for the supply of school materials to a number of Education Authorities. SANKEY HUDSON & CO., LIMITED, was a wholly owned subsidiary of Thomas Hope, Limited, and carried on the business of envelope makers, book publishers and stationery manufacturers.
- (3) The products of these two businesses are in great demand all over the country. The export trade which had to be considerably reduced during the war has been revived and is rapidly increasing. The Directors are of opinion that sufficient labour and materials are available for the Company's present output and do not anticipate difficulty in increasing the labour force when larger supplies of materials are available.
- (4) The combined net assets of these Companies excluding goodwill, based as to the freehold and leasehold properties, plant, machinery, etc., upon professional valuations and as to the balance of the assets upon the Accountants' Report, amount to £674,230.
- (5) The combined profits of these companies for the year ended 28th February, 1947, amounted before deducting profits tax and income tax to £200,795. The Directors anticipate that the profits for the period from the 4th December, 1947, to 30th November, 1948, in the absence of circumstances beyond their control (after taking into account the increased charges for depreciation on the new basis) will exceed those earned during the year ended 28th February, 1947. In this event, the Directors intend to recommend the payment of dividends for the period ending 30th November, 1948, at the rate of at least 18 per cent. per annum in all on the capital of the Company. The Directors intend to declare an interim dividend in June, 1948. A dividend of 18 per cent. will require £72,000 (before deducting income tax) and is equivalent to 56 13s. 4d. per cent. on the price at which the Shares are being Offered for Sale.

Full Offers for Sale, on the terms of which alone applications will be considered, and application forms are obtainable from:

BANKERS:
MIDLAND BANK LIMITED, New Issue Dept., Poultry, London, E.C.2, and Branches.
BROKERS:
JOSEPH SEBAG & CO., 22, Old Broad Street, London, E.C.2, and The Stock Exchange, London.
CHARLTON, ILLINGWORTH & CO., 18, Exchange Street, Manchester, 2, and The Stock Exchange, Manchester.
TRANSFER OFFICE OF THE COMPANY: 55/56, Pall Mall London, S.W.1.

or from the Vendors of the Shares:

PHILIP HILL & PARTNERS LIMITED
Kingsbury House, King Street, St. James's, London, S.W.1.

otherwise, below the basic figure of £170 million, which is the level at which bill maturities will be running after the end of next week.

After the middle of February, however, TDR maturities will be large (in the last six weeks of the financial year they will total £580 million), so that there should be no further encroachment upon the bill issue. Indeed, they should afford sufficient latitude to enable the authorities to replace, should they wish to do so, some of the bills repaid in the early weeks of the year, although that would involve an increase in the weekly issue beyond £170 million. In view of the prospect of a genuine budget surplus in the new financial year (even after allowing for below-line items), the authorities may conceivably be reluctant to concede such an increase, although, from the point of view of promoting flexibility of the banking system, there is every justification for raising still further the proportion of the floating debt which is maintained in the form of bills. If past policy is any guide, however, the net repayment of TDRs in this last quarter of the financial year is likely to be much smaller than the £250 million repayment which occurred last year. Indeed, throughout the main period of heavy revenue inflow there will be a contrary influence upon the floating debt, arising from continued absorption by the authorities of the Conversion Loan due to be repaid on March 1st. This factor will act as a brake on the reduction of TDRs over the whole period, and will also tend to prevent any substantial repayments of bills in the period when TDR maturities are light.

Dearer Cocoa and Chocolate

A week ago the Ministry of Food announced that the selling price of West African cocoa in the United Kingdom would be raised from 119s. to 225s. 6d. a cwt. (plus duty) ex store. It added that "this unavoidable increase will result in higher retail prices for chocolate and chocolate confectionery." The world cocoa market is dominated by American demand. Ceiling prices in the United States were removed in autumn 1946, and the impact of a large American demand on a relatively small and inelastic supply caused prices to move sharply upwards. Last October the New York price touched £255 a ton; since then there has been a slight fall from this peak, but prices are still high at around £235 a ton.

West Africa supplies about 70 per cent of the world's cocoa production, and output there has been declining. The cocoa trees are affected by disease and require replanting, although in 1946-47 drought also played havoc with the crop. It takes about four years before new plantings become productive, so that re-stocking is no simple operation in a semi-primitive community. High prices to West African growers, where cocoa production is carried out on family holdings and not usually on a plantation scale, may even act as a deterrent to replanting. World cocoa output is fairly rigidly localised and new production requires long-term investment and the solution of difficult native problems. On balance, therefore, it is unlikely that the present high cocoa price will induce a greater supply. Under such conditions, price will be determined more by the demand factors.

With the institution of the West African cocoa marketing scheme, the Ministry of Food has agreed to buy at world prices. Movements in the British cocoa price have hitherto been fairly infrequent, though they have been sharp. The price of 45s. a cwt. was fixed in 1941. In July, 1946, it was raised to 51s., and in March, 1947, to 119s. a cwt. It remained at this level until last week, when it rose to 225s. 6d.

The effect of the new cocoa price on the price of chocolate and chocolate confectionery is being negotiated with the trade. It is generally believed that retail prices will have to be increased by 50 per cent. On a strict calculation of costs, the rise should perhaps lie between 33½ and 50 per cent, but such fine adjustments are difficult to make when retail prices have to be fixed to the nearest halfpenny.

Tin Enigma

One of the great disadvantages of state trading lies in the impossibility of forecasting future governmental action with any certainty. Under free market conditions, consumers can make their future arrangements on the firm basis of current prices and information about prospective supply and demand. But in some manifestations of a planned economy, it does not pay to assume that the central authority will necessarily act rationally. Recent developments in the tin market tend to underline this warning.

Three weeks ago, the Ministry of Supply decided to raise the home issue price of tin from £437 to £510 a ton. This decision was made before the new US-Bolivian contract was completed. There was, naturally, some speculation among tin consumers about

the reason for this new departure. Hitherto, the British price moved in sympathy with the US-Bolivian price. The announcement, however, showed that Britain was not attempting to become independent of the American market, for it included a rider that if the new Bolivian price proved to be higher than the home issue price, an adjustment would be made. In fact, the new Bolivian price of 90 cents a lb. (equivalent to about £500 5s. a ton) agreed with the lowest forecasts, and it seemed that no further increase of the British price would be necessary.

Yet within a week of the announcement of the US-Bolivian contract the Ministry of Supply has raised the home issue price of tin by a further £9 to £519 a ton. Was an error of calculation made in the previous price, or was adjustment for the British-Bolivian contracts forgotten? Nor does the mystery end here. Under the December price increase the Malayan producers were paid £500 a ton and Nigerian £477. Nigerian producers were apparently satisfied, but Malaya producers certainly were not; in particular, they claimed that the Chinese section of the industry would be unable to maintain production at the new price. Yet this week's announcement of a further increase in tin prices for home consumers has been accompanied by the announcement that Nigerian tin prices are again to be raised by £8 10s. to £485 10s. a ton, although the Malayan price is to remain unchanged. The price structure for the three main producers in 1947 was Malaya £423, Bolivia £422 and Nigeria £405 15s. The new one is Bolivia £500 5s., Malaya £500 and Nigeria £485 10s.

It is impossible to attempt to analyse the Ministry of Supply's price policy. Mr Creech Jones, the Colonial Secretary, has assured Malaya that if the present price proves to be uneconomic, a revision can be discussed. If the Malayan price is raised again within the coming months, presumably the home issue price will also be adjusted. Or does the new level already make allowance for that possibility? The Ministry of Supply has been particularly unfortunate in its policy on base metal prices, and the tin enigma requires a fuller explanation.

Peru Sterling Bonds

The offer by the Government of Peru to holders of the Republic of Peru 6 per cent National Sinking Fund Gold Loan 1928 and the City of Lima 5 per cent Sterling Loan 1911, its two outstanding sterling issues, to exchange into new External Sinking Fund Dollar bonds of the 1947 series "E," has had a most unsympathetic reception in London. The Council of Foreign Bondholders has in fact recommended its unqualified rejection. Its United States counterpart, the Foreign Bondholders Protective Council did likewise when a similar offer was made to the holders of Peru's external dollar debt in June last year—yet the offer to dollar bondholders did not involve them in a capital loss as does the present offer to sterling bondholders. Criticism on this side has centred on the low rates of interest on the new bonds and in the cancellation of all arrears of interest without consulting the holders.

These objections seem to have a good deal of substance in them, especially as the action taken by Peru has been taken unilaterally. The maximum rate of 3 per cent interest to be paid on the new bonds will be reached in 1953 and in the interim, payments will be at the rate of 1 per cent for 1947 and 1948 (not 1997 and 1998 as incorrectly printed in *The Economist* last week), 1½ per cent for 1949 and 1950 and 2 per cent in 1951 and 1952. Of course these rates are figures of expediency rather than a measure of the present international credit standing of Peru. Yet since the service on the whole of the Peruvian public debt has been suspended since 1931, it is something that a Government of Peru has decided at long last to resume payments at even these low rates to its long suffering overseas creditors. In view of Peru's record as a creditor it seems pointless to cavil at the lack of any mention of arrears of interest and, at this stage, at the non-observance of the dollar clause in the loans, although, in view of the relatively small extra charge that higher rates of interest would put on exports from Peru, it may be worth while to hold out for better terms. Peru appears bent on giving the minimum, and it is up to sterling bondholders to press for all they can get.

Shorter Note

A reduction in the fiduciary issue, already confidently anticipated before Christmas, is reflected in this week's Bank Return. The reduction is from £1,450 million to £1,400 million, and is the first to be made for exactly nine years. During the war period and since, there have been no fewer than seventeen increases in the fiduciary issue.

Statistical Summary

FLOATING DEBT

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 Dec. 31	2140.0	2155.6	448.0	...	1676.5	6720.1
1947 Jan. 1	2100.0	2555.0	327.7	8.0	1299.0	6357.6
Sept. 20	2100.0	2557.1	322.3	...	1292.5	6361.9
Oct. 4	2200.0	2551.8	363.9	19.8	1267.0	6385.4
" 11	2220.0	2561.7	343.2	20.3	1255.5	6398.6
" 18	2230.0	2584.7	362.8	2.0	1253.0	6432.5
" 25	2230.0	2581.5	352.6	...	1252.5	6376.6
Nov. 1	2230.0	2584.3	354.8	1.75	1252.5	6392.5
" 8	2250.0	2559.5	337.7	13.5	1292.5	6450.2
" 15	2250.0	2527.5	346.7	6.8	1317.5	6493.1
" 22	2250.0	2579.7	339.1	...	1337.5	6487.1
" 29	2250.0	2561.0	338.6	...	1372.5	6545.0
Dec. 6	2250.0	2582.2	340.3	...	1367.5	6512.1
" 13	2250.0	2569.5	325.1	...	1377.0	6545.2
" 20	2250.0	2565.4	306.6	6.3	1402.5	6508.8
" 31	2250.0	2550.7	305.6	...	1402.5	6508.8

TREASURY BILLS

(£ million)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1947 Jan. 3	170.0	273.7	170.0	10.0-69	54	
Oct. 3	190.0	299.9	190.0	10.1-39	49	
" 10	180.0	291.3	180.0	10.1-36	47	
" 17	170.0	268.9	170.0	10.1-32	46	
" 24	170.0	285.0	170.0	10.1-38	43	
Nov. 7	170.0	289.5	170.0	10.1-49	45	
" 14	170.0	270.1	170.0	10.1-85	53	
" 21	170.0	271.2	170.0	10.1-70	53	
" 28	170.0	269.2	170.0	10.3-02	53	
Dec. 5	170.0	300.6	170.0	10.2-26	38	
" 12	170.0	289.8	170.0	10.2-89	45	
" 19	170.0	274.7	170.0	10.2-89	50	
" 26	170.0	288.1	170.0	10.2-73	45	
1948 Jan. 2	170.0	274.2	170.0	10.2-99	52	

On January 2nd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 52 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for January 9th. For the week ended January 10th the Banks will be asked for Treasury deposits to an amount of £40 million (maximum).

NATIONAL SAVINGS

	Week Ended		Totals Mar 31 1947
	Dec. 28, 1946	Dec. 27, 1947	
Savings Certificates:—			
Receipts.....	2,500	5,450	166,850
Repayments.....	900	3,500	107,550
Net Savings.....	1,600	1,950	59,300
Defence Bonds:—			
Receipts.....	1,960	1,000	55,140
Repayments.....	474	650	29,881
Net Savings.....	1,486	350	25,259
P.O. and Trustee Savings Banks:—			
Receipts.....	11,019	15,134	503,745
Repayments.....	17,049	14,511	475,640
Net Savings.....	Dr6,039	Dr1,377	28,105
Total Net Savings.....	Dr2,944	923	112,664
Interest on certificates repaid	• 158	630	20,359
Interest accrued on savings remaining invested.....	2,198	2,254	83,649

BANK OF ENGLAND RETURNS

JANUARY 7, 1948

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation.....	1331,257,224	Outstanding Govt. Securities.....	1388,187,166
In Bank Dept.	68,990,609	Other Secs.....	789,346
		Coin other than Gold.....	8,388
		Amount of Fid. Issue.....	1400,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. line).....	247,833
			1400,247,833

BANKING DEPARTMENT

£		£	
Capital.....	14,553,000	Govt. Secs.....	336,454,270
Reserves.....	3,617,393	Other Secs.....	13,261,005
Public Depts.....	13,783,094	Advances.....	18,839,906
		Securities.....	32,100,911
Other Depts.....	304,638,290	Notes.....	68,990,609
Bankers.....	101,272,965	Coin.....	329,452
Other Accts.....	405,931,755		437,885,242
			437,885,242

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

COMPARATIVE ANALYSIS

	1947				1948
	Jan. 8	Dec. 24	Dec. 31	Jan. 7	
Issue Dept.:—					
Notes in circulation.....	1402.0	1368.4	1349.7	1331.2	
Notes in banking department.....	48.2	81.9	100.5	69.0	
Government debt and securities.....	1449.1	1449.2	1449.2	1399.2	
Other securities.....	0.9	0.8	0.7	0.8	
Gold.....	0.2	0.2	0.2	0.2	
Valued at s. per fine oz.	172/3	172/3	172/3	172/3	
Banking Dept.:—					
Deposits:—					
Public.....	13.9	17.0	18.5	13.8	
Bankers.....	314.5	304.0	315.1	304.7	
Others.....	59.8	93.4	95.5	101.2	
Total.....	388.2	414.4	429.1	419.7	
Securities:—					
Government.....	321.2	322.1	311.1	336.5	
Discounts, etc.....	17.7	9.9	15.2	13.3	
Other.....	18.1	18.2	20.1	18.8	
Total.....	357.0	350.2	346.4	368.6	
Banking dept. res.....	49.3	81.6	100.7	69.3	
"Proportion".....	12.7	19.8	23.4	16.5	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 7, 1948.

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

	Dec. 31, 1946	Dec. 16, 1947	Dec. 30, 1947
Cereals.....	109.6	113.2†	113.4
Other foods.....	120.9	138.5	138.5
Textiles.....	131.2	156.9	157.5
Minerals.....	202.2	233.9	237.7
Miscellaneous.....	138.5	154.5	154.9
	137.0	154.0	154.5
1913=100.....	188.1	217.9	212.5

GOLD AND SILVER

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

	SILVER		GOLD	
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
1948 Jan. 1 ..	45	74½	169 3	104 10
" 2 ..	45	74½	169 3	104 10
" 3 ..	45	74½	170 2	104 8
" 5 ..	45	74½	170 2	104 15
" 6 ..	45	74½	170 0	104 11
" 7 ..	45	74½	169 10	105 10

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Turner and Newall; Lancashire Cotton Corporation.

Prices, Year 1947		Name of Security	Price, Dec. 31, 1947	Price, Jan. 7, 1948	Net Yield, Jan. 7, 1948 (a)	Gross Yield, Jan. 7, 1948 (b)	Prices, Year 1947		Name of Security	Price, Dec. 31, 1947	Price, Jan. 7, 1948	Yield, Jan. 7, 1948			
High	Low						High	Low					(a)	(b)	(c)
British Funds															
103½	100½	Conversion 3½% March 1, 1948-53	101½	101½	0 17 4	113½	99½	(d)	(d)	Australia 3½% 1965-69	102½	102½	3 2 2		
103½	100½	War Bonds 2½% August 1, 1949-51	101½	101½	0 10 9	105½	89	(d)	(d)	Birmingham 2½% 1966-71	94	94	2 17 7½		
102½	98½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 10 2	102	100½	(d)	(d)	Argentine 3½%	101	100	3 10 0		
105½	98½	War Bonds 2½% March 1, 1951-53	101½	101½	0 18 11	150/-	113/9	(d)	(d)	Anglo-American Corp. 10s.	145/-	145/-	3 9 0		
105½	97½	War Bonds 2½% March 1, 1952-54	100½	100½	1 5 0	232/6	118/1½	(d)	(d)	Anglo-Iranian Oil £1	167/6	170/-	3 10 7		
106½	97½	War Loan 3½% (after Dec. 1, 1952)	102½	103½	1 6 5	232/6	118/1½	(d)	(d)	Assoc. Port. Cem. Ord. Stk. £1	77/6	72/6	4 2 9½		
106	97½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 6 6	232/6	118/1½	(d)	(d)	Austin Motor 'A' Ord. Stk. 5s.	38/1½	36/10½	3 8 6		
106	99½	Funding 2½% June 15, 1952-57	101	101	1 6 1	42/6	25/3	(d)	(d)	Barclays Bank Ord. 'B' £1	7	7	3 7 6		
108½	99½	National Def. 3½% July 15, 1954-58	101½	101½	1 9 1	95/4½	73/6	(d)	(d)	Bass Ratcliff Ord. £1	195/-	190/-	2 12 7½		
108½	99½	War Loan 3½% Oct. 15, 1955-59	101½	101½	1 9 4	245/-	167/6	(d)	(d)	British Oxygen Ord. £1	103/9	100/3	4 0 0		
108½	97½	Savings Bonds 3½% Aug. 15, 1955-65	101½	102½	1 11 7	215/-	80/-	(d)	(d)	Courtaulds Ord. £1	45/-	44/3	3 8 6		
106½	97½	Funding 2½% April 15, 1956-61	97½	97½	1 11 10	215/-	80/-	(d)	(d)	Cornwall Long Ord. £1	30/-	29/3	3 9 5		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Dunlop Rubber Ord. £1	79/6	77/9	3 19 0		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Emp. Chem. Ind. Ord. Stk. £1	53/-	50/7½	3 19 0		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Lancs. Cotton Ord. Stk. £1	48/9½	47/6½	4 4 3		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Lever & Unilever Ord. £1	55/7½	53/1½	3 15 3		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	London Brick Ord. Stk. £1	60/-	58/9	4 5 1		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	N.-Eastn. Elec. Ord. Stk. £1	35/-	35/-	4 0 0		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	P'chin J'nson Ord. Stk. 10s.	65/-	63/-	4 7 3		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Prudential 'A' £1	34½	34½	2 3 0		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Stewarts & Lloyds Def. £1	59/-	58/-	4 6 2		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	'Shell' Transp. Ord. Stk. £1	77/6	75/-	2 0 0		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Tube Invest. Ord. Stk. £1	145/-	142/6	3 10 3		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Turner & Newall Ord. Stk. £1	90/-	87/6	3 8 7		
109	98½	Funding 3½% April 15, 1959-69	101½	101½	1 12 0	215/-	80/-	(d)	(d)	Woolworth (F. W.) Ord. 5s.	93/6	90/-	3 17 7		

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The Economist

January 17, 1948

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A Capital Levy?

SLOWLY, very slowly, public opinion is coming round to the view that one of the things that is wrong with the British economy—and almost the only thing that is within the control of the British Government—is the inflationary pressure that is distorting it. Several things are contributing to this gradual conversion. For one thing, it is obviously true that inflation is the great problem everywhere else in the world. In Russia, in America, in France, steps of varying effectiveness are being taken against it and the task of believing that Britain alone is exempt from this world-wide plague is proving to be beyond the powers of even the most obtuse complacency. Moreover, the inflation in Britain, so long suppressed, is beginning to come out. The prices that have to be paid for food, whether to the British farmer or to the overseas producer, are rocketing up. The price of coal has just been raised to more than double the prewar level, and still the Coal Board runs at a loss. Transport wages are going up, and the surplus with which the Transport Commission hoped to start looks like turning into a deficit. There is hardly a price in the list that is not being pushed up. Not merely is there an obvious inflation, but it is also clearly reaching the rampant stage.

Hitherto, the argument for disinflation has been mainly concentrated on the flow of incomes arising from wages. This primary attention can be justified, because wage-incomes are not only the overwhelmingly largest part of all private incomes but also the only category which is substantially greater now, in real terms, than it was before the war. Clearly, if there is to be a disinflationary effort it must concern itself with wage incomes much more than with any other forms of income. But it is not right that other incomes should be excluded from its purview; and even if it were right, it would not be politically possible, especially with a Labour Government in office. It is very difficult, however, for even the most determined defender of the working class to make out a convincing argument to the effect that other classes of income as a whole are bloated. The statistics are all against him. The real net value of the average salary is clearly down; so, even more obviously, is the real net value of incomes derived from rents or fixed interest. Even profits, in spite of the unsupported assertions to the contrary, are almost certainly lower, in real purchasing power after taxation, than they were before the war. The argument is therefore concentrated on spending out of capital. Some of this there undoubtedly is, and much of what there is makes a conspicuous splash in austerity conditions. There is also, unquestionably, a certain amount of spending out of expense accounts, which is also very visible in the West End of London.

It is doubtful whether the sum total of all these kinds of sumptuary expenditure amounts to very much; but it exists, and it cannot be ignored. It is perhaps to be taken as a good sign that Labour MPs are beginning to think about ways in which this flow of excess demand from "the rich" could be stopped, since it shows that their minds are moving in a disinflationary direction. In general, the argument can be conceded. In a rounded policy of disinflation, which covered a sharp reduction in Government expenditure (including, inevitably, a curtailment of

subsidies), a smaller reduction in taxes and therefore an increase in the surplus, and a check to the rise in wages—in such a rounded policy, measures to reduce other forms of unnecessary spending should certainly find a place. So far the argument is easy; the problem is, what measures?

The favourite weapon of the Left is a capital levy. It appeals to all their instincts; and it has, indeed, a respectable lineage of support outside the circles of the Left, narrowly so-called. But for achieving the purposes that are now needed, it is a very blunt instrument indeed. It is not fashionable to inquire whether a levy on capital, which has suffered from the war and its attendant circumstances, while wage incomes have gained, would be just. There might be some justification for a levy on all those holdings of capital that have increased since 1939—certainly on those that have increased by more than the rise in the general price level. But there is no way of identifying them now, since there is no record of capital holdings before the war. The only practicable form of capital levy would be one that penalised all capital, whether it has risen or fallen, whether or not it is being drawn upon to sustain an excessive flow of spending. Any such project, apart from its questionable justice, would give rise to endless anomalies. If there were no exemption limit, administration would be difficult; and if there were a limit, the levy would lose still more of its justification and of its efficacy. How would it be proposed to treat the hundreds of thousands of persons whose entire capital is locked up in the houses they live in? Would they be compelled to seek additional mortgages, at a time when mortgages were also compelled to seek ready cash? And what about people whose whole capital is actively employed in their business? These difficulties are not perhaps insuperable, and the effort to overcome them would be worth while if the capital levy were likely to be supremely effective. But is it? It has long been recognised that in these days of heavy progressive taxation, a capital levy, the proceeds of which were used to redeem debt, would bring only negligible benefits on balance to the Budget owing to the loss of income tax revenue that it would involve. But if the net benefit to the state's income is small, surely it follows that the net loss to private incomes would also be small? And as for the capital levy's effect on spending out of capital, is it not as likely to be bad as good? Is not the average capitalist likely to conclude that he had better make haste to spend his capital before the levy is re-

peated? And whether or not this is so, it is virtually certain that a capital levy would discourage savings.

Another possible device would be a blocking operation, such as that by which M. Gutt won fame in Belgium. This is theoretically much more attractive than a capital levy. It applies only to those forms of capital that are likely to give rise to excessive spending—that is, to the more liquid forms. Moreover, it is not a permanent confiscation so much as a temporary forced loan, and the unblocking might at a later stage serve as useful a purpose of economic policy as the blocking would now. But a blocking operation is nevertheless a very difficult matter to carry through, and likely to be particularly difficult in Great Britain, where banking and credit trading are both much more developed than in Continental countries. It would give rise to many of the anomalies of a capital levy, and to a host of hard cases which could neither be ignored nor be dealt with except at the cost of a formidable administrative apparatus. It would not be impossible to carry out, and it would be likely to be fairly effective for its purpose. But it should certainly not be lightly embarked upon.

Must it therefore be concluded that there is no comparatively simple and certainly effective method by which capital can play its part in a disinflationary policy? That would be a most unfortunate conclusion. There is unfortunately little enough likelihood of a Labour Government taking the need for disinflation seriously, and the prospect would disappear completely if capital had to be left out of the programme. It happens that there is a method, which is likely to be effective, which requires no administrative apparatus, which will encourage thrift and discourage capital expenditure, which will lower the market value of all forms of capital and therefore discourage realisations of capital to finance current expenditure, which will equally discourage all forms of extension of credit for trading purposes. This is, of course, the old-fashioned remedy of a sharp temporary rise in interest rates. But unfortunately, as everybody knows, higher rates of interest are a reactionary device of baleful Bourbons. By a strange twist of logic, the classical device for whipping capital into line has come to be regarded as a concession to the very capitalists who would be constrained by it. But if the Chancellor of the Exchequer wishes to make sure that capital plays its part in a disinflationary policy, this is obviously the way to do it.

Refugees without Refuge

NIGHT by night new refugees are still crossing frontiers and throwing themselves on other people's charity. Those in Europe, most of whom pass their last sentry somewhere in Austria, prevent themselves at the care and maintenance centres run by the Preparatory Commission for the International Refugee Organisation—PCIRO. The governments which compose this organisation are due to hold another "preparatory" meeting on January 20th. At it they will learn some disagreeable facts. One is that their organisation cannot come of age until March at the earliest. Of the fifteen ratified signatures required, only twelve have been deposited. (The twelfth ratification—that of France—was received only this week.) Another concerns finance. The contributions due from the twenty states which have signed the instrument constituting IRO should total \$122,347,049 for the financial year July, 1947, to June, 1948. Of this sum the Organisation had on November 30th last received only \$38,239,838. A third is that this lack of funds, combined with the influx of new refugees, has forced the PCIRO administration to restrict admissions to its camps in a way that was not foreseen in its constitution.

Next week's commission must therefore reach a conclusion on a point which it passed over when it met in October. Is the

money that is available to be used for a job of quality on a limited number of refugees, or on a job of quantity and duration unspecified? Is it a fund contributed to solve a wartime problem, or is it the start of a foundation for helping the refugees of all time? To judge by the IRO's constitution it is simply the former. The preamble to that document specifically mentions a "non-permanent organisation." Ought the constitution to be amended, and, if not, where and when is the organisation to draw the line?

That a line must be drawn, and drawn soon, is the lesson of all the experience accumulated since PCIRO took over from Unrra last July. For one thing, the western taxpayer, who is the chief contributor to the funds available, is clearly paying for what he believes to be the clearing-up of a wartime tragedy. He will be dismayed to learn that almost as fast as his money empties the refugee camps through one door, they fill up through another. By the end of October—that is, at the end of four months' work under PCIRO—the organisation had settled or repatriated 76,000 refugees out of a total of some 700,000 originally placed in its care. But in the same period the number of persons receiving its care and maintenance decreased by only 32,353. And even this decrease does not reflect the scale on

which new applicants are seeking admission, for the administration, obliged through lack of funds to place its own interpretation on the IRO constitution, turned many refugees away. What else was it to do? The IRO constitution is lamentably loose. It defines "refugees" in terms that would fit anyone from a genuine seeker of sanctuary to a disgruntled crank. It covers all who are "unable or unwilling" to return to their country of nationality or former nationality. The administration was forced to stem the rising tide before the camps were swamped. It therefore halted new admissions, except in cases considered to be of real hardship. Had it not taken this arbitrary but unavoidable decision, the results achieved through repatriation and resettlement would have been cancelled out.

There is more than one possible remedy to this state of affairs. The ideal is, of course, a stoppage of the flow by the creation of better world conditions. But these are beyond the Organisation's powers to produce. And there are no signs that they are coming about by other means. Indeed not only in Europe but in Asia the number of refugees is increasing; the latter contingent now includes not only Europeans awaiting repatriation and Chinese outside China but also the new homeless of India and Pakistan, while in Europe a flow, chiefly of *Volksdeutsche* and Jews from east to west, continues steadily. Another remedy would be the provision of additional funds. But is it desirable to offer unlimited protection? It is extremely difficult to distinguish those whose movement from their homelands was spontaneous and individual from those whose refugee status was in whole or in part an organised movement. It is also difficult to tell those whose departure was justified from those who left in pique. To say this is not to suggest that all postwar refugees are less genuine cases than those who began their trek in the war years. But it is now clear that unless the problem is reduced to the dimensions of one created by the last war, there is no special reason why the present contributors should be the only states to pay for it.

The one manageable way out of the present impasse is for the governments attending the forthcoming meeting to steel their hearts and to make an arrangement whereby IRO can, at a moment of its members' choice, turn off the tap. It must fix, at a minimum of public notice, a date line after which no new refugees can be admitted under present arrangements. To do this is at least to define the problem. But it can only be solved if governments are ready to make a much brisker contribution than hitherto to the problem of resettling refugees.

The immigrant-receiving nations must make a fresh effort, and each accept a share of the 800,000 to one million persons who have refused to be repatriated and who cannot find permanent homes in their present countries of refuge, which are principally Germany, Austria and Italy.

Who are the immigrant-receiving nations? The total figures are misleading, since so many countries show an unfortunate though understandable readiness to take only the young, the able bodied and the skilled, and to leave their dependants behind. This is revealed as soon as the figures are even slightly broken down:—

REFUGEES DEPARTED FOR RESETTLEMENT UNDER PCIRO AUSPICES.			
Country of Destination		Country of Destination	
Belgium		Canada	
Individual	30	Individual	35
Minors	3,012	Lumbermen	766
Individual	58	Close Relatives	136
United Kingdom		Domestic Servants	152
Westward Ho Scheme	3,026	Unspecified	98
France	2,045	Venezuela	718
USA	1,707	Netherlands	439
Italy	158	Argentina	173
Palestine	130	Switzerland	114

There are often good, if temporary reasons, for this predilection. The United Kingdom and Holland, for instance, at present prefer the single worker to the family man on account of their housing crisis. France, always conscious of the problem of its birthrate, is ready to make every effort to take couples of

an age to breed children. For instance, the French offer a free home to the miner and his family, and a free gift of coal ranging from three to six tons per annum according to the size of that family. Australia, also, offers attractive endowments to child-bearers. Some areas in South America provide opportunities for a pioneering existence which suit only the young and able-bodied. It follows that if national selection missions continue to skim off the young, the physically fit and, in particular, the single men, there will remain, for long years, as a charge on the present member governments, a hard core of stateless people composed entirely of those who are not thought to be a good economic risk. The proportion of such risks is in fact small. The old and infirm for whom permanent international care would have to be arranged are relatively few. For, on the whole, the aged have not survived the hardships of recent years. The inmates enjoy some of the best health care in the world, thanks to the provision of one doctor to every 700 patients. The tuberculosis rate among them is only slightly above that shown for the Royal Navy in the last decade. An excess of births over deaths is being registered at a rate of 20,000 per annum. Physically, their state is good; only the psychological climate disturbs it.

There is only one way to avoid a permanent rump of vigorous but unwanted refugees and that is a share-out, by agreement between the receiving states, of all the elements in the total number of people to be resettled. Any such agreement must of course be subject to a standard process of sifting whereby the small percentage of thoroughly undesirable people can be eliminated. It is plain that unless governments will take the rough with the smooth—the dependants with the workers—they will be left with about half the present inmates of the camps on their joint hands as international guardians of these people. If they agree now to take a share of all the elements in the total number of people to be resettled, less than 100,000 refugees will remain—and that largely composed of people who would qualify for care under existing charitable foundations.

Here, then, is a two-fold programme for the forthcoming meeting—the fixing of a date line, plus the acceptance by states members and by others in need of immigrants of a rule whereby the picked men and women do not arrive alone. This suggestion is bound to meet with some opposition. It is likely to be encouraged by the principal payers for the present arrangement—the Americans, the British, the Canadians. (Of the \$38 million so far paid into PCIRO's coffers, 77.4 per cent was subscribed by the United States, 7.5 per cent by the United Kingdom and 12 per cent by other members.) It is likely to be opposed by some countries who have a strong feeling of humanitarianism but lack the will or the means to pay for unlimited refugees, by others whose tradition in the field of social work causes them to wish for a long period of re-education before they will accept immigrants, and by still others who see in the present dollar financing of resettlement a small but useful source of hard currency. No doubt the critics will contend that those at present paying can well afford to go on doing so, or that the organisation could perhaps be run more cheaply. In fact, it spends on administration at the rate of only \$16,500,000 per annum out of its budget of \$122 million—a sum which is small in view of the number of offices it is obliged to maintain all over the world. There is no doubt that if it were richer or knew more about its future it could do better. No staff can maintain its calibre in an atmosphere of uncertainty, and many good men have left. By setting a determined course for the future, the governments concerned could help everybody—from high administrator to old-timer refugee—to play a better role in the organisation while it continues. This last participant in the scene is mentioned with a purpose, for he is the man who, perhaps, merits the greatest consideration of all. Unless the stream of newcomers applying for the present funds is cut short, the older inhabitants are doomed to a life of hoping for a settlement that is permanently deferred.

Mr Bevan and the Doctors

A SPECIAL representative meeting of the British Medical Association, held on January 8th, issued a unanimous recommendation that the National Health Service Act should be rejected absolutely by all medical practitioners. It also discussed the form of the plebiscite of the profession, to be taken at the end of the month, and what majority against the health service would justify the British Medical Association in taking further action. If at least 13,000 general practitioners oppose the scheme, out of a total of 21,000, it is considered that Mr Bevan would be unable to start the general practitioner part of the service on July 5th, the appointed day for the social security scheme as a whole.

How is the voting likely to go, now that the results of last year's negotiations are known? It can be taken for granted that there will be many doctors, including general practitioners and specialists, whose minds have been made up all along. These include, at the one extreme, the out-and-out individualists, who are completely convinced that the intervention of the state in the practice of medicine is a disaster, both for medicine and the patient. Because this type of doctor often happens to be very successful, it is sometimes unfairly alleged that all he wants is to protect his pocket. Many such doctors are, however, genuinely concerned with the integrity of their work. They are not the sort that will compromise—and the National Health Service Act is a supreme compromise—but they are of inestimable value to medicine.

At the other extreme are the doctors who are convinced members of the Labour Party and who will back Labour's official policy through thick and thin. They cannot see the objections to a full-time state medical service. Surely, they argue, a good doctor will work just as well if he is paid by salary as if he relies on fees or capitation payments. At this extreme there are also doctors who, whether members of the Labour party or not, are appalled by the thought that some people cannot afford medical and hospital treatment. To this group of doctors, the essential principle, which should not be lost sight of, is that the National Health Service allows free treatment and drugs to everyone irrespective of their means. No one, after July 5th next, will have to count the cost—or at least the medical cost—of getting well. This is an ideal, to which, in the eyes of these doctors, all other considerations should give place.

In between the two extremes comes the floating vote. In the 1946 plebiscite, probably the majority of doctors, general practitioners and specialists, in this section voted for negotiations, and was in favour of taking Mr Bevan at his word and giving the health service a chance, or at least of waiting until its framework had been covered over before they finally decided to work for the service or not. How are they likely to react in this, more crucial, plebiscite?

It cannot be denied that there has been some stiffening of opinion against Mr Bevan among this middle section in the last few weeks, since the results of the negotiations became known. Moreover, it is as noticeable among the specialists as among the general practitioners who have, or consider they have, the bigger grievances. What has caused it? On the terms and conditions of service, the little that is known is not unfavourable to the doctors. The pension scheme seems adequate. The complete ignorance of specialists and consultants about the salaries they are to be paid—an ignorance which is apparently not likely to be dispelled until after the health service is due to begin—is no reason why they should fear the worst. The proposed remuneration for general practitioners, discussed in *The Economist* of January 3rd, page 10, is not, in the eyes of the BMA, nearly

so generous as the Minister makes out; in particular, it does not fully carry out the Spens Committee's recommendations. But no one has gone so far as to denounce it as niggardly. Whatever else the doctors are objecting to, the financial proposals seem to be taking second place.

On other matters, too, Mr Bevan has been sensible. The Regional Hospital Boards are not swamped by local authority nominees, but include a large number of practising doctors. Mr Bevan has kept his pledge that he would give the medical profession a large share in the administration of the health service as a whole. The old bogey—that, under a national health service doctors would have to submit to orders from the local authorities—has not been resurrected and cannot be the cause of their present discontent. To repeat—what is it all about?

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Now, as a year ago and before the Bill became law, disagreement between the Minister and the profession—or rather the general practitioners represented by the BMA—has focused on four main issues:

- (1) the abolition of the sale and purchase of practices in the public service;
- (2) the basic salary;
- (3) “negative direction”; and
- (4) the refusal to allow doctors dismissed from the public service on the grounds of inefficiency the right of appeal to the courts.

In addition, there is considerable confusion regarding the validity of existing partnership agreements when the Act comes into force. The Minister's legal advisers take one view. Counsel's opinion, asked by the BMA, takes the opposite. But even if the Minister is right, the complications of allocating compensation in mixed public and private partnership practices will be formidable. The issue in fact can only be settled by the courts when a case arises. If, in consequence, hardship is caused, Mr Bevan has promised an amending Act. But he refuses to clear up the question in advance by producing now the very simple amending measure needed. Therefore, says the BMA, he has an ulterior motive in allowing the confusion to continue. He is using it as a lever to induce many doctors, appalled by the legal complications and costs they might otherwise be involved in, to join the public service on the appointed day, which is contrary to the principle that every doctor is free to join the service or not as he likes.

There may or may not be truth in the BMA's view. But Mr Bevan's stubbornness in this respect has done him no good. Nor has his stubbornness regarding a doctor's right of appeal to the courts. Such a right might well turn out to be a matter of principle rather than of practical value, but in the present conditions of mutual distrust and antipathy a concession to principle would have relaxed the tension. Similarly with regard to the basic salary. At £300 a year, it will form such a small part of most general practitioners' remuneration that it is not worth the opposition it causes. The wish to provide young doctors with a living before they earn capitation fees could have been secured by other means. If Mr Bevan had wished to conciliate the BMA, he would have dropped the basic salary altogether.

On the issue of “negative direction”—that is, whether the Medical Practices Committee should have the power to prevent doctors from engaging in public practice in “over-doctored” areas—Mr Bevan is right not to give way, and the BMA for its part would do well to drop the demand. It is true that consumers' choice is, by the Act, to a certain extent interfered with;

but it is protected to the extent that they are willing to pay for it, for nothing in the Act prevents a doctor from setting up in private practice where he likes.

There remains the abolition of the sale of public practices. Here again, apart from the confusion arising from the question of existing partnership agreements, Mr Bevan is on strong ground, and on theoretical considerations alone he would have the support of a large proportion of the floating vote. There is a good deal to be said for the view that patients should not be bought and sold and that young doctors should not have to borrow money to buy their way into practice. And it is particularly difficult to defend the sale of the right to take public money for public service. But another view is also gaining ground—that the ownership of the goodwill of a practice guarantees a doctor's professional independence. It means that he is self-employed, and that the state cannot come between him and his patient.

It is significant that this view should be gaining ground, for here perhaps is the key to the stiffening of opposition to the health service in recent months. May it not in large part be a reflection of growing public resentment at controls, at the ever-increasing interference of the state in everyday life? Is it not a symptom of the professional classes' revolt against being levelled down and directed out of existence? Even the “negative direction” of doctors allowed by the Act becomes ominous in the light of the Government's reimposition of labour controls.

There is also a personal factor. Mr Bevan has become suspect in the eyes of the profession because he has become identified as the leader of the extreme Socialist group in the Government. It consequently fears that his protestations of innocence cannot be relied upon. He is also accused by the BMA of attempting to split the profession. His attitude towards the consultant section represented by the BMA. It is certainly true that to the specialists and consultants he has made at least one concession that is far more debatable in principle than those he has refused to general practitioners.

Food and Politics in Japan

JAPAN'S new census, taken in October, 1947, has shown a total population of 78 million as compared with 69 million for the present area in the census of 1935. Thus, in spite of for the present area in the census of 1935. Thus, in spite of heavy military and civilian war casualties, the population has increased by 9,000,000 in twelve years, partly by natural growth and partly as a result of the compulsory repatriation of Japanese nationals from Korea, Formosa, China and elsewhere since the end of the war. This population cannot be supported exclusively on food produced within Japan; a substantial amount of food-stuffs must in any case be imported and paid for either from the proceeds of foreign trade or by credit or subsidy from abroad—probably about 10 per cent of the total required to prevent widespread malnutrition. However, though it is impossible to dispense with food imports, it is very important for Japan to obtain the maximum of food production at home, both in order to reduce the present adverse balance of trade, which threatens industry with paralysis from lack of raw materials, and in order to satisfy the Americans, whose aid is sought, that the Japanese are doing the best they can for themselves.

But Japan's capacity for food production and the actual willingness of farmers to produce are two very different things, as the Japanese Government and General MacArthur's Headquarters (commonly known as SCAP) have gradually discovered. The fact is that the part of Japan's population which lives in towns—approximately half of the total—has become to a great

The next few months, therefore, are not auspicious for the National Health Service. A vote at the plebiscite is not legally binding, and it may well be that many doctors who vote against joining it will be forced to when it comes to the point. Mr Bevan has the whip-hand. Compensation for loss of goodwill through the abolition of the sale of public practices will only be paid to general practitioners who join the service on the appointed day. Many of the younger generation of specialists, who served with the armed forces at a time when they would otherwise have been building up private practices, are dependent on the Ministry of Health for a living wage. A large vote against Mr Bevan at the plebiscite does not mean that the service will not be able to start. But even if, as seems unlikely at present, he obtains a majority, he will have stirred up enough resentment and opposition for doctors to want to find fault with the service instead of wanting to make it a success. *The Economist* has hitherto taken the view that, given the need and the demand for a national health service, the 1946 Act probably provided the best possible framework that could be devised. Mr Bevan's professions of good intentions, while the Act was passing through Parliament, were accepted at their face value. It will be a pity if it now has to be admitted that the BMA's suspicions, that he is working for the introduction of a full-time state medical service as soon as possible, were justified all along. In fact, the BMA, whose leaders often give the appearance of gloating at the prospect of a fight, may well be as responsible for the present impasse as is Mr Bevan. More sympathy would be felt for its case if it were to emphasise the good points in the service at the same time as it draws attention to the drawbacks. As it is, it constantly gives the impression that it is trumping up a case in order to denounce the service lock, stock and barrel. But it is on Mr Bevan, the Minister responsible for the success of the health service, that there lies the greater obligation to make a conciliatory gesture to show that his oft-professed intentions to use his powers sensibly, and in the true interests of doctors and patients, will be sincerely fulfilled. And if he wishes to regain the confidence of the floating voters he should make this move before January 31st.

extent parasitic on the other half which lives on the land and produces food, while the producers of food have become increasingly unwilling, in the absence of adequate incentives, to produce more than they need for their own consumption and local barter. This situation is a consequence of the war; it is a state of affairs for which analogies can be found in postwar Europe, especially in Germany, but in Japan it has taken a particularly acute form because of the highly artificial character of Japan's industrialisation. The growth of urban population during the last fifty years—which has accounted for by far the greater part of the total population increase—has corresponded to the growth of modern industry, which in turn has been bound up with the great expansion of foreign trade, including the economic integration of Japan with colonial areas now separated from it—Korea, Formosa and Manchuria.

This economic structure, built up under the stimulus of political motives of national power as much as for purposes of private capitalist enterprise, and involving an extreme degree of dependence on imported raw materials, has now collapsed. The industrial Humpty Dumpty has had a great fall and not all SCAP's horses and men have been able to put him together again. Since the war Japanese industry has been depressed by a variety of interrelated adverse factors—by lack of efficient capital equipment, owing to wartime destruction, deterioration or obsolescence of plant; by Allied demolitions of installations

classified as war potential and prohibitions of whole branches of industry for the same reason; by shortages of essential raw materials which can no longer be obtained from abroad; by uncertainty about the future owing to the prolonged delay in fixing reparations charges and permitted levels of industry; by the dissolution of the *Zaibatsu* business organisations and the absence so far of efficient substitutes for financing and marketing; by inflation and the diversion of capital from productive industry into commodity hoarding and speculation.

For the Japanese peasant the great development of modern industry in Japan has never brought any real advantage. It has been achieved largely at his expense, for the Government subsidies, with which industries deemed to be of national importance were promoted, came out of heavy taxation falling mainly on the land. The indebtedness of the peasants, arising out of their inability to pay their taxes, was the principal factor in destroying peasant ownership and promoting tenancy on onerous terms for the cultivator. Imports of food from Korea and elsewhere kept food prices down. The productivity of the land has indeed been greatly increased by the intensive use of artificial fertilisers, but taxes and rents took up the surplus, so that the peasant's standard of living hardly improved at all, and in years of bad harvest there was often semi-starvation in some rural areas while there was food in abundance in Tokyo or Osaka.

The war has brought a radical change in the relations of town and country. Almost all the important towns of Japan were devastated by bombing, while the countryside remained unscathed. The peasant's life is not affected by the disappearance of luxury goods which he has never known. At the same time there is a sellers' market for food, and well-to-do townspeople are ready to pay famine prices for farm produce or to buy it by barter in terms highly favourable to the peasant. The inflation has relieved indebted peasants of most of their liabilities. In addition, the democratising policy of the Allied Occupation authority has gained for the peasant, not only a freedom of political franchise which he has not enjoyed before, but also the promise and partial implementation of a land reform, whereby landlords must give up to the state for a nominal compensation all land over a small maximum holding and tenant cultivators can buy it on easy terms.

With the scales thus suddenly tipped in favour of the producers of food, postwar Japan has all the makings of a peasant's paradise. But if the peasant is thus to reap the advantage of Japan's military and industrial collapse, what is to happen to the industrial workers and low-salaried employees and minor officials who are unable to pay uncontrolled market prices for food? They cannot be allowed to starve and, even if the Government were indifferent to their fate, the political and trade union rights guaranteed to them by SCAP and the new American-sponsored Japanese Constitution have made them a national power to be reckoned with. The solution, of course, is rationing, at prices within the reach of urban wages and small salaries, and as the force of inflation in Japan is too great to allow the Government to pay large food subsidies, this means controlled buying from the peasants at prices which are too low to induce willing sales.

The resistance of the peasants to the grain collections necessary to maintain the rationing system has now become the most serious immediate problem before the Japanese Government, and it has far-reaching political implications. The tendency of the peasant, unable to obtain for his produce a yen price with sufficient purchasing power in terms of capital or consumers' goods, is either to decrease production—which means a fall in total national output of foodstuffs—or to consume more of his produce within his family, or to divert as much as he can to the black market, where prices fluctuate between 10 and 100 times the official rates. At present the black market is a flourishing institution, and although the ration system brings relief to the urban masses, everyone but the very poorest contrives to get some supplement to his rations by buying black. A police

survey in October revealed that the average Tokyo family spent 75 per cent of its income on black market purchases, and it was estimated that 30 per cent of all food consumed came through the black market. A certain Yamaguchi, a man of unique virtue, has achieved fame by refusing to eat anything except rationed food at official prices; he has consequently died of malnutrition. The Prime Minister, when interviewed by journalists, refused to comment on his "sad case."

There is a basic political conflict between the interest of the peasants in free market prices for food and the interest of the urban workers in rationing at low prices. This antagonism between town and country cuts across the division of Left and Right, in which a large part of the peasantry, with its interest in radical land reform, is drawn to the Left. The Social Democrats, who emerged from last year's general election as the strongest single party and are governing in coalition with the Democrats (one of the two main parties of the Right), represent primarily the industrial workers and low-salaried employees in the towns, but they have made a bid for peasant support as champions of the land reform against attempts of the Right parties to whittle it away. The Communists have tried to go one better by urging that the landlords should be expropriated without even the slender compensation guaranteed to them under the land reform law, and have had some success for their propaganda among the poorer peasants. But the hunger of the landless peasant for private landownership has basically nothing to do with Socialism or with a desire to produce food for bankrupt townsmen in return for worthless paper money.

The Communists, of course, have their own way of solving this kind of problem; having used land distribution as a bait for gaining the revolutionary support of the peasantry, their method is afterwards to use their dictatorial power to extract agricultural surpluses, safeguarding themselves against peasant disillusionment by destroying every kind of independent peasant party or association or electoral alternative. But under a political democracy it is not possible thus to deal with peasants when they are approximately half the electorate. The Social Democratic leadership in Japan is in a dilemma; if it raises official food prices in order to placate the peasants and ensure deliveries, it increases the hardships of its principal supporters, whereas if it keeps prices down and enforces deliveries by police action, it not only alienates the peasantry politically, but risks passive resistance, decrease of production, and perhaps even in the last resort, armed risings—for most of the ex-officers of the disbanded Imperial Army, the most embittered and subversive social element in Japan, are now dispersed throughout the countryside.

The dilemma has already produced a Cabinet crisis; the Minister of Agriculture, Hirano, held out for higher prices for the farmers than were provided in the plans drawn up by the Economic Stabilisation Board, and was finally dismissed by the Prime Minister, Katayama. The Government survived the crisis and is committed to the policy of cheap food, but the problem of getting it has not been solved, and there is still no sign that currency inflation has been brought under effective control. Political democracy in Japan is under extreme stress and strain of economic adversity, and there is much talk about the *Kuromaku* or "Black Curtain," a group of politicians with former militarist or *Zaibatsu* connections who are alleged to be waiting for the withdrawal of American troops from Japan in order to take power by a *coup d'état*. Until there is enough food in the towns for the workers to eat and enough goods in the villages to make it worth while for the peasant to produce, to feed the towns, there can be no firm foundation for the new regime in Japan. Large-scale American aid is probably the only means by which such a degree of economic recovery could be rapidly achieved, but projects of aid for Japan will have to compete with the Marshall Plan for Europe as well as with aid for China.

NOTES OF THE WEEK

Mr Lovett Disposes

In recent weeks, the British Government has been under fire from three quarters to show more signs of activity in the preparation of the Marshall Plan. There has been criticism at home from both Parties. A number of American Senators made it quite clear during the first hearings on the Administration's proposals for Marshall aid that they felt Europe was not doing enough to help itself. In particular, they criticised the failure to re-convene the committee of the Sixteen Nations. At the same time, the French Government made tentative suggestions that perhaps it would be wise to take some initiative and Sir Edmund Hall Patch went over to Paris to secure the views of the Cabinet and the Quai d'Orsay. Sufficient agreement was reached to make it seem worth while for M. Hervé Alphand, head of the economic division in the French Foreign Office, to bring a delegation to London to discuss the details of a new meeting of the Sixteen—provided the other fourteen should find the suggestion acceptable. The delegation duly arrived and discussions were to begin, when the American State Department performed one of those apparent *volte faces* that make American policy so difficult to follow. Mr Lovett, the Assistant Secretary of State, let it be known that the American Government considered a meeting inopportune until such time as Congress had decided the final form of the Plan.

The contradiction between American opinion as expressed by Congress and the leading American newspapers on the one hand and by the American Administration on the other springs from the old trouble of the separation of powers. The Administration cannot speak for Congress and it is also quite possible for different members of the American Cabinet to have different views on what is and what is not likely to be helpful in the Congressional debates. The present misunderstanding—which has sent M. Alphand back to Paris almost as soon as he arrived—is one to which the statesmen of Western Europe will no doubt be exposed over and over again in the course of the next four years and it is one of the most difficult psychological problems their diplomacy will encounter. Again and again, they will have to make up their minds when it is and when it is not advisable to conform exactly to American advice. But one lesson this week undoubtedly underlines—it is that quite independently of American views or American advice, Britain and France need to make up their own minds on the type of organisation in Europe they are prepared to support and the extent to which they are prepared to go in the way of co-operation on these subjects. To wait on American advice and instruction may mean relying on a body of opinion whose views will rarely be clear and may often be contradictory.

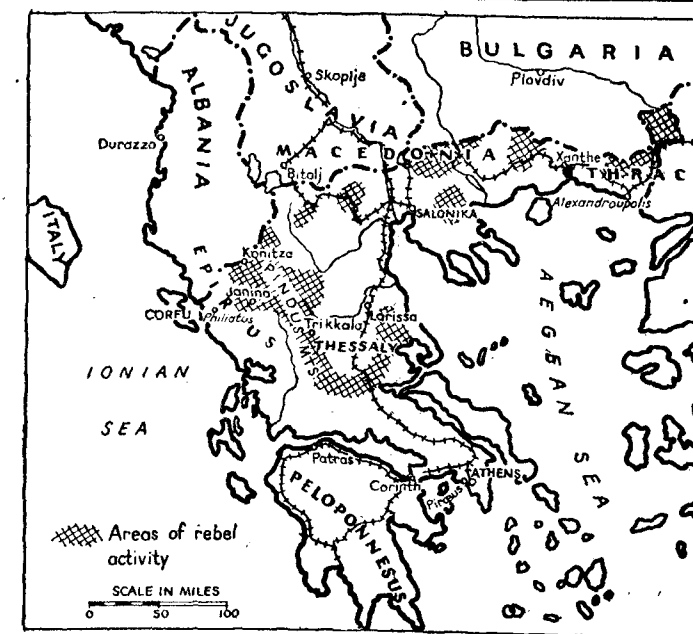
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Calling a Halt in Greece

All reports are agreed that the withdrawal of the rebels in Northern Greece is only a prelude to renewed activity. Although Greece's neighbours have not recognised the Markos "government," they are making gestures of sympathy, gathering volunteers and in general making no secret of their support. In the case of Albania, in particular, the evidence is overwhelming that the frontier districts are simply the base camps of the insurgents,

where they enjoy every facility that the Albanian Government can provide.

In a word, Greece's Balkan neighbours are continuing to intervene in Greek affairs in the manner already fully documented and described by the United Nations' Balkan Commission. The question now is whether the nations outside the Soviet sphere of influence are prepared and can afford to watch this flouting of



Greece's right to its integrity and of the international Covenant guaranteeing that integrity—for the United Nations' Charter is nothing less. This issue is rendered even more urgent by the probability that behind the Balkan intervention in Greece lies the Russians' desire to know how far they can go in their aim of disrupting the Marshall Plan. The question the Russians are posing in Greece is an ugly but crucial question: does a threat of war deter the Western World from action, even on a relatively minor issue? If so, may not the threat of hostilities be extended to other areas—Trieste, Persia, Korea, Berlin—in the hope of inducing a similar retreat?

Naval manoeuvres by the American Mediterranean Squadron in the neighbourhood of Greece are not a sufficient answer. Nor is the despatch of trained American liaison officers. The issue is not simply an American issue. It is also a British obligation. Further it concerns the United Nations as a whole, before whose "Little Assembly" (minus its Russian bloc) the matter will now be brought. But an Anglo-American lead will be necessary if this body is to act with sufficient vigour and speed to check the present irresponsibly adventurous phase of Russian policy in Greece. A possible course for the British and Americans to take at this juncture would be to secure the moral support of the Little Assembly in issuing an ultimatum to Albania—so far the most in-

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criminated and in any case the most exposed of the Balkan aggressors—designed to secure the admission of the United Nations Commission to the Albanian side of the frontier and a permanent policing of that frontier by an international force. Nor should Albania be left in any doubt that a refusal would justify the taking of military action.

* * *

German Rations in Danger

If all went well with the Marshall Plan and if the planners had their way with the German farmer, the ration target for Bizonia up to 1951 would be an average of 2,550 calories, for the normal consumer 2,250 calories. This year it was hoped to raise the average ration from the present 1,650 calories (not always met) to 2,030. These targets are modest enough, in all conscience, considering what is expected of the German worker in the next four years; but they look bold and ample compared with the realities now emerging.

The Germans were warned on Monday that, unless their own farmers deliver their produce promptly and fully, the ration will be reduced to 1,200 calories. The warning springs directly from the official estimate that German deliveries of grain are over 200,000 tons below what they should be, with potato deliveries even worse. Unless it is followed by drastic action on the German authorities against recalcitrant farmers and black marketeers, Western Germany will have to prepare itself for a ration of between 1,000 and 1,200 calories a day from the end of this month until the gathering of the next harvest. That this could not be maintained without political and industrial disturbance is shown by the widespread strikes in the Ruhr and Hamburg, provoked by failure to meet the present rations.

It is deplorable that the long-standing crisis over food should have come to a head at the very moment when the British and American Governments are considering proposals for strengthening the authority of the Frankfurt Economic Council. The proposals are in any case timid and inadequate, giving the nominated Frankfurt authority no real fiscal or executive power over the elected *Länder* Governments. But it is too bad that Frankfurt should be faced straight away with the crucial domestic issue of Western Germany—whether the food-producing *Länder* of Bavaria, Lower Saxony and Schleswig-Holstein can be forced to deliver their surpluses to the big towns and industrial areas, and whether farmers everywhere can be forced to help their starving compatriots in the towns. On the other hand, this coincidence of near-famine with the first fumbblings towards a German Government in the West may help to convince the Americans—and Mr Bevin—that the men of Frankfurt can exercise no economic authority unless they have political authority with solid Allied backing.

The Americans have honoured their engagements generously and Bizonia has several weeks' stock of imported grain in hand. Pledged to deliver 3,600,000 tons (flour equivalent) for the year ending July 1, 1948, they have already shipped well over half that amount. The Germans have to learn this winter that the lack of public spirit in the *Länder* will not be compensated by premature release of the imported grain. And the lesson must be given by German politicians.

* * *

The Wages Spiral

London's busmen have cocked a snook at Sir Stafford Cripps, who only last week renewed his warnings of inflation, and at the General Council of the TUC itself, which issued pious advice to the unions to exercise restraint in pressing for wage increases. They have applied for increases ranging from 11s. to £1 a week for workers on central and country services respectively, with corresponding increases for men working in the engineering and maintenance shops. Similar claims by passenger transport workers in municipal services and private companies are being formulated. The main reason for the busmen's demand is that their particular section has been left behind in the general upward movement of wages.

The London men's claim confronts the Transport Commission with its first big labour problem. If the claim is conceded, it will add enormously to the wages bill and will be followed by similar demands from other sections of transport workers. If it is refused, there may well be trouble among the busmen, who are strongly under Communist influence and would not hesitate to disrupt London's transport services, as they did recently on the "no standing" issue. Moreover, to grant the claim would lead to further pressure from other industrial workers, on precisely the same ground that they were being "left behind." This com-

petitive scramble was bound to arise, as soon as the TUC made it clear that it would not give any lead on wages and would tolerate no interference with the normal course of events. Wage rates are now 73 per cent above their level in September, 1939, and, as Sir Stafford Cripps has pointed out, recent increases have not been confined to the undermanned industries, where they might be justified.

The claim of the London Society of Compositors for an increase of 22s. 6d. on their minimum of £6 10s., which was heard by the Arbitration Tribunal this week, is even more difficult to justify. Printers, especially in the London area, are among the most highly paid of any industrial workers, and they cannot be deemed to be making any special contribution to the productive effort at this juncture. However, they, too, are strongly organised, and can create considerable dislocation if they are dissatisfied with the Tribunal's award.

Another set of wage negotiations, affecting 100,000 weavers in the cotton industry, raises a more difficult problem. Their claim for a 10s. a week advance is more easy to justify, because the cotton industry is notoriously undermanned and because the spinning section has recently received a like increase. A case, too, can be made for the claim of the wool trade workers. Yet, here again, the consumer will pay, and further additions to the industry's wages will must have a damaging effect on exports at a time when reduction of costs is more necessary than ever, because the sellers' market is beginning to disappear. If this vicious inflationary spiral continues there can be only one ending, the devaluation of the currency, the final effects of which on the workers' standard of living could not fail to be extremely adverse.

* * *

House of Lords Reform

The Parliament Bill has inevitably revived—even if somewhat feebly—the interest of the public in the long dormant question of the reform of the House of Lords. The Conservative Peers, faced with the decision whether to veto the Bill or to let it pass, have been quietly preparing the ground. A Committee under the chairmanship of Lord Salisbury has agreed on a scheme of reform which has not yet been made public; but its general lines may be guessed from a pamphlet issued by the Conservative Political Centre which, though chiefly devoted to an essay in constitutional history, foreshadows reform along two main lines—the limitation of hereditary membership to those Lords who are likely to be useful in Parliament, and the creation of life peers. Hereditary peers would be elected like Scottish representative peers to-day, and in order to qualify for membership of the Upper House would have to show a record of public service. It is reported to be doubtful whether more than a hundred of the present peers would pass the drastic test to be introduced under Lord Salisbury's proposals. Life peers would be created on the recommendation of the Prime Minister of the day, in order to avoid a permanent party majority, and it is admitted that the Labour Party must be given much stronger representation in the new Chamber. Hence, it is understood that the scheme makes provision for the payment of members.

At first sight, it might appear as if there were here an admirable opportunity for a convenient deal between the two parties. But the possibility—to say nothing of the desirability—of such a neat and easy solution may perhaps be doubted. Until the details of Lord Salisbury's scheme are made public it is impossible to judge how far the composition of the reformed House is likely to win the approval of the Labour Party, the Liberals or the public. If the House is to be reformed, would it not be more logical to abandon the hereditary principle altogether? What possible justification is there for the perpetuation of such an anomaly? On the other hand, if the composition of the Chamber is to be reformed as suggested, what likelihood is there that the Conservative Party would agree to the limitation of the delaying power contained in the Parliament Bill?

Meanwhile, the need for a Second Chamber as a House, to quote Bagehot's phrase, of "temporary rejectors and palpable alterers," is certainly no less clear to-day than it was during the second half of last century, and whatever obvious objections may be brought against its present composition, there is no evidence whatever that the House of Lords has recently misused, or is likely to misuse, its delaying and revising powers. That does not mean that the reform should be postponed indefinitely; but it does mean that it can wait until calmer times; and that it should be undertaken, if possible, by consent of all parties, as the Conservative pamphlet suggests, after joint consultation, not by a disingenuous piece of tampering with the escapement of the constitutional watch.

Agrarianism in the City

Sir William Goodenough's first annual statement as chairman of Barclays Bank is enough to make it clear that he will play his part in restoring the bank chairmen's annual statements (they are no longer speeches) to the place they once held in the calendar of economic discussion. Sir William's particular subject this year was British agriculture. From much of what he had to say about the present and the future it would be very difficult to dissent. An increase in domestic food production is clearly, for the present, a necessity, whether or not its consequences, when they are fully visible, will be happy or not. The warning is also timely that "the character of development on the land should not be related merely to the immediate and short-term problem of our balance of payments."

But Sir William also took occasion to review the whole agricultural history of the past hundred years and to express a sweeping condemnation of the policy of free imports that was adopted in 1846. That Free Trade was bad for British agriculture is obvious; looking back, many people who would still call themselves free traders regret that nothing was done during the century to relieve the distress of domestic agriculture. But that the system of buying food wherever it could be got most cheaply was of inestimable benefit to the British economy as a whole—and that it would still be so today if it were possible to export enough to make payment—hardly admits of serious doubt. Sir William makes it clear that he would have preferred food to be dearer all these years. But, if so, what would have happened to the standard of living of the great mass of the people? How could the great industrial strength of Britain have been built up if British exports were not competitive? How could Britain have survived two world wars if it had not been able to serve as an arsenal for itself and its allies—however much better it might have been able to feed itself? What, in particular, would have happened to the City of London and its great financial houses?

It is, indeed, strange to hear a banker using the argument that the British industrial economy, built upon Free Trade, was "one-sided." Of course, it was; all wealth is built upon the division of labour, and if that division has now to be abandoned in search of labour, and the result will be impoverishment. Is Barclays of "balance," the result will be impoverishment. Is Barclays Bank to be condemned as "one-sided" because it does not sell milk in its branches? When Mr Artlee some time ago referred to the nineteenth-century pattern of trade, which served Britain so well, as "artificial," the remark could be passed over as the natural reaction of a Socialist to what was achieved under the banner of free enterprise. When a banker holds the same language, some expression of surprise and regret—and dissent—is called for. When, from time to time, *The Economist* seeks to submit agricultural policy to the test of economic analysis rather than of bucolic romanticism, it is angrily attacked in the agricultural press for presenting the "City view." Nothing could be farther from the truth. The fact is that, ever since the invention of the internal combustion engine enabled bankers and stock-brokers to live in the country and spend their profits on farming, the City has been as obstinate a stronghold of agrarianism as is to be found in the kingdom.

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Must There be a War in Palestine?

Is there anything the British can do to avert an Arab-Jew war in Palestine? Is there any military or diplomatic action still possible which would make their withdrawal less open to the charge of scuttling? Clearly, with both communities full of sanguinary self-confidence, the soldiers and the police cannot undertake more than their present duties. Each week that passes will oblige the authorities to concentrate more and more on the protection of fewer key points, such as mixed cities, essential roads and services. So much is implied by the mere fact of withdrawal before next June. No Arab or Jewish leader would now dare to invite the British to delay or reverse the process. Indeed, the invitation would have to be ignored unless there were the clearest signs of a genuine attempt by Arabs and Jews to reach agreement by mutual concessions.

That possibility, too, can, on present evidence, be ruled out. The Arabs will never freely accept the partition scheme, and they are full of confidence in their ability to frustrate Jewish hopes. The Jews suffer from the same over-confidence, partly because they believe they may have the Americans and the Russians competing to help them. They still believe that their "tough guerilla fighters" can be detached indefinitely from their settlements and factories, carry out police duties and suppress the Arabs in their midst.

Is there then any hope in the international sphere? Can the Security Council, by imposing its authority, avert or stop war? It has been asked to "empower" the Assembly's five-man Commission and to provide for the execution of the partition scheme. So, when the Council comes to consider Palestine, the Russians are expected by Washington to press for direct military support of the Jewish State and to offer the help of Russian forces. The Americans, in their present mood, would certainly resist both proposals; but they would then come under pressure from the Zionists—in this election year—to agree to some device, like an international police force, by which the Security Council might legalise the despatch of arms and volunteers to the Jews. The State Department would probably fight hard even against this method of involving Russians—and Americans—in the fighting.

Supposing it was then proposed to invoke economic sanctions against the Arab States, under Article 41 of the Charter. The decisive factor here is that the Arabs hold a major economic hostage of the West—its oil—and only the Russians would be able to face an economic war with much equanimity. In any case, would the British, anxious to maintain the present policy of neutrality, vote for sanctions against the Arabs? Surely not. Are they then to use the veto in the Security Council, regardless of what the Americans do?

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There is in fact little chance of the Security Council's taking decisions which would check Arab resistance and Jewish terrorism, unless Anglo-American support were put solidly behind the international authority. There remains the possibility that the pattern of the Spanish civil war will repeat itself in Palestine, with the Jews receiving by sea arms and supplies which the Palestine Arabs would find it harder to obtain from their neighbours in Syria, Transjordan and Iraq. Such a development would favour the Jews; but it would mark the bankruptcy of both British and Uno policy and might set the whole Middle East alight. These surely are the possibilities which should be brought to the attention of the Americans with all the skill and persistence British diplomacy can command. If Washington could restrain the Zionists, there would still be hope of London's restraining the Arabs. The risk of thereby annoying Congress and doing damage to the Marshall Plan must be taken, for without Arabian oil the policy of which the Plan is a part would be seriously handicapped. The Americans have yet to learn that Palestine is no further from Greece than is New York from Chicago.

* * *

New Treaty with Iraq

The new treaty between Britain and Iraq, which was signed in Portsmouth on Thursday, is a first step to putting Britain's Middle East relationships on a postwar footing. The 1930 treaty entitled Britain to maintain air bases in Iraq and to station forces at them. It also provided a joint Anglo-Iraqi Corporation to manage the railways (under Iraqi Government ownership) and certain rights were accorded to Britain in respect of a trust which was established to manage the port of Basra. In the new treaty the railway and port provisions are abolished and the virtual extra-territorial rights hitherto enjoyed by Britain in the air bases disappear. They are to be Iraqi bases, used and maintained by Britain in accordance with joint arrangements for defence, which have been, if anything, strengthened. A Joint Defence Board is to be set up, the British members on which will supersede the British Military Mission, and British assistance in training Iraqi air forces is guaranteed. Operational units of the RAF, however, will be retained in Iraq until peace treaties with all ex-enemy countries have been concluded.

This treaty, particularly as it is the outcome of Iraqi initiative, is a most satisfactory document. It could well serve as a model for regulating British relationships with other Middle East countries. But it remains important to remember that the orderly framework of British supremacy in the Middle East depends far more on mutual goodwill and interest than on any documents. British relations with the Middle East have just so much stability as the regimes which sustain them. In an opposition attack on the government of the day, Britain, the paramount power, is bound to be the first, as it is the most convenient, target. In Iraq opposition criticism of the new treaty is already loud on nationalist grounds. But this is a normal feature of relations between a great Power and a smaller ally. It need alarm no one provided the fact is kept constantly in view that Britain has a direct responsibility for the security, social advancement, and prosperity of the peoples of the Middle East.

Dominions Litigant

In bringing the Kashmir dispute before the Security Council, the Indian Union has begun a litigation which can hardly be limited to Kashmir. It may involve argument about the very foundations of the settlement reached in India last year by tripartite agreement between the British Government, Congress and the Moslem League. It was as a result of this agreement that the Indian Union and Pakistan came into being; and as both Dominions are sending eminent lawyers to plead their cases before Uno, it must be assumed that Uno is to be invited to determine the legal rights of the parties. But it is very doubtful whether the agreement can be regarded as an international treaty; it was a formula drafted in accordance with the British instinct for compromise, designed to avert civil war. Now that the danger of civil war has been renewed, the attempt of an international body to define what was left indefinite may—let it be frankly said—do more harm than good.

The basic agreement regarded the Indian States as independent entities capable of self-determination; but it did not settle the question whether the destiny of a State was to be decided by its monarch or by a popular plebiscite or, if by the latter, how it was to be held. It was clear from the outset that in States where the majority of the population was of different faith from the ruler, the two alternative courses would be likely to give different results; this situation existed in Hyderabad, Junagadh and Kashmir. As the Congress Party has always claimed that the peoples of the States, and not their autocratic monarchs, should decide the accessions—a principle which works in favour of the Indian Union in Hyderabad and Junagadh—it cannot logically base its claim to Kashmir, with its 78 per cent Moslem majority, on the legal rights of its Hindu Maharaja. In fact, it is now basing its claim on the contention that the Government of the Kashmir "National Conference Party" has a Moslem following sufficient to make it representative of the people of Kashmir as a whole irrespective of religion. But, without a plebiscite or elections supervised by a neutral authority, nobody can know for certain whether this is so or not. There is no sense in arguing the point before the Security Council. If both the Indian Union and Pakistan are agreed that the future of Kashmir should be decided by the will of the people, the Council can dispense with investigation of the rights and wrongs of what has already happened, and address itself at once to ways and means of holding the ring and taking a plebiscite. However, in view of the great difficulty of taking a plebiscite in a country where law and order are unlikely to be quickly restored, even if external intervention can be stopped, it would still be better if Delhi and Karachi would come to the commonsense solution of separating Jammu and Kashmir and agreeing on a division of the ramshackle Dogra inheritance. Without prejudice to the right of appeal to Uno, the Governments of the Commonwealth should make it clear—individually or collectively—that their good offices are available if the two Dominions wish to settle out of court.

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Coal, Fish and Costs

Since other shortages leave fish as the one protein food in free supply, any threat of interruption to the fishing fleet's activities is a serious matter for the consumer. Last week that threat began to materialise with the refusal of a large number of the East Coast trawler owners to pay the enhanced prices demanded by the National Coal Board; and its disappearance, with the agreement by the Board to assimilate bunker coal prices for the fishing fleet to those ruling for coastwise shipping—i.e., an increase of 2s. 6d., instead of 25s., per ton—is unequivocally welcome. The anomaly, whereby the fishing companies found themselves penalised, dated back to the agreement concluded with the colliery owners in 1929, in which fishing vessel bunker coal was classed as coal for export, in order to take advantage of the railway rebate on coal for export under the Local Government Act of that year. Today coal for export is dearer, not cheaper, than coal for the home market, and the classification which once helped the fishing industry saddles it with a substantial impost. The Board have done well—while making it plain that they cannot in principle make piecemeal adjustments in prices according to the capacity to pay of the purchaser—to recognise the change in circumstances.

This happy termination of the East Coast "buyers' strike" should not conceal the fact that increased coal prices—even if they are of the order of 2s. 6d. rather than 25s. a ton—are bringing the pressure in the inflationary boiler uncomfortably high. Another

danger signal can be discerned in the shipbuilding industry, where the Ellerman Line has recently cancelled an order for six cargo liners on the ground of excessive building costs. Unlike the trawlers, shipping firms are not caught between the upper and nether millstones of rising costs and controlled prices—that typical dilemma of a semi-planned economy—but they do have to face, as the fishing industry does not, the exigencies of a competitive world market. The lesson of the 1920s and 1930s when ships built at the height of the postwar freight boom proved disastrously uneconomic once that boom was over, is not forgotten.

The notion that any buyers' strike will smoothly reverse the inflationary upsurge of prices is, of course, illusory. Acquiescence in rising costs, bred out of confidence that the final buyer will stomach proportionately rising prices, may indeed indicate that inflation has still some way to run; but rebellion against them, while the inflationary pressure lasts, is less a cure than a danger signal. Between upsurging and downsurging—or even stability—there must lie, in default of the most skilled and deliberate central management of finance and wage movements, all the discomforts of crisis, business losses, industrial strife and unemployment.

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State Pools?

Over the last few days there has been a revival of activity in what may be called the field of state lotteries. A group of Conservative MPs are advocating the setting up of a pure state lottery; a group of Labour MPs would prefer to see the existing football pools taken over and operated by the state. In the latter instance the supposed profits of promoters no doubt may be regarded as the chief incentive, but in both cases there is a common thought. If the average man has formed the habit of spending a few shillings each week on some form of betting, why should not that tendency be harnessed to the service of the community as a whole?

Apart from the moral issue, there is no reason why the state should not run a lottery just as it runs a Post Office Savings Bank. Both are a device for saving and each requires no more than a foolproof calculating machine to make it an efficient instrument. In the Savings Bank each individual stores his shillings away and is content to collect the total at some future date plus interest. In the lottery each individual is content to allow a limited number of individuals to draw the total subscribed (or "saved") by the general body of contributors. Economically speaking, there may be something to be said in favour of football pools and lotteries at the present time. They drain off surplus cash which would otherwise bid for goods and services in short supply and divert it, in the form of capital gains, into the hands of the few promoters and prize-winners, some of whom at any rate are more likely to invest the money they receive than are the millions of individuals who built up the total fund. There has been little research into what use prize winners in the pools and lotteries make of their winnings, but in view of the difficulty of obtaining consumer goods a substantial proportion of the total money distributed as prizes may in fact be saved.

But none the less there is the moral issue. Betting belongs to that borderland of human activities which, while not demanding rigorous suppression by the state yet does not warrant official encouragement. If a people are to retain any moral standards at all in public life, it cannot afford to jettison its beliefs just because it would be financially or economically more convenient to do so. If betting is a vice—and most people would accept that as a general proposition—then it is not for the state to organise it.

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New Types of Municipal Trading

An interesting situation has arisen in Birmingham over the City Council's attempts to extend the field of municipal trading. Conservative members joined with Labour on the Council to include two clauses in a private Bill which would empower the Corporation to operate hotels and to supply furniture and other household fittings. These proposals were reversed at a town meeting, and have now been decisively defeated at a plebiscite of electors, who voted four to one against the hotel project and five to one against the furniture project. The Liberal Party rallied the opposition, and the Conservatives, frightened of losing the retailers' vote, were less municipal-minded in public debate than they had been on the Council. However, the main reason for the clauses' overwhelming defeat was that less than 7 per cent of the electorate voted—partly, it is claimed, because polling arrange-

ments were inadequate. The ordinary citizen did not feel keenly enough to go to the polls, and left the result to the shopkeepers' vote.

Since local opinion has shown itself so apathetic, it would seem little use pressing the issue. Nevertheless, the result is regrettable in many ways. The traditional trading activities of municipalities, such as gas, electricity, and passenger transport, are progressively being assimilated into new national organisations. Now is the time and the opportunity for progressive municipalities to essay new ventures—and there is plenty of scope for doing so. The standard of hotel accommodation is pitifully poor in many large provincial cities. Public ownership of hotels is not a complete novelty, as the Transport Commission is already charged with it. The larger municipalities are quite as competent to do the job as the Commission, and have the big added spur of mutual competition in improving the attractiveness and prestige of their town. Why should not some of them have a try? They could hardly make the position worse.

The case for a municipal supply of furniture and fittings rests partly on the true accusation that existing supplies are often inferior in quality and exorbitant in price, partly on the more specious plea that the main recipients would be corporation tenants. In no case should the tenant be compelled or cajoled to buy these things from the Corporation. Other Councils are to seek wider powers than did Birmingham, such as the right to supply radio and run taxis. It must be remembered that these powers will only be sought and given sparingly, and that in most cases there will be no risk of a municipal monopoly. So long as competition is waged on fair and equal terms, there is much to be said for the larger municipalities branching out in a few new directions as their older limbs are chopped off by the Government.

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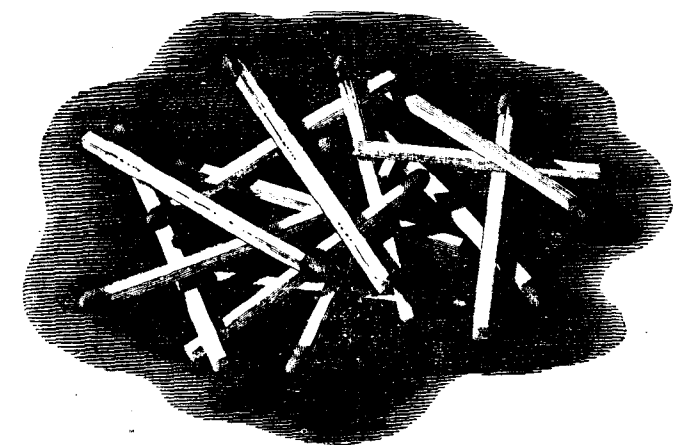
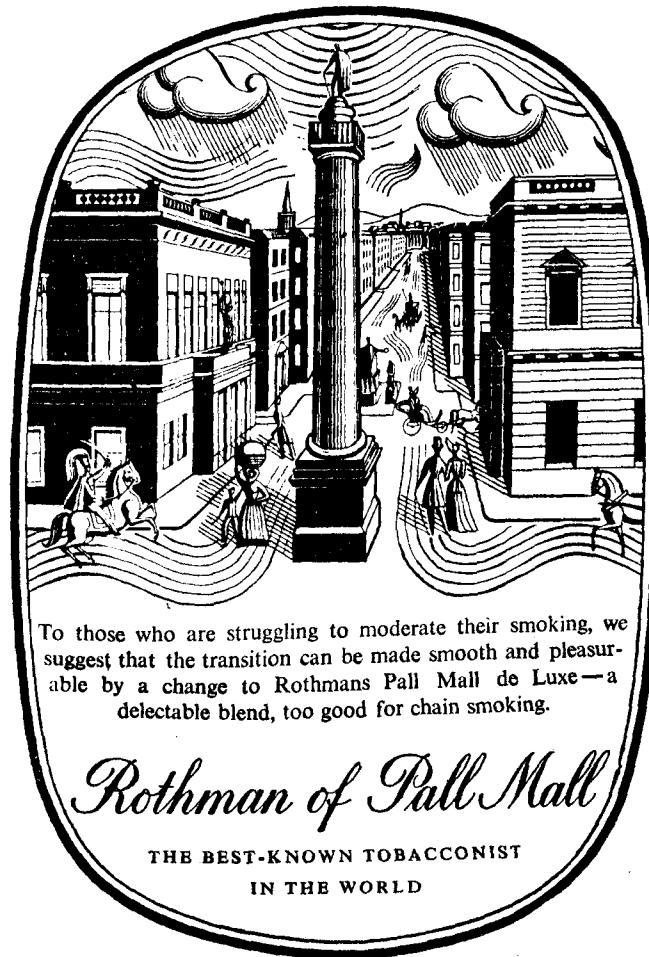
Abd El Krim After Bigger Game

Complaints sent by Mohammed Ben Yussef, the Sultan of Morocco, to the French President, M. Auriol, on December 3rd about the attitude of General Juin, Resident-General of French Morocco, have been followed by a new demand from the veteran of the Riff wars, Abd el Krim. He asks for a fresh treaty between

France and Morocco. Of these two nationalist leaders, the Sultan is on stronger ground. For in his letter, the existence of which has only just been revealed, and to which the French have given an evasive answer, he is claimed to have angled for a revision of the Franco-Moroccan Agreement, signed at Fez as long ago as 1912. And in Moroccan eyes he is the only man who has the legal right to raise this issue of greater independence.

The Sultan's letter is the climax of a long series of grievances against the French, and of a policy of hostility actively and not unsuccessfully pursued at least since the Allies landed in North Africa in 1942. Three French Resident-Generals have come and gone since then, and now General Juin is in trouble over the restrictions he has placed on speech-making by the Sultan. The General, for his part, has countenanced a number of reforms which make for greater Moroccan freedom within the framework of the French Union. Elections, for instance, were held for the first time last November for regional consultative chambers to deal with agriculture, commerce and industry respectively. Yet none of these measures go any way towards satisfying hopes of actual independence, and it is because of this that the Sultan has consistently opposed the Resident-General.

Trouble between the Moroccans and the French is of long standing. But the reappearance of Abd el Krim in Egypt, after escaping from French captivity last year, adds fuel to the flames. He is now acting from Cairo in close alliance with Allal el Fassi, leader of *Istiqlal* (the Moroccan independence party), who has just agreed to Abd el Krim being president of a new Committee for North African Liberation. The committee issued a manifesto in Cairo early this month which, while calling on the Arab League for support, also declared that independence could not be achieved without the active support of every nationalist in Morocco. This threat to the peace of all North Africa has been increased by the participation in the Manifesto of representatives from Algeria and Tunisia as well. It looks, in fact, as if this time Abd el Krim may be out for bigger game than ever. If he succeeds, the Sultan's constant jabs at the French may appear like mere pinpricks. But if the fiery words from Cairo are not followed by serious action, the Sultan's prestige as a nationalist leader will have been considerably enhanced by the publicity given to his letter of December 3rd.



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SIR,—The Covenant of the League of Nations made no reference to human rights. As a means of achieving international co-operation, peace and security first mention was given to the acceptance of obligations not to resort to war. In the Charter of the United Nations that place of honour is given to an affirmation of faith in fundamental human rights and in the dignity and value of the human person. Thus a negative concept was replaced by a positive one, and the truth recognised that the basis of any community is the acceptance of positive values requiring co-operation for their achievement as a common goal of policy. It is in no less fundamental a context that progress towards an International Bill of Human Rights needs to be considered.

operation between East and West ?

It is notable that the British delegation are in favour of a Covenant containing legally enforceable obligations. The "Slav *bloc*" is not. But the obligations deemed acceptable in the Foreign Office draft Bill of Human Rights are limited to those guaranteeing the existing common law rights of Englishmen. That is, they are obligations already accepted. In the Memorandum accompanying the text of the draft Bill it is argued that the right of all persons to work, to education, to social security, and similar social and economic rights cannot "by their nature" be defined in the form of legal obligations for states. But it is precisely these "unnatural" obligations—in their view the indispensable guarantees of true political freedom—which the Slav *bloc* might conceivably accept. It is hardly surprising, though regrettable, that the states of this *bloc* should be unwilling to guarantee those political rights regarded by the West as fundamental. But need we therefore invoke "nature" against the legal guarantee of at least the rights to education and social security ? This smacks, and needlessly, of insincerity, since Parliament in recent legislation has decided against this argument. Or is it deference to a Republican Congress ?

Pembroke College, Cambridge

BRYAN KING

SIR,—Your Canadian correspondent concludes that Canada must, for the foreseeable future come to depend much more heavily on exports to the United States of the products of farms, forests and fisheries. He does not mention two factors which should surely be taken into account in assessing Canada's dollar position.

In the background there are the bituminous sand deposits at McMurray, some four hundred miles north of Edmonton on the Athabaska River, which are described in the Canadian Year-book as the greatest known reserve of oil on the face of the earth, estimated by the United States Bureau of Mines to contain 250,000,000,000 barrels of oil, though Canadian geologists put it at only 100,000,000,000. Experiments in the processing of the sands are now being carried out. The field is remote but it is difficult to think that the time will not come when it will be exploited, especially in view of the anxiety felt by the United States about their own oil resources. The resulting saving in dollars to Canada would be considerable.

Until 1939 no iron ore was produced in Canada, but recently there have been developments in the Steep Rock Lake area, 140 miles west of Port Arthur in Ontario, and last year over a million tons of ore were exported to the United States. Of vastly greater importance are the haematite deposits astride the Quebec-Labrador border. Not only is the ore of very high grade, in the region of 60 per cent, but the quantity is comparable to the deposits at Inrabi in Minnesota from which as much as 60 million tons of ore in a year are mined. These deposits have not a very long life, and unless the United States steel industry can find some other source of ore, they will have to fall back on ore of poor quality. A charter has been granted to Canadian-American mining interests for the construction of a railway some three hundred and fifty miles in length from the Gulf of St. Lawrence to the site, and three survey parties were at work on the alignment last year. Harbour works will, of course, be necessary. Power can be

January 15, 1848.

THE property and income tax expires in April next. From what we have already said, it is evident that not only must it be renewed, but that it is the only source to which we can safely look for an increased income sufficient to meet the expenditure. A gradual approximation to direct taxation is in accordance with the intelligence of the age, which requires that our revenue should be collected with as little expense as possible, and, above all, in such a way as to interfere as little as possible with the accumulation of wealth. But in viewing an increase of the property and income tax as probable; and, moreover, in adopting the commonly received opinion, that it must now be considered a permanent source of revenue, it is impossible to overlook the necessity of now adjusting the charges on various classes of income, with a view to their relation to capital. The income tax, as it at present exists, imposing, as it does, the same charge upon the most casual and precarious incomes as it does upon the most permanent, commits a glaring and manifest injustice, which was tolerated by Parliament only on the ground that it was proposed as a temporary expedient. The income of a profession or a trade, which may not be worth two years' purchase is subject to the same charge as that derived from real property, worth at least thirty years' purchase; an income derived from terminable annuities . . . is treated the same as that derived from consols in perpetuity. We cannot believe that the renewal of this tax will be proposed without an adjustment of these striking inequalities being at the same time effected.

Brazil has taken the initiative against the Communists in a manner which is unlikely to be imitated outside South America. By a vote taken on January 7th the Chamber of Deputies passed a Bill removing the Communists from their seats in Congress and in State and municipal assemblies. The Government gained 169 votes for the measure and the Opposition—mainly the liberal National Democratic Union—74. Its effect is to remove from the Lower House 14 of the 16 Communist deputies; two who were not elected on the party ticket are unaffected. The rare appearances in the Senate of the Communist leader, Luiz Carlos Prestes, will cease. And the expelled Communist deputies will lose their Parliamentary immunity.

This anti-Communist drive in Latin America has been in progress since last spring. It is sometimes construed as an echo of the Truman Doctrine. Chile has just had a recent special session to discuss the suspension of a Communist Senator. The Perónista climate of Argentina is most unfavourable to their activities. Other countries too have maintained or re-imposed repressive measures. But in most of them the conditions which promote Communism or other extreme policies still exist.

In Brazil the cost of living is over four times its prewar level, and wages have not risen proportionately. Scarcities of essential commodities and other genuine grievances of the "submerged masses" have won many working-class followers for the Communists. It is not likely that they will now suddenly transfer their allegiance either to President Dutra's party or to the National Democratic Union—old-fashioned liberals whose moderate policy offers little appeal to the Left. Nor is the ex-President Getulio Vargas, likely to benefit. His power rested on the army and conservative elements who deposed him when he showed signs of angling for more popular support. The Brazilian Communists are likely to remain strong, even if they are silenced. For these attempts to suppress them remove only the symptoms, not the causes of the political unrest from which they derive their strength.

During the second reading of the Ministers of the Crown (Treasury Secretaries) Bill early in December, Sir Stafford Cripps described the new functions of Mr Marquand, the Paymaster-General. He had been asked to undertake "special work" in the three-fold task of extending the sale of British goods in hard currency markets, increasing Britain's sources of supply from soft currency countries, and developing new sources of supply in the colonies. This "special work" was to include visits to overseas countries, and it is now announced that Mr Marquand will leave for Africa on January 16th, visiting the Sudan, the East African dependencies, Central Africa and the Union of South Africa. In the colonies he will study on the spot their trading and economic problems and obtain first-hand knowledge of the development schemes, in progress or under contemplation, which are designed to increase the production of food and raw materials. In the Union and Southern Rhodesia he will be concerned with general trade developments. So runs the official explanation of his journey.

No doubt it is all strictly necessary. One only wonders how a man, even of Mr Marquand's abilities, can possibly obtain, in the six weeks he will be away, the first-hand knowledge of trading and economic problems of the eight countries he will visit. The progress and difficulties of the East African groundnut scheme alone ought to merit the greater part of his time. Moreover, where does the Colonial Office come into all this? Only a fortnight ago it was announced that Lord Listowel had been appointed Minister of State for Colonial Affairs, and it was understood that his appointment was to enable the Secretary of State or one of his junior Ministers to obtain first-hand information of developments, political and economic, in the colonies. Surely the Government could obtain all the information it needs from officials of the Colonial Office and Colonial Service, who should know their respective areas from A to Z.

It is true that the Sudan, Southern Rhodesia and the Union, countries on Mr Marquand's itinerary, are outside the Colonial Office's jurisdiction. But what are the functions of the Secretary for Overseas Trade if they do not include the expansion of trade

★ ★ ★

Mr Silkin is going ahead with his intention to create two development corporations, under the New Towns Act, for Hatfield and Welwyn Garden City, and has now made two draft orders designating the affected sites. Although the two places practically join, they are to be kept as distinct as possible. That is why there are to be two corporations, although their personnel will be identical.

The Minister has at least set down his reasons why the Garden City Company should not be allowed to carry through the expansion of Welwyn, which it was ready and anxious to do. They are, however, neither novel nor convincing. The co-ordination between the expansion of Welwyn and Hatfield, the provision of a joint sewerage scheme for the area, and the dovetailing with national plans for industrial dispersal—all these needs could easily have been met without replacing an existing body of experience, initiative and proved efficiency by a new one with much the same job to do. The Minister himself pays generous tribute to the Garden City Company, and admits in effect that it would probably have done the job very well. Shorn of special pleading, his case amounts to the abstract doctrine that it is

undesirable that a private company, however public-spirited, should, by virtue of its ownership of most of the land and buildings, be in a position to determine the character of a whole town. . . . Such power . . . should be vested not in a private concern, but in a body representing the people.

These words have already excited wholly unwarranted expectations on the part of the people of Welwyn as to the control and influence they will possess over a development corporation appointed in fact by Mr Silkin. And they give a very misleading picture of the dangers of private ownership in Welwyn's particular case. The Garden City Company has lodged an objection to the order, and a public inquiry will be held. But, to judge from the experience of the Stevenage objectors, Mr Silkin is not likely to give a fuller explanation of his case.

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At last, the general population of the big towns is feeling the potato shortage. Ever since potato rationing was introduced early in November, so far as the consumer is concerned the green-grocers have worked the scheme according to their own sweet whim. Some have adhered strictly to the official ration. Others have allowed their customers more or less as many potatoes as they liked, and, as a result, many people have no doubt seized the opportunity to build up stocks in their own homes. Where rationing has so far been most severely felt is in residential establishments such as colleges, which have to cater for a very hungry section of the population for whom potatoes have hitherto been a main food.

Now, however, supplies are no longer reaching the shops in adequate quantities, and for the last week or two greengrocers have in many cases been unable to honour the ration. As usual, everybody blames somebody else. The Ministry of Food is blamed for not allowing the later varieties of potatoes, held for the normal seasonal shortage in the spring, to be released now. It is also blamed, with more justice, for not increasing the grower's and the retail price sufficiently to counteract, to some extent, the black market and the feeding of potatoes to poultry and livestock. The black market, as usual, gets its well merited share of the blame. The growers, for their part, are blamed for holding up supplies until their higher price comes into force on February 1.

The main reason for the shortage is, however, quite simple, first, that, as has been stressed often enough, this year's supply of potatoes is too small to meet a ration of 3 lb. a head, unless the Ministry of Food can supplement it by imports, and, secondly, that the Ministry only controls the disposal of about 20 per cent of the potato crop and cannot, therefore, carry out an efficient and equitable rationing scheme. Without large imports, the potato ration is therefore in danger from now until the new crop comes in. And what is likely to be the fate of next winter's supplies, unless some means are found of tightening up rationing between now and then, is anybody's guess.

obtained from hydro-electric stations on the Hamilton River in very large quantity. It is said that the interests concerned are prepared to spend \$300 million in development. There will be a ready market for the ore in the United States, the short sea voyage to which will be a great advantage. Here is another source of dollars which will be of great assistance to Canada in its difficulties, though not, of course, for some years yet—but in the foreseeable future.—Yours faithfully,
R. A. WILSON

The Athenaeum, Pall Mall, S.W.1

Last Chance in Palestine

SIR.—I hope that it is not too late for you to publish a comment on your leading article, "Last Chance in Palestine," of December 6th. That article contained two astonishing misstatements of fact: (1) that 270,000 Jews have entered Palestine since the White Paper quota became exhausted; (2) that the Sub-Committee of the General Assembly, composed of Muslim states, held discussions and presented a report based on the Minority (Federal) Plan of the United Nations Sub-Committee.

The first statement may be attributed to a clerical error; but even in this case it surely stands in need of correction. The second statement is entirely misleading. The Arab states rejected the Minority (Federal) Plan of UNSCOP with the same vehemence as they rejected the Majority Plan. The report of the Sub-Committee in question advocated a unitary Arab state with no Jewish immigration. This is identical with the plan submitted by the Arabs to the Royal Commission on Palestine, to the Permanent Mandate Commission, to the Anglo-American Commission of Inquiry, and to the UN Special Committee on Palestine. It was rejected unanimously by all these tribunals. You are quite entitled to regard this plan as "constructive" despite this clear evidence that it is abhorrent to the conscience of the world; but your readers are surely entitled to know on what plan your praises are being bestowed.

Your general theme that the territorial provisions of the UN project show undue generosity to the Jews is a purely subjective judgment to which your readers must apply their own standards of equity. The fact is that under the Palestine Mandate an area of 45,000 sq. miles was reserved from the area of complete Arab independence "for the primary purpose of establishing a Jewish National Home." On two-thirds of that area two independent sovereign Arab states are being established, apart from the six independent states established in countries outside the scope of the original Palestine Mandate. Thus the "primary purpose of the Mandate" is being expressed by the constitution of a predominantly Jewish state in less than one-third of the area originally set aside for Jewish development and immigration. If you consider this award to be unduly generous to the Jews, it

follows that you regard the rights of the Jewish people to self-determination to be overwhelmingly weaker than the corresponding right of the Arabs which has been so lavishly fulfilled. In setting your judgment on this issue against the declared verdict of the entire Western world, you would do a service in developing your territorial criticisms in greater detail.—Yours faithfully,

A. S. EBAN
Director, Political Information Dept.,
The Jewish Agency for Palestine.

(1) The figure 270,000 was in fact a misprint for 37,000.
(2) It was nowhere stated in the article that the Sub-Committee's Report was based on the Minority Scheme, but the terms of reference of the Sub-Committee were incorrectly quoted. The phrase should have read: "the Sub-Committee held discussions to draw up a report based on the proposals of Saudi-Arabia, Iraq and Syria."—EDITOR.]

The Doctors' Plebiscite

SIR.—Your comment on Health Service negotiations in your issue of December 27th is fair but shows less than your usual appreciation of the way great principles often underly, and are fought out by, financial arrangements. I agree that the negotiations do not make it very clear, but there is really only one issue—clinical freedom for doctors and patients. While this is promised by the Minister it cannot be maintained in practice under the Act.

At present the purchase price of a practice is the doctor's financial guarantee that he will serve his patients. When the state has bought this up, it inevitably has to impose all sorts of regulations or controls to take its place and ensure a satisfactory service. The doctor's service must be influenced by the owner of his goodwill, i.e., the state, instead of, as now, his personal obligation to his patients.

At present, when only 20 per cent to 40 per cent of his income comes from his insured patients, a doctor can resist bureaucratic interference in his practice without endangering his livelihood too much and get away with it. When medical practice is virtually a state monopoly, resistance may involve complete loss of employment. Days of financial stringency will surely come (your annotation on the LCC Health Scheme points out how over-optimistic the Government's figures of cost are), and they will occasion restrictions on prescribing, certification and many other aspects of clinical freedom and judgment, and the doctor will be powerless to protect his patients or his own standards of practice. Medical attention should be as free as possible to all, but any progressive service should strengthen rather than diminish the position of both doctors and patients *vis-à-vis* the state. This is where the Act fails, and Mr Bevan has done nothing to rectify it.

—Yours faithfully,

Dingle House, Winsford, Cheshire

W. N. LEAK

Books and Publications

The Economics of Freedom

"Economic Policy for a Free Society." Henry Simons.
University of Chicago Press. 344 pages. \$3.75.

THIS outstandingly sane, liberal and stimulating collection of essays inspires the preliminary reflection that the devil is apt to have all the best tunes and his adversaries, in economic matters at least, the worst styles. It is, over large stretches, very nearly unreadable; not because the matter is highly technical, but simply because the author has not troubled to translate out of his own mental shorthand—a fault rather widespread among his academic compatriots.

This is a very great pity, for Professor Simons's statement of neglected but fundamental economic truths, his collation of these with current events and political principles, his devastating analysis of popular errors, and his rational and coherent projects of reform, make this book one which the ordinary intelligent citizen no less than the economist ought to take seriously—and one which has far too few competitors. He appears as an old-fashioned liberal with a difference; with an old-fashioned respect for the rule of law, an old-fashioned desire for the decentralisation of power whether political or economic, an old-fashioned trust in the reasonable improbability of human society, but with an almost revolutionary ferocity in attacking those institutions which in his view are responsible for social injustice and economic waste. If he assails state intervention in price-fixing and the like, he assails

equally state abdication in the monetary field. His essay on Syndicalism (magnificently apposite to the dilemma of the Labour Government in its dealings with the TUC) is calculated to make the good trade unionist froth at the mouth; but the economic royalist must feel equally strongly about his views on large corporations and on taxation.

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The essays here collected were, with the exception of the introductory *Political Credo*, published at various dates between 1933 and 1945 in various economic periodicals. They date, however, surprisingly little. It is hard to remember, when reading *A Positive Programme for Laissez Faire*, that it was written in 1934, in circumstances almost diametrically opposite to those of today. Nor could anything be more apposite to present perplexities than *Rules versus Authorities in Monetary Policy*, published in 1936. One regrets, reading *On Debt Policy*, that Professor Simon did not give more than a sidelong glance at the General Theory, with which his implied points both of agreement and of disagreement would have provided matter for a very lively debate indeed. The book ends with what is accurately entitled an *Unsympathetic Interpretation* of the Beveridge programme. Written in 1945, it wears painfully well.

Marx the Forerunner

"The Red Prussian" The Life and Legend of Karl Marx. By Leopold Schwarzschild. Hamish Hamilton. 382 pages. 16s.

INSTEAD of the flashy title which is only partly relevant to Mr Schwarzschild's thesis, this book might have followed the example of another on the subject and have been called not "What Marx Really Meant" but "What Marx Really Was." Mr Schwarzschild has two excuses for yet another book on this subject—that only now that Marx's legacy is revealed, can he be seen in his true colours, and that previous biographers for the most part came too early to use the wealth of material which the Soviet hagiographers have placed at their disposal, particularly in the full edition of the Marx-Engels correspondence. Both reasons are valid and the result is a brilliant and in many respects convincing piece of writing.

Brilliance is not, of course, adequate equipment for someone desiring to write an authoritative work on so central an historical figure as Marx; and it is to be feared that those who disagree with Mr Schwarzschild's point of view will be able to point out his rather inadequate equipment in general nineteenth century history, particularly where labour and socialist movements are concerned, his tendency to exaggerate the triumphs of liberalism in the period—at least a fault on the right side—and some startling inaccuracies. On the intellectual background of Marxism, Mr Schwarzschild's book is nothing like so useful as I. Berlin's *Karl Marx* with which Mr Schwarzschild appears to be unacquainted. On the other hand, Mr Schwarzschild has succeeded in proving a number of points of great consequence.

In the first place, he has shown to what an extent so-called Marxian science was a long and painful attempt to justify, after they were made, a series of dogmatic pronouncements put out by Marx in the years before 1848, and how much he needed a "scientific" reputation to make up for his gross failures in practical politics. In the second place, Mr Schwarzschild shows how grotesquely wrong Marx and Engels were in the prognostications and interpretations which they made concerning the events of their own times. One may cease to wonder at the failures of the Marxist analysis to tell Soviet theoreticians about the modern world when one sees the fantastic blunders into which the founders of the "science" were led. Finally, one can see how faithful in every respect has been modern communism to the legacy of Marx; everything is there already—sectarianism, purges, the use of false "fronts" to conceal communist purposes, the use of

personal slander as a political weapon, the encouragement of every form of violence, the all-embracing hatred of every decent liberal or humanitarian instinct. To the problem so often raised by students of Marx—why he never entered into a description of the future socialist state—Mr Schwarzschild has an answer. It was not because he was vaguely utopian, but because he knew that the super-Prussianism—the slave-state—of his dreams would never appeal to enough normal men to give him a chance of realising it. One fancies that it is here that the Marxists will deliver their counter-attack. It should be interesting.

Nihilism

"Farewell to European History." By Alfred Weber. Kegan Paul. 16s.

AS the war drew to its end and Germany's ruin crowned the European catastrophe she had wantonly provoked, Alfred Weber sought to tell his countrymen why it had all happened. Early deprived of his chair at Heidelberg by the Nazis Dr Weber, now an old man, had watched the cataclysm from within Germany. This book is his explanation. In it he is not concerned with immediate circumstances—Hitler's name is not mentioned—but with the deep-seated causes of the tragedy. For him these are comprehended under the term nihilism. By this he means that spiritual exhaustion, which has afflicted the European peoples during the last century as their material prosperity and technical competence waxed. This notion, in turn, only becomes fully significant in the light of Weber's view of history, which is the frame of the work.

He holds that the principal theme of history is found in men's strivings to apprehend the metaphysical forces behind the phenomenal world, and so to explore the recesses of their own being. In Europe from the Renaissance to Waterloo he detects great spiritual progress of this kind. It is chiefly manifest in the work of men like Leonardo, Shakespeare, Pascal, Goethe and Beethoven, but it also inspired the larger political and intellectual movements which culminated in the French Revolution. Then this promise withered, and what Weber calls the transcendental view of life suffered rapid eclipse. This leads him to a long, shrewd analysis of nineteenth century Europe. To show how nihilism was generated he probes the subtle interplay of political, economic and intellectual change. Marx and Nietzsche are revealed as prophets of the modern catastrophe which their disciples engineered. Human freedom evaporated as the great purpose it served dropped slowly out of sight. The future, we are told, depends wholly on the recovery of man's freedom and with it of his spiritual awareness.

Dr Weber's whole position is open to obvious criticism. He makes history a mere offshoot of philosophy. He is far more indebted to Nietzsche than he will admit. He assumes that Christianity is a myth, and then employs his assumption as if it were an established conclusion. Nevertheless, his book remains of outstanding importance because it proclaims a great truth. If lessons are still to be wrung from history, it is necessary to accept a far more profound view of life than is at present the fashion.

Finally it is necessary to add that an understanding of Dr Weber's work is not assisted by the English translation. Too many of its sentences aspire to the dignity of paragraphs. One monstrosity of 18 lines ends, not inappropriately, with the words "one's stomach turns."



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AMERICAN SURVEY

Capitalism—US 1948

(From Our US Editorial Staff)

IT is a fiction of American politics that when Congress convenes in January the public stands on tiptoe before a sheeted figure waiting for the President to loose the halyards and reveal the shape the nation is in. As a matter of fact, most of what he has to say in this respect is new only in the setting he gives it. President Truman's messages are political auguries rather than portraits of the economic whole.

That whole, called by politicians in dulcet tones "the American free enterprise system" and by Marxists "capitalism" with a snarl, is at the moment hardly to be recognised under either name. Quantitatively it is huge. At the end of a year persistently shadowed by threats of depression the gross national product is running at the rate of \$235 billion a year (against \$203.7 billion in 1946); net national income at a rate higher than \$200 billion (compared with \$178.2 billion in 1946). The index of industrial production stood at 192 in November (compared with 183 the year before) and net farm income, up by \$3 billion from 1946, stood at \$18 billion. Sixty million men and women have jobs, and only about a million and a-half are listed as unemployed—a figure well below the two million usually considered, in a labour force of this size, to be a fair figure to cover unemployables and workers moving between jobs.

Nor are the more detailed figures of trade and industrial activity such as to give business men undue pain. Production in the key industries—steel, oil, electric power, automobile manufacture—stood at figures substantially higher than those of 1946. Railway freight traffic, export trade, even imports were greater than in the previous year. Retail sales were up in money value, though measured in units they ran 10 per cent below 1946. With all this, gross private investment is being undertaken at double the value of the fabulous and portentous year 1929, and at two and a-half times that of 1940; the comparison is, of course, double-edged. High prices (and in food at least they are newly rising), which last year acted as a damper on investment demand, are now behaving as fuels to the fire.

But quantitative measures, like figures of gross production, tell only part of the story. The stresses and strains within the American economy are as symptomatic of its peculiar structure as is its girth at the moment. If, in New York, butter has again risen to a dollar a pound, a new apartment is, in proportion, even costlier; on the other hand electric toasters, radios and certain other consumer durables are disproportionately low. Money is easy and people are spending it; the rate of accumulation of savings is not high enough to meet the demand. The national government, which in 1938 was forced to a new fever of tinkering in the hope of getting the economic machine to move without limping, is now facing the problem of how to curb it before it gets completely out of hand and smashes itself to bits.

The "free competitive enterprise system" is certainly enterprising, but it is neither entirely free nor entirely competitive in any sense the classical economists recognised. The economic system that produced \$235 billion worth of goods in 1947 bears

little relation to the *laissez faire* of nineteenth century England, the monolithic state which looms over modern Europe, or the modified Socialism with which the Labour Party is experimenting in England today. The President's Council of Economic Advisers calls it a "conger of private and government efforts," and the phrase is good shorthand for a definition which could not be more precise without also being more clumsy.

It is mixed in many ways. Moreover, it always has been mixed. Shape and size have changed over the years, but its hybrid characteristics date, not, as many critics think, from socialistic tendencies lurking in the New Deal (which was more social than socialistic, and always preferred the traffic cop to Karl Marx) but from conditions implicit in the nation's birth. A people starting life on a continent where land was largely free for the taking, using that land to endow public universities and private railroad building as well as private citizens, did not at any time conduct its affairs in the pure realm of *laissez faire*.

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A glance at classical factors in the capitalist ideal suggests how far the reality has, by now, departed from the theoretical pattern. Private ownership and control of the means of production? Yes, in large measure, but there is also public ownership and control in certain areas, and there are even power plants publicly owned and tied into private power lines. Production automatically governed by the profit motive? This question produces more questions than answers. Taxes on profits and private incomes soar with size and tend to act as a damper on the zest for unlimited amounts of either. Dependence on the price system as a means of allocating resources and equating supply and demand? The price system acts not freely, but under controls imposed by business, by labour, by governments, both state and federal. Rent controls are imposed by nation and state. The price of a fur coat in New York includes 20 per cent federal tax and 2 per cent city tax, while if the purchaser goes home with it to Connecticut she may also be liable to a 3 per cent state tax. Price agreements within industry are illegal, but General Electric's recent cut in prices shook the market. Prices on tooth brushes, shaving creams and other trade-marked articles may be set by the manufacturer and must be kept by the retailer under penalty of state law. The recent rise in the cost of travel between New York and Boston had to be approved by the Interstate Commerce Commission. The use of prefabricated houses to cut building costs has been blocked by the antiquated building codes of many towns.

Ideally, a capitalist economy should be composed of a large number of small competing units—this one is composed of such organised groups as US Steel, Standard Oil, the Farmers' Union, and two great labour federations with thirteen million members, as well as the corner grocery and small-town drug-stores. In the fields of industry, labour, agriculture, capital formation and control the familiar pattern is the large institution or the group of smaller units. Ideally, a capitalist economy should function without interference from government—this one has government interference on the federal, state and local levels.

If classical analysis breaks down, so does classical prophecy. In the short run, the various financial services which make a business of prophecy are still divided as to whether or not the present upward course can continue another year, and the political powers have come to no agreement as to whether inflation should be controlled and what steps could or should be

taken to what end. In the long run, the question of how to establish an economy that shall adequately serve a democracy of this size and kind is being newly pressed. The theory that this is a function of government is one to which the Council of Economic Advisers gave deep consideration in the report which served as the basis for the President's message. Ways and means are still matters on which there is no agreement.

Clearly the situation calls for a re-examination of what the goals of a mixed economy functioning in a democracy should be, and to this the Council pays lip service. Yet their report, framed to serve as background for the President's economic message, cannot forget old wounds. "Health and growth in our business life" is its dear dream, but whether this means more or less government participation the Council does not know. Meanwhile they recommend a search for that static heaven, "the pattern of reciprocally balanced consumption and production which could reasonably be expected to become established . . . and which could be maintained on a stable basis."

American Notes

Marshall Plan on Trial

The House and Senate Committee hearings on the European Recovery Programme, at which Mr Marshall and Mr Douglas are star witnesses, provide useful, though by no means exhaustive, signs of which way the wind is blowing. Neither Mr Marshall nor Mr Douglas indulged in any pyrotechnics or high-flown phrases; it was a businessman's beginning. In fact, at times they seemed more like witnesses for the defence than prophets with a mission. Thus pains were taken to point out that even with full acceptance of the Administration's plan, exports would not reach the level of the past 15 months; that the Administration's estimates are lower than the lowest figure recommended by the Harriman committee; that the European standard of living, even in 1952, would be lower than before the war. The statistical drabness of the testimony is no doubt deliberate; but it springs also from the healthy sense of the opposition ahead which last week prompted the Administration to forgo the inclusion of the \$17 billion total in the Bill.

The chief point on which Mr Marshall took the offensive was the amount; it must be all or nothing. "Undertake to meet the requirements of the problem or do not undertake it at all." The danger of severe cuts—the Republican Steering Committee of the House is already talking about halving the appropriation—is great enough for Mr Marshall to have taken the risk that Congress would resent this high and mighty tone; and to have intimidated, despite official denial, that if he is thwarted he may retire to Leesburg. The other point on which Mr Marshall was insistent was that no humiliating conditions should be imposed; the cure must not be at the expense of self-respect.

Senatorial inquiries, by such friendly examiners as Senators Lodge, Vandenberg and Connally, indicated, in the elevated atmosphere of the Foreign Relations Committee, some of the chief doubts which will find noisier and more insistent expression on the floors of both Houses. Mr Douglas was taxed to prove that Europe was not just sitting back waiting for the rescue squad; pressing inquiries were made about the likely activity of the Committee for European Economic Co-operation. Senator Vandenberg insisted that clearer and more explicit commitments to self-help must be written into the Bill. Senator Connally wanted reassurances that Marshall dollars would not go to pay foreign debts; fears were expressed that through agreements like that between Britain and Russia, additional equipment might reach the Soviet Union. Senator Lodge feared that after 1952 Europe might grow nostalgic for its ancient nationalisms.

These are reservations rather than outright material for opposition; but these arguments, and others, will be exploited to the full, particularly in the House, by a hard core of unrepentant isolationists. In the House 88 votes were cast against interim aid, which was small in amount and temporary in nature. Of these, 55 were from Congressmen from the Middle West, still relatively the most isolationist section of the country.

* * *

Two Secretaries of State?

The liveliest doubts expressed, however, concerned not the Marshall plan itself, but who is to control it. Senator Vandenberg has called this the most controversial issue involved. There are three major alternatives: that ERP should be wholly a State Department project; that an independent corporation should be

created, with a bi-partisan board (the proposal of the Herter Committee); or the Administration compromise, that a new agency should be created whose head would be independent of the State Department save on matters of foreign policy.

The House is still expected to favour the Herter proposal unless some more convincing compromise can be negotiated. The heart of the dispute is not over whether direction should be entrusted to one man or a bi-partisan board (though the latter would give the Republicans the share of the credit and control which they covet), but whether the administrator is to be subordinate to the Secretary of State. Mr Halleck, Senator Taft, Mr Martin and the other Republicans who favour independence, argue that the State Department has an inefficient record in the disbursement of relief; that businessmen, rather than career officials, are needed to make ERP a business success; and that endless frustrations await an administrator tied to the State Department routine.

But Mr Marshall is adamant on the question of his ultimate authority over the "most important single expression of US foreign relationships." There cannot, he insisted, be "two Secretaries of State," thus reviving the effective phrase with which Senator Vandenberg disposed of Mr Henry Wallace's pretensions to speak on foreign policy a year ago. It is necessary, Mr Marshall said, to entrust the programme to one man, who must be of outstanding ability and stature; he must be given wide freedom of decision; but on foreign policy he must be subject to the direction of the State Department. Senator Vandenberg added sharply that the confidence of the country in businesslike administration of the Marshall plan was even more important; without it the plan would be "sunk without trace." In his endeavour to keep an ostentatiously open mind on the issue which so sharply divides Senator Taft and his following from the Administration, Senator Vandenberg has recommended recourse to yet one more impartial report, from the Brookings Institution.

Any expert report must surely recognise two considerations: that a completely autonomous authority would gravely infringe the President's constitutional authority over foreign affairs (as one Republican, Mr Eaton, has argued); and that in practice America cannot speak abroad with two voices. It may be possible to guarantee that in the business decisions (which Mr Marshall estimates will make up 80 per cent of the Administrator's work) outside influences will be barred. It may be that Mr Lippmann's suggestion for considering control before the main Bill is discussed, and appointing an administrator (presumably Mr Douglas) who enjoys the confidence of Congress, may take the fire out of the legalistic arguments—though this is placing a heavy responsibility on one man. But to divorce the Marshall plan from Mr Marshall's foreign policy seems to be a very illogical enterprise.

* * *

Forty Billion Budget

The Budget proposals submitted by President Truman this week will again provide his Republican critics with a great deal of painstaking study if they are to justify the claim that tax reduction over the fiscal year 1948-49 can leave room simultaneously for a substantial retirement of government debt, and for more than a nominal contribution to the European Recovery Programme.

The suggested expenditure level, very little below the \$40 billion mark, compared with \$37.7 billion this year, is doubtless of appalling dimensions, when judged by the standard of prewar years. But, as Mr Truman was careful to emphasise, the proportion of these expenditures devoted to national defence, veterans' benefits, debt charges, and foreign affairs, now accounts for almost four-fifths of the Budget total, against less than one-third in 1939. The estimated surplus of \$4.8 billion for 1948-49, again, is high by normal standards; but it is scarcely generous in terms of present inflationary pressure, it presumes the continuance of current incomes and employment for fully eighteen months ahead, and it contrasts with Republican plans for tax reductions aggregating \$5.6 billion. Both parties are dealing with an explosive economic situation in which estimates can go very sadly astray, but it is hard to believe that, for the measurable future, the Republican schedule is more realistic than that of the President and his advisers.

Republican critics have fastened already on the Presidential admission that the expenditure total might have been held to

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\$34 billion but for the European Programme, and for higher domestic allocations which cover compulsory military training, social security, health insurance, housing, and scientific research. The domestic items may well be trimmed, but the additional cost of these alone is not more than \$1.3 billion, and the majority party in Congress has already been forced to reinstate development expenditures which were hastily scaled down in the first exuberance of the 1947 economy drive.

The scope for substantial relief, apart from a questionable gamble on the longer-term future, is thus reduced almost entirely to expenditures on foreign policy account. Here, Mr. Truman explained that while Congress had been asked to appropriate \$6.8 billion for ERP over an initial period of fifteen months, the actual budgetary cost over the remainder of 1947-48 and 1948-49 would not be more than \$4.5 billion, owing mainly to the time-lag between appropriations, shipments, and eventual payment. The 1948-49 total for all US Government expenditure abroad will be \$7 billion, and will include "aid programmes for several countries, including China" with suggested appropriations of \$440 million. Further assistance for Greece is presumably included in that figure which no doubt acknowledges also the strength of recent Congressional pressure for more active support to the Chiang Kai-Shek regime.

In terms of the foreign aid programme, the stress of the Budget Message, justifiably enough, was upon the situation which would face any Congress in the event of economic breakdown in western Europe. By the standard of the defence programme that would then become necessary, \$4.5 billion for ERP next year seems modest enough. This argument, supported with clarity and vigour by Mr. George Marshall in his testimony before the House Foreign Affairs Committee, will no doubt make a broad appeal to Congressmen. But there are many not yet convinced that a process of "trimming ERP" would, in fact, present them with such a dire alternative.

Rediscount Rate-Up

One more step has been taken in the careful retreat by the Treasury and the Reserve Board from the pattern of cheap money established during the war. The Federal Reserve Bank of New York at the close of last week announced an advance from 1 to 1½ per cent in its rediscount rate. This was the first general adjustment since 1937, although the special ½ per cent rate applicable during the war years to advances secured by short-term Government securities was withdrawn many months ago.

The adjustment, forecast in December by Mr. Marriner Eccles, chairman of the Federal Reserve Board, is a logical sequel to the process of hardening short-term rates. Over recent weeks, the one-year interest rate has been well above 1 per cent, and maintenance of the reserve discount rate at the lower level was a standing invitation to member banks to borrow on profitable terms. The volume of such borrowing by member banks, however, is now at extremely low levels, and the change in the discount rate will thus have little practical effect.

It would, however, be wrong to dismiss the change in the discount rate as a technical gesture which can be forgotten overnight. At the moment, official efforts to restrain credit expansion are being nullified to a large degree by the desire to protect the long-term rate of 2½ per cent for Government borrowing. In the open market, the Reserve authorities have been selling short-term and buying long-term issues, and the net effect of this dual policy has been an actual expansion in the "excess" reserves of member banks which, reinforced by a seasonal return of currency, are at the highest level reached for two years.

Pressure on bank reserves, however, will soon return. The Treasury surplus of no less than \$7 billion for 1947-48, declared by Mr. Truman in his Budget Message, was a conservative estimate of the cash resources available for debt redemption within the next few months. To this extent, the authorities can exert a constant pressure on bank reserves, and upon the public money supply. It is true that the power of this deflationary weapon cannot exercise its full effect so long as no steps are taken to "sterilise" gold imports, and so long as the price level of long-term bonds has to be protected. In Mr. Eccles's view, however, this process of debt retirement may bring an effective check to the expansion of bank loans. And if it fails to check inflationary pressure, he will no doubt renew his request to Congress for the grant of more drastic powers for credit control. If by that time the price-level is still rising, there might easily be a different mood in Congress, which has so far rejected all such pleas.

Air Defence

Declaring that the United States needs "a new strategic concept for defence, which must be based upon air power" the

President's Air Policy Commission this week released its thorough survey of national aviation policies in terms which can bring very little consolation to Congressional students of Budget economy. It has been sufficient in the past, it declares, to hold the water approaches to the United States. From now on, both air and water approaches must be defended at a time when a government can rely only upon the relative security afforded by its own preparations against aggression from abroad.

The Commission holds that the present air force is inadequate to deal with potential aggression even during the next five years, when a probable monopoly of atomic weapons might be expected to give relative freedom from the danger of aerial attack. Beyond that point (from 1952 onwards) it declares that a "serious danger of atomic attack will exist" and that the air force must be increased from its present level of 55 groups to 70 (with 6,869 first-line aircraft), with an Air National Guard of 27 groups, and a 34-group Air Reserve. Beyond this, it calls for a rate of replacement sufficiently high to provide this force with modern equipment at all times, and for a further reserve of 8,000 aircraft.

Whatever may be the final verdict upon the political and strategic implications of this report, it will almost certainly provide the mainspring for a considerable expansion in aircraft manufacture over the next few years, and embracing the domestic transport companies. On this issue, incidentally, the Commission supports Mr. Harriman's claim for the transfer to the Department of Commerce of many control powers now held by the Civil Aeronautics Board.

For some time, service advisers have been concerned by the fact that the volume of orders from transport companies has been far from sufficient to maintain the profitable operation of key aircraft manufacturers. Some support has been given by research work for the army and navy, but postwar appropriations have held down service orders almost to the minimum level necessary for the completion of contracts already under way in 1945-6. The report of the Air Policy Commission accepts the manufacturers' contention that their industry can survive as an efficient unit only if it is given the security afforded by five-year contracts, and corresponding opportunities for development of experimental types.

The programme they recommend would bring substantially heavier Budget charges over 1948 and 1949, and a minimum rise of no less than \$8 billion in the annual burden of defence expenditures by 1952.

Shorter Notes

The devaluation rumours which developed in London this week were scarcely justified by Mr. John Snyder's evidence on ERP finance before the Senate Foreign Affairs Committee. President Truman has already said that agreement on currency stabilisation and monetary stability must be a primary condition of US aid, and in elaborating these comments, the US Secretary of the Treasury went no further than to declare that exchange adjustments would take place through the machinery of the International Fund when (in the opinion of the US government) (sic) exchange rates now current would impose an unjustified burden upon any recipient country.

President Truman's Economic Report to Congress on Wednesday repeated earlier demands for immediate action on the 10 point anti-inflation programme which he submitted in December. Unless such measures are taken, he declares, depression is "certain" and "will involve the government in far more pervasive intervention in economic life than the measures which are necessary to prevent it." The statistical report, which has been compiled by Mr. Truman's Council of Economic Advisers, gives a remarkable record of US productivity in 1947 with new peaks in employment, farm income, and gross national product. The CEA holds that, over the next ten years, it should be possible to push production to a level fully 80 per cent above that of 1937, and to increase employment from its present level of 60 million to 64 million.

The first formal move against the extension of the Reciprocal Trade Agreements Act has been made by Mr. Harold Knutson, chairman of the House Ways and Means Committee, who asserts that the State Department has so far failed to give a complete schedule of the countries concerned in each item of tariff revision. The Committee, which initiates tariff legislation, expressed strong hostility to renewal of this Act a year ago. Democrats believe, however, that it will be possible to obtain a renewal of present authority for tariff revision, although the Republican majority may this time enforce a shorter term.



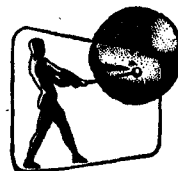
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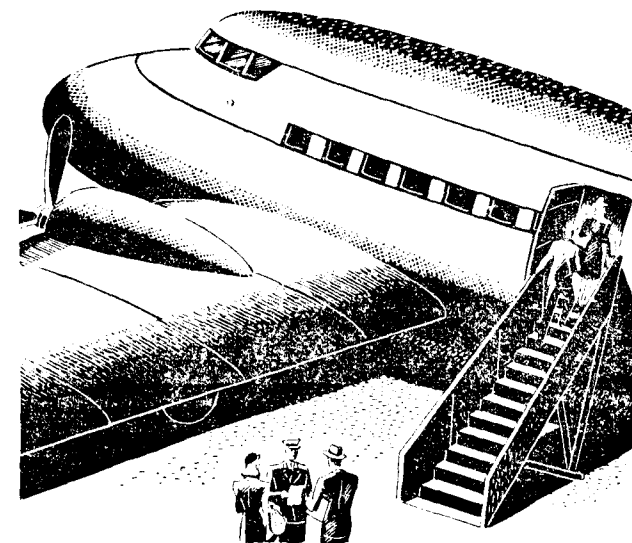
In China, for instance, coolies are often employed as the quickest means of getting films from one city to another. They battle along the old caravan routes, by paddy field, mountain pass and river; carrying *Odd Man Out*, *Great Expectations* or *Black Narcissus*. Every day some far-off audience sees its first British film.

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Socialism in Sweden

[FROM OUR STOCKHOLM CORRESPONDENT]

THERE is a close parallel between the postwar fortunes of Labour in England and in Sweden. In both countries the Socialists took over the government after the end of the war with good hopes of realising their political goals. Both nations have seen their internal economic situation gradually deteriorating, finally to end up in a crisis this autumn. Adverse international trends, it is true, have played an important part in this development. But the blame must be shared by the Governments in both countries, and especially in Sweden. As in England, one may, however, very well doubt if any other government would have done better. The English voter has already had an opportunity to express his opinion of a Labour Government; and the results have heartened the right-wing parties in Sweden. Discussions of the prospects of the Social Democrats both in the elections next autumn and in the longer run have accordingly been intensified.

The Social Democrats have been by far the largest party in Sweden since the beginning of the 1930s. During the greater part of the war they had an absolute majority in both Chambers and are still supported, according to the latest general elections in 1946, by almost half the Swedish voters. The dominating position that the Social Democrats have thus gained for themselves primarily reflects their progressive and farsighted policies. Most of their reforms, in spite of meeting with strong resistance from the Right at the time of their realisation, have later been unequivocally accepted from all quarters. Another big asset of Swedish Labour is the fact that, in direct contrast to the English Labour Party, the party has not shown a particularly doctrinaire approach to the question of socialisation. There is in fact a lot of truth in the saying of Professor Myrdal, a former Labour Minister of Commerce, that "when Labour came into power in Sweden socialisation stopped." There has, however, been a change in the last few years, a change that has been somewhat accentuated by the death of the former Premier, Per Albin Hansson, in the autumn of 1946. But in part the renewed interest in socialisation may be more of a tactical counter-measure to the Communist offensive than a sign of a real break with earlier policy.

Still another reason for the stability of the Labour vote is the failure of the Opposition to formulate an alternative policy. Every new reform has for so long been met with the cry of "wolf" that most Swedes have become sceptical of the Opposition's arguments, which the Labour leaders can wave away by pointing to their opponents' previous errors. Thus, in the beginning of the thirties, the Right protested against a Budget deficit of about 100 million kronor on the grounds that it would ruin the country. In 1944 there was little opposition to a Government proposal to run up a deficit of 1,000 million kronor in the event of a postwar depression. On other matters the Social Democrats have in the main proved themselves right.

The breakdown of the Government's postwar economic policy is nevertheless a major liability. This failure can no doubt to a great extent be explained by the fact that the Labour Government expected a postwar recession in the transition period and had laid all its plans accordingly. Another negative item on the record of the Labour Government is its inability or unwillingness to work out some sort of formula for co-operation with other groups. Not only has the Government failed to co-operate with business and industry but it has antagonised them by its total lack of interest in their opinions. In this respect the loss of Mr Hansson is especially felt, since his most prominent asset was his ability to even out political and economic disputes and work out compromises.

The Choice of a Leader

Leadership of the party is, indeed, the most acute of the Social Democrats' longer-term problems. It was generally thought that Per Albin Hansson's successor would be his old friend and fellow trade-unionist, Gustaf Möller, who would take over until a younger candidate had been found. Instead the Social Democratic parliamentary group chose as its leader young Tage Erlander, who had gained a reputation as an able administrator. The choice was surprising in so far as Erlander had not sprung from the ranks of the trade unions, which was thought to be a prerequisite for any Premier. By many observers this change in policy was given the interpretation that the potential gap between the intellectuals and the trade unionists in the party would be accentuated and that the intellectuals, the leader of

whom is the Minister of Finance, Wigforss, would play a more important part in shaping Government decisions. There is no doubt that the influence of Wigforss has increased and that the Labour Government is no longer as unanimous on policy-making as earlier. If Wigforss, as is rumoured, finally leaves the Government after the elections next year, another reshuffle in the party is not impossible. Should the elections go against Labour and some sort of coalition government be formed, this development is even probable. There is no doubt that the present economic crisis has meant a decrease in the party's confidence in the Wigforss-Erlander combination. On the other hand, the authority of the present Minister of Commerce, Gjöres, who has the support of the Consumers' Co-operatives, has grown steadily.

The second big problem for the Swedish Labour Party is its relations with the Communist Party, which now controls somewhat more than 10 per cent of the voters. Their vote, however, is not so much pro-Communist as anti-Government. They have been able to utilise the present inflation of prices and the high corporate profits in order to gather the votes of discontented trade unionists. Their propaganda may very well prove still more effective in the near future as the new economic policy will most certainly entail a real, even if not a formal, stop on wages. The danger that the Social Democrats see here is that the Communists will gain control of the trade unions. For Swedish Labour not only gets its voting strength but also its financial assistance from the trade unions.

This growing importance of the Communists poses the question whether the Social Democrats should co-operate with them. The Communists themselves would probably gladly join the Labour Party in a coalition government. Among the Social Democrats, however, the desire to take the Communists into the Government is not so pronounced, even if some prominent members have no doubt played with the idea. It is thus probably safe to say that they will try to avoid collaborating with them.

Trade Union Transformation

The trade unions offer a difficult problem in still another respect. As the Social Democrats no doubt will remain in government for many years, they must also attempt to solve the problem of collective bargaining in an economy of full employment. Experience during the war years and in the postwar period has shown that a full employment policy without some sort of check on wage demands will lead to inflationary pressure, which, in turn, will produce more and more restrictions. Under full employment not only have the trade unions an excellent bargaining position but the will to resist new wage increases on the part of the employers is at the same time very much weakened. Labour will therefore have to devise a formula, whereby the trade unions can be made to accept a weakening of their individual bargaining rights in favour of a somewhat more centralised wage bargaining system. It is perhaps against this background that one has to judge the Labour Party's growing interest in industrial democracy. The idea behind this is possibly that the labour unions, as a compensation for a more restrictive attitude in their wage bargaining should participate more fully in shaping the economic policy of industry.

These measures, however, have up to now shown little result. More important, however, than all these considerations is the stability of the Swedish electorate. And this inertia favours the Socialists. Moreover, there is no doubt that the non-voters are proportionately more numerous in Labour than in any other party. Probably only some 65 per cent of the potential Labour vote participates in the elections, while the corresponding figures for the Conservatives and Liberals could be estimated at 80 to 85 per cent and for the Communists still higher. Labour thus has the larger reserves. It also gains from the new agricultural policy, which involves the transfer of people from the farms into industry through mechanisation and the creation of bigger farm units. As the farmers have for a long time been one of the conservative forces and also the most class-conscious party, this policy will probably mean a decline in the right-wing voting strength and a corresponding increase in the Social Democrat ranks.

This, however, may be offset by the growing importance of administrative personnel and salaried employees, who traditionally vote Liberal. Moreover, restrictions will be worse next year: and present failures carry more weight with the general public than past successes. On the other hand, by chance or by conscious policy lower taxes, higher old-age pensions and increased child allowances will next year bring ample compensation to most people. It is thus probable that the Labour Party will lose only a fraction of its votes, and most of its losses will go to the Communists and not to the Right. Socialism is still strong in Sweden.



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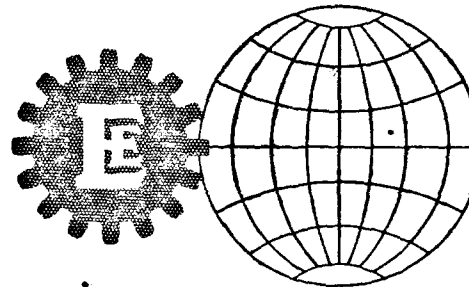
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THE BUSINESS WORLD

Patterns in Money

THE fiduciary note issue of the Bank of England was last week reduced from £1,450 million to £1,400 million, its first reduction since early 1939. Thus, at last, the long and steep upward trend of the war period, which had involved no fewer than seventeen increases in the fiduciary limit, has been reversed. Moreover, with one possible exception, this year's reduction is the first in the history of the Bank which has been made not to provide for merely seasonal variations or for the technical purposes of exchange control, but to reflect a definite decline in the public's demand for notes.

When the war ended in 1945, the active note circulation of the Bank of England had been raised from £529 million at end-August, 1939, to £1,367 million. It continued to rise, though at a slower rate, until the end of 1946 when, at the seasonal Christmas peak, the circulation reached an all-time record of £1,428 million. Even then, it was far from certain that this level would not be surpassed. At the height of last summer's holiday demands, the volume of notes in circulation was still more than £30 million greater than at the comparable date in 1946. But, thereafter, the underlying trend was violently reversed. Between the August and Christmas seasonal peaks, for the first time for many years, there was actually a large net reflux of currency from circulation: a net decline of £53 million in this period contrasted with an increase of £37 million in the similar period of 1946, and one of £53 million in 1945. In consequence of this striking change, the volume of unemployed notes in the Bank's reserve had by last week been raised to the unprecedented total of almost £120 million. Even after the cancellation of £50 million of these notes through the reduction in the fiduciary limit, the reserve still stood at the comfortable level of £70 million, or £20 million more than at the similar date last year—and this week the margin has widened to £29 million.

Regarded as statistical facts, these are highly interesting developments, and it would not have been surprising if the authorities had taken steps to draw attention to them. Actually this particular reduction in the fiduciary issue was one of the most unobtrusive changes ever made: it was not announced at all, but simply allowed to emerge from the usual weekly Bank return. This certainly shows commendable restraint. The authorities in Whitehall, as well as in the City, may be congratulated for resisting the temptation to represent this incident as a sign of a lessening of that inflationary pressure for which the Government has been so strongly criticised during the past year. In fact, the connection between the recent change in

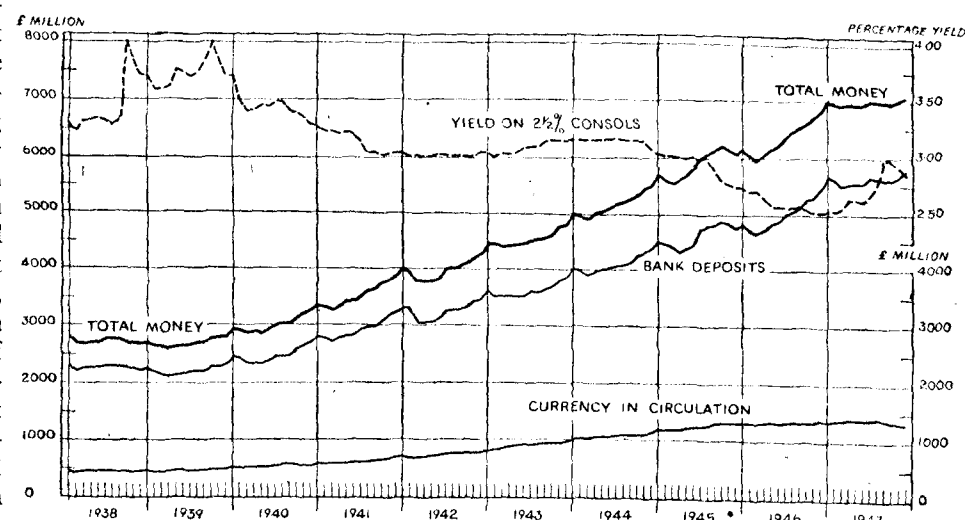
direction of the note circulation and underlying monetary trends is very remote. Paradoxically, in so far as there is a connection, this decline in the demand for currency is, indeed, an indication, not of the lessening of inflationary pressure, but of the extent and nature of that pressure.

So little is known about the distribution of currency holdings—even by those who are best placed to observe their movements—that it is impossible to define with precision the sources of the recent large reflux of notes. But, as has several times been explained in these columns, competent observers all agree that most of the notes which are flowing back into the banks are coming from "spivs," black market operators and tax evaders, and from other persons who, since the war, have come to regard actual currency, as distinct from bank deposits, as the surest cloak for operations whose scale or nature they seek to hide. Needless to say, nearly all these operations are a direct consequence of inflation, and especially of that particular brand of inflation which is distorted and partially suppressed by prohibitions or rationing of certain types of expenditure, and by controls which keep official prices at artificially low levels.

The reflux of currency is not, unfortunately, any indication that the scale of black market dealings and other irregular activity is declining and, therefore, requiring less capital. The rising momentum of the reflux

results simply from the evident fear, among those who have been seeking thus to conceal their operations, that the authorities may be planning to recall the existing note issue, and to replace it by a new series, as a means of bringing such operations to light. If further evidence were needed of the abnormality of the behaviour of the circulation in recent months, it could readily be found in the fact that the return of notes has coincided with a wholly exceptional demand for silver coin, which some dishoarders of notes apparently regard as an alternative refuge for concealed savings.

Given the extent of the distortion which these peculiarities have produced in the very meagre currency statistics which are available, it is unfortunately impossible to discern how far, if at all, the natural currency habits of the public may be changing. It seems probable, however, that a minor element in the total reflux of currency may have taken the form of a progressive release of notes accumulated by small holders as a means of wartime savings—a dissaving movement which may well have been stimulated by influences similar to those which have produced the increase in encashments of Savings Certificates and withdrawals from savings banks.



The change of trend in the note circulation, though due to special influences, may none the less mark the beginning of a movement towards the prewar relationships between money and income. The currency habits of the public are normally surprisingly rigid—even more so, usually, than those which govern the conduct of bank deposits. Before the war, and especially before the cheap money period opened in 1932, the average volume of bank deposits rarely fell so fast as the national income when the latter was falling, or rose so fast as the national income when it was rising. This traditional tendency for the volume of money to lag behind the movement in national income became even more marked in the first two years of the war; but, as was demonstrated in an analysis in *The Economist* of May 4, 1946, the normal trend was sharply reversed after 1943. The ratio of the total stock of money (taking the aggregate of annual averages of clearing bank deposits and active note circulation) to gross national income at market price had in the sixteen prewar years never risen much above 50 per cent or dropped as low as 40 per cent, and thus showed a range of fluctuation of only about 20 per cent. But between 1938 and 1940, it fell from just over 48 per cent to 42 per cent, and since then has risen each year to the peak figure of almost 66 per cent for 1946; and there is little doubt that the proportion for 1947 will show a further moderate rise. In the wartime period, therefore, the range of fluctuation was approximately twice that which occurred in the substantially longer prewar period, and the proportion of income held in the form of money is now quite abnormally high.

This tendency for the community to keep a larger proportion of its income in money was, until 1946, much more pronounced in currency than in bank deposits. The ratio of currency to national income, though it rose at the outbreak of war, had by 1941 dropped to a little over 7½ per cent, approximately its prewar normal. Yet by 1946, it had risen almost to 14 per cent, proportionately a much bigger movement than that in the depo-

sits-income ratio, from 35 to 52 per cent, over the same period. Measured against the extreme stability of currency habits in normal times, these are violent changes. During the 'thirties, the extreme range of movement of the currency-income ratio was equivalent to only about 14 per cent of the average ratio for that period; but the corresponding fluctuation in 1938-46 was more than 60 per cent.

Similarly, the proportion of the money stock held in the form of notes, which before the war had shown an even higher degree of stability (with a range of fluctuation less than 10 per cent over a decade), rose steadily from an average of 16.4 per cent

MONETARY EXPANSION SINCE 1938.

	Bank of England Active Note Circulation (a)		Clearing Bank Deposits (b)		Ratio of Notes to Total Money (a : a+b) %
	£ mn.	Index	£ mn.	Index	
Annual Averages :—					
1938.....	486	100.0	2,277	100.0	16.4
1939.....	507	104.5	2,248	98.8	17.0
1940.....	575	118.4	2,508	110.1	17.3
1941.....	652	134.4	2,570	112.5	17.0
1942.....	808	166.6	3,275	143.9	19.0
1943.....	966	199.0	3,677	161.6	20.3
1944.....	1,136	233.9	4,153	182.5	21.0
1945.....	1,284	264.6	4,682	206.2	21.4
1946.....	1,358	279.8	5,097	223.8	21.0
1947.....	1,384	285.0	5,624*	247.0*	19.8
At End-Nov.† :—					
1937.....	480	...	2,311	...	17.2
1944.....	1,180	...	4,398	...	21.8
1945.....	1,325	...	4,789	...	21.6
1946.....	1,363	...	5,503	...	19.9
1947.....	1,341	...	5,767	...	18.9

* Eleven months' average. † Or date of pre-Christmas "low" for note circulation.

in 1938 to 21.4 per cent in 1945. Thus, as the accompanying table shows, until 1945 the expansion of currency outpaced that in deposits, but deposits have since been catching up.

All these figures, however, being based on annual averages, tend to obscure the extent of recent movements. In fact, it

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General Manager (Staff) : C. FITZHERBERT.

Statement of Accounts

31st December, 1947.

LIABILITIES.		£	£
Current, Deposit and other Accounts	...	1,237,679,861	
Balances in account with Subsidiary Banks	...	(10,187,114)	
Acceptances, Guarantees, Indemnities, etc., for account of Customers	...		1,247,866,975
Paid-up Capital	...		38,105,219
Reserve Fund	...		15,858,217
			12,250,000
ASSETS.		£	£
Cash in Hand and with the Bank of England	...	108,115,414	
Balances with other British Banks and Cheques in course of collection	...	48,366,552	
Money at Call and Short Notice	...	77,592,700	
Bills Discounted	...	206,445,186	
Treasury Deposit Receipts	...	279,000,000	
Investments (including 2,638 Shares of £1,000 each, £300 paid up, in Industrial and Commercial Finance Corporation Limited)	...	297,008,881	
Investments in Subsidiary Banks (at cost, less amounts written off):—			
The British Linen Bank—£1,242,295 5s. Od. Stock	...		3,726,086
Other Banks—including fully paid Stock and 500,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 5s. per Share paid up, in Barclays Bank (France) Limited	...		5,454,689
Advances—Customers and other Accounts	...	241,229,417	
Balances in account with Subsidiary Banks	...	1,218,278	
Liability of Customers for Acceptances, Guarantees, Indemnities, etc.	...		242,447,495
Bank Premises and Adjoining Properties (at cost, less amounts written off)	...		38,105,219
			7,737,289

Head Office: 54, LOMBARD STREET, LONDON, E.C.3.

appears that the abnormal reflux of notes in recent months has had the effect of restoring the ratio of notes to total money virtually to the level at which it stood in the early years of the war. At the end of November, this ratio was only 18.9 per cent, apparently the lowest for this season since 1941. This abrupt reversal of the wartime trend of the currency-deposits relationship is not, of course, wholly attributable to the recent decline in currency. It reflects also the great acceleration of deposit-creation which resulted from Mr Dalton's adventures in cheap money. In the two years from November, 1945, clearing bank deposits rose by 20 per cent, while the note circulation (taken at the Christmas peaks) dropped by 1 per cent. The disparity between these movements was not, however, quite so marked as this particular comparison suggests, because the growth of deposits was mainly concentrated in 1946, when the note circulation was also rising. Hence the decline in the circulation has roughly coincided with the phase in which the expansion of deposits has markedly slackened.

It would be wrong to try to draw firm conclusions from these statistical patterns. Some of the changes are evidently fortuitous, and others can be surmised to be due to extraneous

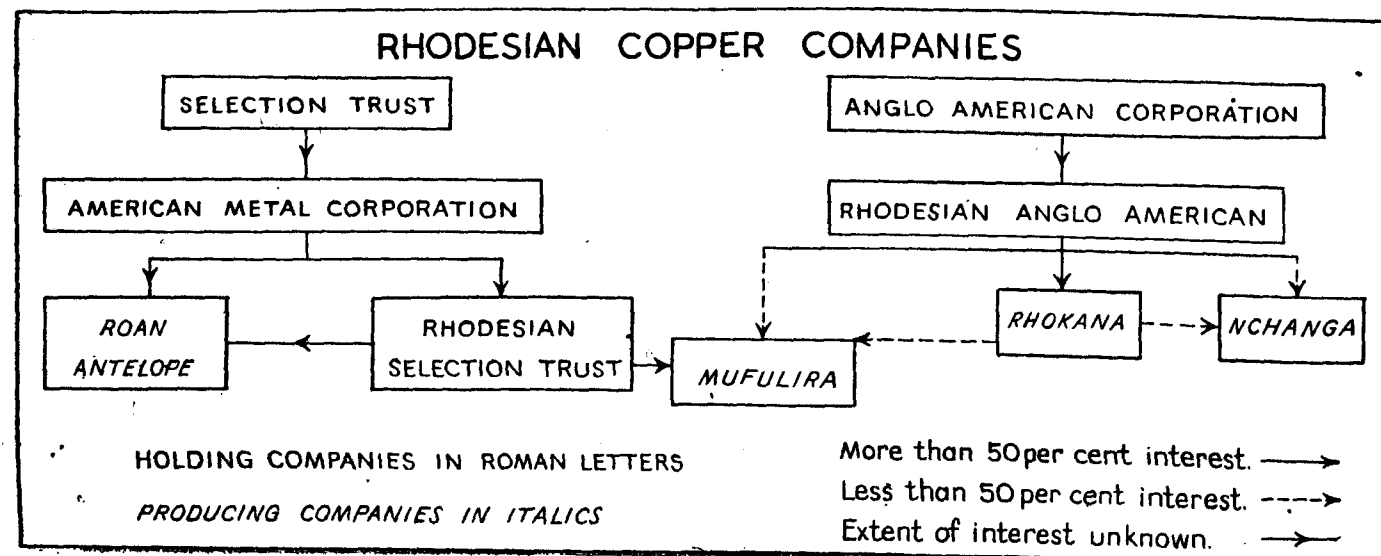
factors far removed from the problem of inflation with which, in most discussions, the movements of these monetary indices are commonly—and sometimes too closely—linked. But, in view of the growing attention which is now being paid to the purely monetary aspects of inflation, these patterns in monetary statistics clearly ought to be studied. It is true, too, that the classical relationships, which might have been suppressed or distorted by the new environment of physical planning and controls, can sometimes still be seen from the statistical patterns—even though part of the pattern may demonstrably be due to special influences such as the present unease of holders of tainted notes. It is partly for that reason that on the chart which illustrates the monetary trends discussed in this article, an index has also been plotted of long-term interest rates—the yield on 2½ per cent Consols. Those who have followed the discussions in these columns of the Daltonian experiment will readily perceive that there is little that is fortuitous in the coincidence of the abnormal money and interest rate movements in 1946—or in the fact that the symmetrically opposite movement in interest rates in the past year has synchronised with a marked deceleration in money creation.

Rhodesian Copper Prospects

ALL the Rhodesian copper companies have now published their accounts for the year 1946-47. During this period the price of copper rose by about 55 per cent, but the companies' profits and dividends, though higher, have not shown a startling increase. In view of Britain's stringent dollar position, the possibility of increasing the copper output of Rhokana, Roan Antelope, Mufulira and Nchanga has assumed an urgency second only to that of the war period; Rhodesia is, in fact, the only substantial source of sterling copper. Mr A. Chester Beatty contends that the Rhodesian field promises eventually to meet all Britain's requirements of copper. At present Rhodesia accounts for between one-eighth and one-tenth of the world's total copper production. Practically the entire Rhodesian output is purchased by the British Ministry of Supply, though at present Rhodesia falls far short of covering all of Britain's requirements. In the 11 months to November last, the value of imported copper into Britain from sterling sources represented only 36 per cent of the total of £36.5 million. Imports from Northern Rhodesia totalled £12.8 million, against imports valued at £6,500,000 from the United States, £6,200,000 from Chile, £4,400,000 from Canada and £1,600,000 from the Belgian Congo.

Consumption of virgin copper in the United Kingdom last

year is estimated at about 375,000 tons, and total Rhodesian output at slightly over 200,000 tons. But of Britain's total copper consumption, approximately 220,000 tons a year is electrolytic copper, of which Rhodesia's recent rate of supply has amounted to only some 50,000 tons. Thus the gap in British requirements of electrolytic copper—indispensable to the flourishing electrical industry—is certainly not less than 160,000 tons a year at the current level of consumption, and it can only be made good from dollar sources. Little relief to the drain in dollars for purchasing electrolytic copper can be obtained from selling part of Rhodesia's output of blister copper—that is, fire refined copper of a lower standard of purity than electrolytic—for hard currencies. But during the first six months of 1948, some 20,000 tons of blister copper will be shipped from Rhodesia to the United States for electrolytic refining under a toll scheme, by which the costs of refining will be met in refined metal. On present indications, taking account of prospective imports from Canada and the United States later this year, electrolytic copper is likely to be short in the United Kingdom unless supplies can be increased from other sources—which will mean cutting further into dwindling reserves of dollars. The recent firmness in copper prices suggests that additional supplies of electrolytic copper are not likely to be obtained below present prices.



The revival of European demand and stockpiling purchases by the United States have belied the hopes of six months ago that copper prices might weaken towards the end of 1947.

Such is the context in which the latest results and the immediate prospects of the Rhodesian copper companies must be considered. The latest accounts of the companies do not reflect the full advance in copper prices in 1946-47, because it is their practice to sell their production at least three months forward. Rising prices, therefore, produce a delayed response in gross revenue. Even so, higher average prices over the year 1946-47 enabled the producers to show a big advance in sales revenue. But on the side of costs, their experience was not nearly so happy. The output of all the companies suffered heavily from the artisans' strike in July and August, 1946, when operations at the mines came to a standstill for more than four weeks. After that, no further interruptions were caused by labour trouble; nevertheless it was an inauspicious start. In subsequent arbitration proceedings the wage rates which were the cause of the strike were adjusted and an agreement between the companies and the Northern Rhodesia Mine Workers Association was signed early last March. No trouble has been experienced from African native labour, but the mining companies have spent considerable sums on improved accommodation for the senior African

of coal. The trouble in Northern Rhodesia last year was not lack of coal output, but a critical shortage of rolling stock to move it from the Wankie Colliery to the copper mining area. Traffic demands on the Rhodesia Railways have greatly increased in recent years in step with the country's economic expansion, especially in Southern Rhodesia, and during the past year the limited facilities of the system suffered extra strain because it had to provide transport for livestock from drought stricken areas. In addition, the transfer of the railways to government ownership has not made the situation any easier. The copper companies are at present in an unenviable position for their transport. By their contract with Rhodesia Railways they undertake to use the railways for the carriage of all their imports and exports and for such traffic as they require to be sent by rail—indeed there is no practical alternative. On their part the railways are under an obligation to forward such goods as are consigned to them, but when rolling stock is required for other purposes the copper companies appear to have no priority. Coal deliveries to Northern Rhodesia in the period April to August, 1947, represented 92 per cent of the 1939 rate of delivery, while deliveries to Southern Rhodesia for the same period represented 180 per cent. The chairman of Nchanga has estimated that, after making allowance for output lost by the strikes in the early part of the financial year, the shortage of coal was responsible for a reduction in copper output from the Northern Rhodesian mines last year of some 32,000 tons.

The Roan Antelope report provides an instructive comparison of rising costs and selling prices. Average costs per ton of blister copper f.o.b. Beira advanced by £9 3s. 8d. to £59 1s. 5d. over the year, whereas income per ton f.o.b. Beira increased by £25 10s. a ton to £83 7s. 7d. The increase per ton in the constituent items of costs were: wages £2 17s. 5d., royalties £2 8s. 4d., supplies £1 3s. 2d., power £1 0s. 6d., cash bonus and pension schemes 11s. 4d., and the remainder in miscellaneous items. Of the total increase in costs per ton, £3 16s. 11d. is attributable to mining costs, which rose by 17.3 per cent. Evidently the increase in total costs was by no means uniform, for the comparable rise for Mufulira was £5 4s. 8d. per ton; Rhokana and Nchanga have not published figures for costs since before the war.

To make good the loss of Rhodesian copper output last year, some \$12.7 million had to be expended on additional supplies from hard currency sources. But the effect of reduced output on the profits of the Rhodesian companies is also perturbing. It increases the burden of their overheads per ton of output. It also involves them in heavy charges for imported coal. Wankie coal costs the companies 27s. a ton, but the equivalent cost of imported South African and American coal, which was extensively used last year, is about £10 a ton. Nor has conversion to wood firing been much cheaper. Some plants have been adapted for wood, but the equivalent cost of substitution on the basis of two tons of wood to one of coal is £6 a ton.

Output was well below capacity over the whole field. Nchanga, whose financial year ends on March 31st, came off worst. Its production was 22,138 long tons of blister compared with a present annual capacity of 27,000 tons. The extension of this mine's capacity to 64,000 tons, planned for completion by the end of 1949, has so far been delayed by at least a year because of the shortage of constructional materials, and the company is seeking official support from the British Government to expedite their supply. In 1943 Nchanga received a grant of £650,000 from the Ministry of Supply to finance increased production, and in view of the dollar-saving potentialities of the mine it would seem desirable to follow the war time precedent by giving the company high priority for its necessary supplies. Equal urgency attaches to the doubling of the capacity of the electrolytic refinery which was transferred by Rhokana during the year to Rhodesian Copper Refineries, a new company incorporated on January 1, 1947, under the aegis of

RHODESIAN COPPER COMPANIES
(a) PRODUCING COMPANIES

Company and Ordinary Capital	Year to June 30	Production Blister Copper ('000 Long Tons)	Operating Profit (£'000)	Total Profit (£'000)	Taxation (£'000)	Ordinary Shares			
						Earned	Paid	Current Price	Yield Per Cent
Rhokana Corp. — £3,949,866 in £1 stk. units (a)	1945 1946 1947	80 69 66	2,098 2,400 3,122	2,133 2,513 3,370	789 1,009 1,376	37.0 80.5 119.2	25 60 85	£13 11	6 3 0
Roan Antelope — £4,995,160 in 5s. stk. units	1945 1946 1947	55 53 50	1,105 999 1,649	1,131 1,029 1,668	452 190 627	4.4 8.9 13.4	Nil 10 15	14/9	5 2 0
Mufulira — £4,888,874 in £1 shares (b)	1945 1946 1947	58 50 47	900 635 1,771	922 664 1,779	256 Cr. 107 822	9.8 17.0 19.9	7.5 17.0 25	(d)	(d)
Nchanga Cons. — £7,000,000 in £1 stk. units (c)	1945 1946 1947	16 17 22	108 132 440	114 133 446	20 39 154	Nil Nil 1.5	Nil Nil Nil	64/3	...

(a) Rhodesian Anglo-American owns 52 per cent of ordinary capital.
(b) Of the ordinary capital 64 per cent is owned by Rhodesian Selection Trust, 26.6 per cent by Rhokana Corporation, and 150,000 shares by Rhodesian Anglo-American.
(c) Rhokana owns 35 per cent and Rhodesian Anglo-American 21.4 of ordinary capital.
(d) Shares not quoted. (e) Years to March 31st.

(b) HOLDING COMPANIES

Company and Ordinary Capital	Financial Year	Income from Mining Investments (£'000)	Total Income (£'000)	Taxation (£'000)	Net Profit (£'000)	Ordinary Shares			
						Earned	Paid	Current Price	Yield Per Cent
Rhodesian Anglo-American — £5,956,609 in 10s. stock units	1946a 1947a	786d 1,113d	847 1,180	353 527	468 625	14.1 19.1	131 198	36/6	5 8 0
Rhodesian Selection Trust — £2,646,923 in 5s. shares	1946b 1947b	301e 431e	306 435	...	301 429	20.6 29.5	20 30	23/6	6 8 0
Selection Trust — £2,242,399 in 10s. stock units	1945c 1946c	(f) (f)	395 937	178 384	331 443	16.3 18.2	10 15	50/6	3 5 6

(a) Year ending June 30th. (b) Year ending September 30th. (c) Year ending December 31st. (d) All from Rhokana Corporation. (e) All from Mufulira. (f) No comparable figure available.

employees and also in the construction of "boss boy" huts for labourers. The price of industrial peace has been an all-round increase in expenditure for welfare, housing and wages, but the outlook for continuity of labour supplies has undoubtedly been improved as a result.

The other restrictive factor on operations was shortage

Rhokana and Nchanga. Of the other mines Roan Antelope offset a larger part of its shortage of Wankie coal by heavy imports of coal and by using wood, and was thus able to keep its fall in production to 5,000 tons though the shortage of coal was equivalent to 15,000 tons of output. Mufulira was less successful, for of a loss of output of 27,000 tons directly due to the coal shortage, only 9,000 tons was made up. Even so, in relation to its capacity of 65,000 tons for the year (allowing for time lost from labour disputes) Mufulira was not so badly affected as Nchanga. Rhokana was more fortunate, for its loss of output was no more than 2,000 tons—enough, however, to be deplored both in terms of the company's trading profit and of dollars that might have been saved.

The Rhodesian copper companies have a particular taxation problem. The accompanying table shows that in each case the taxation charge rose sharply last year. These increases were the normal consequence of increased operating profit. Another liability is deemed by the City Commissioners of Income Tax to arise from the companies' method of valuing stocks of copper for taxation purposes. Briefly, this has had a dual basis; copper "in the pipe line" en route to the market has been valued at a "standard" cost; any stocks apart from these have been valued at sales cost. The Commissioners have held that this method of valuation understates the companies' liability for taxation, and litigation is proceeding in a case which Mufulira is taking to the High Court to test the Commissioners' ruling that the annual gains for tax purposes shall be calculated on completed sales

for the year and that stocks should all be valued at the annual cost of production and not on the "standard" cost. It is to be presumed that the companies have made sufficient provision to meet any retrospective liability, should the final judgment go against them.

Increased output from the Rhodesian copper mines would provide a greater contribution towards assisting Britain's balance of payments than would a mere rise in the world price for copper. This is no doubt possible, and it will increase the Rhodesian companies' profits. But if world copper prices rise, the drain on Britain's dollar reserves will rise too; the Rhodesian companies are not in a position to increase their output considerably and rapidly, and hence the cost of British imports of copper from hard currency countries would increase to the full extent of the rise in prices. The Rhodesian companies this year will reap fuller benefit from higher prices. So far they have been free of strikes and although coal supplies are still a serious factor in limiting output, the price of copper has been steady at over 21½ cents a pound for the first half of the year 1947-48 and is unlikely to fall from its present level. In such circumstances, provided that there is no new interruption to production and no unforeseen rise in costs, earnings a year hence should show a substantial improvement. And since the yields on "blue chip" ordinary shares are only a few shillings greater than the return on gilt-edged stocks, the merits of Rhodesian copper shares as speculative leaven in a mixed investment portfolio are worth consideration.

Business Notes

The Cost of Coal

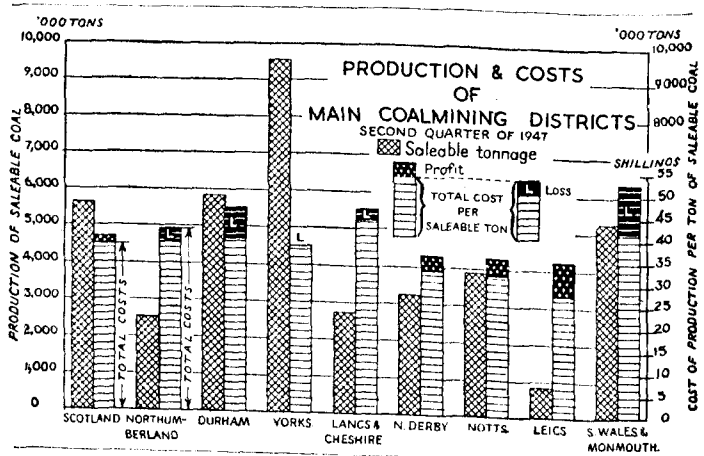
The statements of costs issued by the Coal Board last week for the first two quarters of their stewardship have riveted public attention on the high price which the nation is beginning to pay for its coal supplies. Hitherto output has been the dominating anxiety; but the problem of coal costs, and their effect on industrial costs as a whole, is now scarcely less urgent.

The Coal Board's figures are not strictly comparable with those issued hitherto by the Ministry of Fuel and Power. They are based on saleable tonnage (which includes consumption by coal-mines and miners' coal) as distinct from commercially disposable tonnage (which does not). Nor are the figures an accurate guide to the Coal Board's financial results. They omit any charge for interim income to coalowners and interest on Treasury advances, as well as revenue from ancillary undertakings. If allowance is made for these items it is probable that the small profit for the first quarter shown in the table below would be turned into a small loss, and that the loss in the second quarter would be considerably greater. After adjusting the figures for the different method of calculation, they appear to show that costs per ton in the second quarter of 1947 were some 4s. higher than in the last quarter of 1946.

COSTS OF PRODUCTION, PROCEEDS AND PROFITS OF COLLIERIES					
Output (tons)		First Quarter, 1947		Second Quarter, 1947	
Commercially disposable		42,066,664		42,084,976	
Saleable		46,188,192		45,850,253	
Costs of Production		Amount £	Per Ton Saleable s. d.	Amount £	Per Ton Saleable s. d.
Wages		57,309,641	24 9.8	60,335,359	26 3.9
Roof supports, stores, repairs		11,604,144	5 0.3	13,529,460	5 10.8
Coal and power consumed		5,950,064	2 6.9	5,714,415	2 5.9
Other costs (including depreciation)		12,781,094	5 6.4	13,108,107	5 8.6
TOTAL COSTS		87,644,943	37 11.4	92,687,342	40 5.2
Proceeds		89,619,752	38 9.6	88,966,666	38 9.7
Profit (+) or Loss (-) (before charging interest)		+ 1,974,809	+ 10.2	- 3,720,676	- 1 7.5

The rise in costs during the second quarter was largely due to the introduction of the five-day week in May, and it was intended

to recoup this loss from the increase of 4s. a ton from September 1st. Since then costs have risen further—largely because of the reintroduction of the longer working week on an extremely expensive overtime basis—and coal prices were again increased by 2s. 6d. a ton on January 1st.



The results of the June quarter are far from uniform for the country as a whole. An examination of the costs of production of the divisions reveals great variations in their relative efficiency, and in their contribution to output. These differences are illustrated in the chart. Wales, with a second quarter's output of 5.3 million tons, lost 11s. 1d. a ton; Yorkshire production totalled 9.6 million tons at a loss of only 1.3d. a ton. These differences illustrate the wide variations in productivity in different regions and they underline the responsibility of the Coal Board for framing its development plan to get more coal more cheaply from the richer and easily accessible measures. This is not a matter which can be delegated to the different divisions to decide independently.

Are Coal Stocks Too High?

Meanwhile, coal stocks on January 3rd show a slight fall to 16,033,000 tons, compared with 16,391,000 tons on December 27th—a natural movement after the Christmas holiday. The

question which now demands serious consideration is whether the building up of stocks has not now been carried well beyond the limits of reasonable prudence. Gas undertakings have 4½ weeks' winter requirements in stock, and power stations 5½ weeks. Iron and steel works have 4.4 weeks' requirements, engineering and metal trades no less than 7.8 weeks, and "other industry" nearly 6 weeks' supply. Industry's stocks as a whole now stand at 5,688,000 tons, compared with a mere 1,987,000 tons at this time last year. At the end of September, 1945, distributed stocks amounted to 13,069,000 tons; a year later they had been allowed to fall to 10,314,000 tons, and crisis followed in the winter. But the present figure of just over 16 million tons is a mid-winter figure, not a pre-winter figure, and the margin of safety with the possibility, at the worst, of two months of severe weather, is now very high.

It would be embarrassing indeed if industrial consumers, in the middle of the winter, had to refuse deliveries of coal for want of storage space, but the idea is not altogether fanciful, given the present level of stocks. The steady determination with which stocks have been built up during the winter (at the expense, in part, of providing more coal to the coke ovens during the last three months of 1947) suggests that changes in the trend of coal production and home consumption have been followed less closely than they deserved. The sparing diversion of supplies to export could now be stepped up quite rapidly by allowing stocks to fall—and still be within a satisfactory margin of safety. It might be remembered that the equivalent of, say, 5,000,000 tons of present stocks represent earlier imports, either of American coal or of fuel oil used in coal conversion schemes. An extra allocation of that order to exports would be an act of economic wisdom; it would make restitution for the humiliating necessities of 1947, and it would give handsome assistance to European recovery and British trade.

Sir Stafford on Steel

The steel budget for 1948 which Sir Stafford Cripps presented last Monday endorsed with full authority the estimates which were put forward in *The Economist* a week ago. The target for 1948 is 14 million ingot tons for home production, to which there may be added 530,000 tons of imported ingots and "semis." The equivalent in finished steel of the projected 14½ million tons of ingots is 10½ million tons, but the estimate of requirements for 1948 (including direct exports of finished steel) is 11½ million tons "for essential purposes alone." On these figures, there will be a deficiency of at least 1,000,000 tons of finished steel this year, equivalent to just over 1,333,333 tons of ingot steel; direct exports, will absorb 1,000,000 tons of finished steel, and indirect exports, consisting of steel manufactures, about 2,000,000 tons. On paper, the home consumers' supplies will be increased by 1,500,000 tons to 9,600,000 tons, compared with 1947, but this latter figure includes the steel needed for indirect exports. The export burdens on the steel using industries are so heavy that many essential home consumers will go short.

This programme depends for its achievement on the fulfilment of the "approximate estimate" that something over 500,000 tons of ingot steel can be imported; it assumes further that the industry will get the 12 million tons of coke which it requires to increase the output of pig iron, and that sufficient steel scrap will be forthcoming. Sir Stafford disclosed that deliveries of scrap to steel works are now running 10 per cent higher than a year ago (when, of course, the output of ingot steel was some 25 per cent lower than the recent rate of production), but he was obviously in no mood to minimise the difficulties of getting increased supplies of scrap either from home sources or from Germany.

But when Sir Stafford turned to the distribution of steel supplies to consuming industries, he abandoned all arithmetic, and resorted to a series of imprecise synonyms. A direct comparison of the steel used by different industries in 1947 and what they may expect to get in 1948 is impossible—partly because the information for 1947 "is not available in comparable form" and partly because the allocations in 1948 "will probably vary from quarter to quarter in the light of the needs of the export market and other conditions." Hence the resort to broad indications, summarised below:—

Engineering and vehicles, certain mining and railway equipment (Ministry of Supply)	Rather more than 1947 deliveries.
Consumer goods (Board of Trade)	A little above last year.
Agricultural machinery	A very substantial increase, allocated to individual firms according to the contribution they can make.

Ministry of Transport	An important addition.
Coal Mines	A useful increase.
Electricity	A very substantial excess over 1947 deliveries.

Factory and Government building	A two-fifths reduction.
Shipbuilding	A reduction approaching one-fifth of 1947 deliveries.
Gas	A little less.

Of these changes, the cut in the shipbuilding allocation has caused great perturbation in the industry. Sir Stafford denied that the cut had any connection with American pressure to reduce the level of British shipbuilding activity, and declared that deliveries of steel to shipbuilding this year should equal the allocation made for 1947, which was considerably exceeded by actual deliveries. This added handicap—though it need not be exaggerated—will not make it easier for the shipbuilding industry to speed up the completion of its delayed programme of new building or to improve its already difficult costs situation.

The New Distribution Scheme

Sir Stafford disclosed that no major cuts were proposed in the progress of the steel reorganisation scheme this year—a point which the capital cuts White Paper had left open, since the programme is now being further reviewed. Since he remarked that it was "abundantly clear" that the long-term objective of installing capacity to produce 16 million ingot tons is not too high, it may be presumed that the programme is likely to go forward as a whole—more than half of it has been approved in detail—although part may need to be retimed.

The review included only a brief reference to the new distribution scheme for steel, but Sir Stafford's general remarks on this matter are more than compensated by the complexities of the circular which has gone out this week to steel users, together with census forms asking for a return of stocks at the end of 1947 and of receipts and usage of steel during the last quarter of the year. The new scheme does not apply to sheets, electrical sheet and tinplate. All other steel will, after March 31st, be delivered only against a new form, to be known as an IS Authorisation. During this month, the sponsoring departments will issue these authorisations to users, to cover steel already authorised by "M" forms for the second quarter or after and any additional tonnages which they may be able to permit. Each user will then have to review his outstanding orders which are likely to remain undelivered at March 31st, and also the orders placed for later periods and sub-authorisations given to his suppliers. He will then have to decide which orders he wants to retain, within the limit of the new IS Authorisation which he has received. Similarly, consumers of steel who hold sub-authorisations from holders of existing "M" forms will have to renew their authority from their principals.

Thus the broad effect of the scheme will be to cancel many outstanding orders and to retime others, so that the inflationary excess of authorisations for 2,000,000 tons of steel which is not available is, by one means or the other, squeezed out. The circular stresses the need for early notification by main and sub-contractors to the steel makers, so that the industry can "plan" the required production. It also insists that orders for delivery in any three-monthly period must not exceed the quantity authorised for that period. In the course of time (and particularly when the system of bulk allocation is extended, and sub-authorisation reduced) the new scheme may produce a better sense of order in steel supplies. But the task of those who have to get into working order will be quite unenviable. The present state of confusion suggests that a far longer period than three months may elapse before it is running smoothly. Meanwhile, the main burden will rest on the steel industry and its customers to iron out the innumerable difficulties that are bound to arise. And there is a chilly reference to the limited amount of assistance that the departments will be able to offer towards the solution of hard cases.

Bus and Road Haulage Negotiations

For some time past, it has been freely rumoured that the Tilling group and other leading road passenger transport concerns were prepared to treat, if not actually negotiating, with the Transport Commission for the transfer of their undertakings under the terms of the Transport Act. A circular issued to shareholders of Thomas Tilling, Ltd., discloses that the directors have agreed to the making of joint investigations (that is, with the

tive of bank assets—advances and investments. There is no doubt at all that gross earnings were substantially higher, and, at a guess, it appears probable that this improvement comfortably sufficed to provide for the further rise which has occurred in administrative costs, and especially in salaries.

* * *

Agreement with Portugal

The financial and commercial negotiations between the British and Portuguese Governments were brought to a successful conclusion some weeks ago. The results were published this week in blurred and uninformative outlines. A re-negotiation of the financial agreement between the two countries was called for as a result of the suspension of convertibility of sterling and the dismantling of the system of transferable sterling accounts, of which Portugal was an important member. Re-negotiation of the agreement was also required because payments in respect of current transactions had been moving steadily in favour of Portugal, with the result that the sterling balances of Portugal had exceeded the limit of £5,000,000 prescribed under the previous agreement. It should be added that the Portuguese authorities had behaved with admirable helpfulness in this matter and had abstained from demanding conversion into gold for the excess of their current sterling holdings over the £5,000,000 ceiling.

The result of the negotiations which took place in Lisbon has been to abrogate the supplementary monetary agreement of February, 1947, under which Portugal became a member of the transferable sterling account group of countries. This leaves the principal monetary agreement, that of April, 1946, in force, and it is this agreement which will provide the framework for payments in 1948. This agreement fixed a limit of £5,000,000 or its equivalent as the total of the other's currency which each party is prepared to hold, any excess being convertible into gold. In order to reduce the Portuguese holding of sterling to this figure of £5,000,000 it has been agreed that the proceeds of "certain exports" from the United Kingdom to Portugal which had been earmarked for a reduction of British debts (presumably the sterling balances of about £80,000,000 accumulated by the Portuguese Government prior to April, 1946) should in effect be used to reduce the Portuguese accumulation of current sterling and thus bring it below the prescribed £5,000,000 ceiling.

This being done, it will then behave the two countries to arrange the commercial exchanges between the two monetary areas in such a way as to maintain approximate balance and thus obviate movements of gold on either side. The commercial arrangements which were designed to give expression to this general objective provide for a considerable increase in British exports to Portugal. These will include machinery, motor-cars, agricultural equipment and, ultimately, coal. Britain is also supplying a substantial tonnage of tinplate, which will ultimately be reimported into Britain as containers of sardines. Under the new agreement Britain is also proposing to expand its imports of Portuguese wax, oil seeds, cork and wine.

* * *

2½ per Cent for Small Savers

The announcement this week that the Treasury, despite recent rumours, has no intention of raising the rate of interest on 2½ per cent Defence Bonds, must have come rather as a cold douche to the salesmen and publicity experts of the National Savings Committee. For months past, they have had an uphill task in their attempts to persuade the public to buy this particular bond. In the financial year to date total sales of the 2½ per cent Bonds have amounted to no more than £57 million in contrast with sales of £169 million of 2½ per cent and 3 per cent Bonds combined in the corresponding period of 1946/47. Moreover, in the current financial year £5,000,000 of 2½ per cent Bonds and £26 million of 3 per cent Bonds have been encashed before maturity and no less than £77 million of the earliest issue has been repaid at maturity. In nine months, therefore, total repayments of Defence Bonds have amounted to £108 million, and have exceeded sales by fully £50 million. In the similar period of 1946-47, repayments totalled less than £39 million, so that the net sales of Defence Bonds of both series amounted to £130 million.

The Defence Bonds have admittedly some advantages which are frequently overlooked when yield comparisons are made. If held for the full term of ten years from date of issue, they are repaid at a premium of one per cent. Yet, like Savings Certificates, they can be encashed at short notice. If the standard notice of six months is given, repayment is without loss of accrued interest, but of course no premium is paid. On the other hand, if repayment is made almost immediately (as it will be, if the Postmaster-General is satisfied that the cash is required to meet

a "private emergency") there is a deduction of twenty-five shillings per £100. These encashment facilities make it difficult to compare Savings Bonds on any level basis with marketable gilt-edged securities. But, even so, a yield of a little more than 2½ per cent is hardly generous at a time when nearly 2½ per cent can be obtained on a five-year security and approximately 2½ per cent on a ten-year.

* * *

Egypt's Reservations

The full text of the Anglo-Egyptian financial agreement was published this week, together with the letters exchanged between the representatives of the two Governments on signing the agreement. The most interesting points that emerge from the full documents are the reservations made by the Egyptian Government on points that were raised during the negotiations and on which they failed to get satisfaction. The most important point the Egyptian Government wish to put on record is their claim to be allotted a share of Britain's gold reserves. The chairman of the Egyptian Financial Delegation contends that these reserves were accumulated on behalf of the whole sterling area, of which Egypt was a member, and therefore stakes his country's claim to an unspecified share. The second point raised and put on record is that Egypt's sterling balances should have the benefit of a gold clause identical with that granted to some other countries.

In view of the vital importance of these two questions, the Egyptian Government reserve their right to raise them again in future negotiations regarding the sterling balances. The British representative, in his answer, merely notes the reservations, but makes no attempt to answer the points raised. There are valid answers which no doubt were made in the course of the negotiations. Under this and the preceding agreements Egypt is, in fact, being granted what appear to be generous hard currency allocations. As for the hard currency income earned by Egypt during the war and paid into the sterling area dollar pool, most of it arose from Allied military expenditure. Some of this might surely be earmarked as a counter-claim by the British Government for having defended Egypt against German and Italian invasion.

The Egyptian Government also ask that so long as sterling is inconvertible for current transactions, any arrangements entered between the United Kingdom and any third country which has important trade relations with Egypt ought to provide that sterling standing to the credit of an Egyptian transferable account should be given rights of transfer not less favourable than those accorded to sterling of any other country. This point was also noted without comment by the British representative. It was agreed, however, that in the event of the transferable account rights ceasing to apply to any particular country during 1948 the British Government will raise no objection to transfers of sterling from Egyptian transferable accounts to the sterling accounts of residents of the country concerned (or vice versa), provided the transfers relate to genuine trade or to financial transactions outstanding between Egypt and the country concerned at the date on which the transferable account rights cease to apply.

The text of the agreement formalises the entry of Egypt into the transferable account system, stating that "the Government of the United Kingdom will place no restrictions on, and will facilitate, the transferability of sterling standing to the credit of Egyptian transferable accounts for payment for current transactions to transferable accounts of any other country." Beyond this the British Government also promise to use their best endeavours to ensure that sterling in Egyptian transferable accounts shall be available to the widest possible extent for payments for current transactions outside the sterling area and the transferable account countries.

* * *

More Balance of Payments Statistics

At his press conference ten days ago the Chancellor added yet another series of figures to the long succession of official estimates of the prospective balance of payments. The subject is of such high importance that there can be no complaint at this statistical abundance. But those painstaking observers who seek to glean the maximum information about official policy and intentions by the customary device of correlating the successive releases will this time find themselves in quite un navigable waters. This bewilderment is understandable, for many of the figures given by Ministerial spokesmen at different times in recent months have been mutually exclusive or contradictory.

In the circumstances, the Government would perform a real service if it would publish as soon as possible—without waiting for this year's Economic Survey—a comprehensive and clearly-defined statement of the assumptions about the balance of pay-

ments upon which its 1948 programme is now based—distinguishing the hard currency from the soft currency position, the United Kingdom from the sterling area, and the estimates for 1948 from the annual rates scheduled to be achieved by the end of the year. This is not necessarily a request for additional information; data have been furnished already on all these matters, and what is most needed now is clear correlation.

In default of such a statement, the private seekers after truth would probably be well advised to ignore all—or nearly all—official estimates of the 1948 position given before Sir Stafford Cripps's speech on October 23 (the occasion on which the main dollar cuts were announced), and also to refrain from attempts at nice construction of much that was said even on that occasion. Whatever the Government may have hoped three months ago, it now seems clear that the "programme" assumption is that, after all cuts and economies already announced and after taking credit for exports at the target rate, there would be virtual equilibrium in Britain's overall balance of payments for the year 1948 as a whole. Britain's own net deficit in dollars and other hard currencies for the same period is put at £300 million, but no comparable estimate has been given of the rate of deficit expected to be reached by the end of the year. The figure of £250 million which has been given as the annual rate of net strain on gold and dollar reserves which is projected for the year-end relates, not to UK requirements alone, but to the strain imposed upon the central reserve from all sources.

So much is fairly clear. What is less clear, but is probably a fair deduction, is that the total net strain on reserves during 1948 (on the same "programme" assumptions) is put at around, or not much over, £400 million. From that figure it might be further deduced that the continuing dollar deficit in 1949, for the United Kingdom alone, would be put at appreciably less than £200 million, and perhaps not more than £150 million, out of the total projected deficit of £250 million. That is about as far as speculation upon the meaning of the official figures can reasonably be pressed. All of them, it should be emphasised, are "programme" assumptions only. Whether even the Government itself believes them to be attainable is perhaps open to doubt. Certainly no realistic outside observer is thus optimistic—except on the hypothesis of Marshall aid.

* * *

Trade with Bizonia

Since last month's Anglo-American agreement at Washington fixed the status of Bizonia as a dollar country, British trade policy towards Germany must now undergo a drastic revision. Bizonal exports to the sterling area (substantially, these are timber and steel scrap) have now to be balanced by imports from sterling sources; in so far as they are not, Britain has agreed to pay the difference in dollars. This trade, which will be balanced in the Joint Foreign Exchange Agency's new account at the Bank of England, is quite apart from the £17½ million worth of shipping services, foodstuffs, fertilizer and other goods which Britain has

undertaken to supply to Bizonia during 1948 as Category A supplies—"imports required to prevent disease and unrest." Britain will have to supply Category B goods—for the revival of the German economy—to Bizonia to the value of the goods it takes out.

During the first nine months of 1947 Britain was taking goods from Bizonia at the rate of £12½ million a year. In 1948, however, the same goods will cost more because the United Kingdom has been obliged to give up the privilege of fixing its own price for heavy steel scrap from the British Zone. This had been a sore subject with Germans and Americans for some time. The price was about £2 10s. a ton—far below what American buyers were willing and anxious to pay. In the past few weeks it has risen by two stages to £6 10s. This has made no difference to British demand for scrap; the British steel programme, as Sir Stafford Cripps explained on Monday, still requires a million tons of German scrap in 1948, and if it is forthcoming it will cost between £6,000,000 and £7,000,000—to be met by British exports to Bizonia or, if these are insufficient, by dollars. To this must be added timber. Timber imports from Bizonia cost £8,700,000 in the first eleven months of 1947. Steel scrap and timber together will make up the bulk of the £20 million at which it is hoped to balance trade between Bizonia and the sterling area in 1948.

For raw materials Britain will have to pay in raw materials. German importers are not likely to get licences from the Joint Export-Import Agency for British manufactured goods in substantial quantity. Wool, rubber, cotton and tin will probably be the main exports from the sterling area to Bizonia. Government bulk transactions will play a large part, but wool and other commodities are to be bought by JEIA at the auctions. Private traders who have these or similar commodities to offer are to be encouraged to approach the JEIA at Frankfurt or German private buyers with whom contracts are at last becoming possible.

Bizonia might also take such manufactures as tractors, specialised industrial equipment, and possibly commercial vehicles from Britain, though in small quantities. Loopholes for private initiative are beginning to appear: some German exporters will soon have a little sterling to spend under the JEIA bonus scheme. For the most part, however, Anglo-German trade is likely to be confined to the bulk exchange of raw materials until German buying becomes more elastic—as it may when the Germans at Frankfurt and Hoechst get control of their own trade. It is worth considering whether that prospect is near enough to justify establishing a branch of the Joint Export-Import Authority in London.

Payments with Russia

The exchange of letters between the British Ambassador in Moscow and Mr A. Mikoyan on the occasion of the signature of the Anglo-Russian trade and payments agreements gives details of the procedure that will be followed in effecting payments between the USSR and the sterling area. All such payments

(Continued on page 118)

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Crompton Parkinson; Glaxo Laboratories; Orient Steam Navigation.

Prices, Year 1947		Name of Security	Price, Jan. 14, 1948	Price, Jan. 14, 1948	Yield, Jan. 14, 1948	Gross Yield, Jan. 14, 1948	Prices, Year 1947		Name of Security	Price, Jan. 14, 1948	Price, Jan. 14, 1948	Yield, Jan. 14, 1948
High	Low						High	Low				
103½	100½	British Funds							Other Securities			
103½	100½	Conversion 3½, March 1, 1948-53	101½	101½	6 s. d.	6 s. d.	113½	99½	102xd	102	102	3 2 2½
102½	98½	War Bonds 2½, August 1, 1949-51	101½	101½	0 10 3	1 11 11	103½	89½	102xd	94	94	2 17 7½
102½	98½	Exchequer Bonds 1½, Feb. 15, 1950	100½	100½	0 13 3	1 8 4	102½	89½	102xd	94	94	3 10 0
105½	97½	War Bonds 2½, March 1, 1951-53	101½	102½	0 16 3	2 1 4	102½	100½	102xd	100	100	3 10 0
105½	97½	War Bonds 2½, March 1, 1952-54	101½	101½	1 2 7	2 7 2	150½	113½	40 c	50 c	145½	3 9 0
108½	101½	War Loan 3½, (after Dec. 1, 1952)	105½	103½	1 4 2	2 15 11	232½	118½	5 a	25 b	170½	3 9 6
106½	97½	War Bonds 2½, Aug. 15, 1954-56	100½	100½	1 6 4	2 8 6	80½	56½	10 c	15 c	72½	3 2 5½
106½	97½	Funding 2½, June 15, 1952-57	101½	101½	1 16 10	2 11 8	42½	25½	40 c	40 c	56½	3 8 6
109½	99½	National Def. 3½, July 15, 1954-58	101½	101½	1 7 1	2 13 8	95½	73½	7 a	7 b	83½	3 7 11
108½	99½	War Loan 3½, Oct. 15, 1955-59	101½	101½	1 7 9	2 15 0	245½	167½	15 a	120 b	190½	2 11 3½
108½	99½	Savings Bonds 3½, Aug. 15, 1955-65	100½	101½	1 11 1	2 17 8	115½	80½	12 b	8 a	100½	4 0 0
105½	95½	Funding 2½, April 15, 1956-61	97½	98½	1 10 2	2 13 5	58½	40½	9½ a	24 a	44½	3 9 9
109½	98½	Funding 3½, April 15, 1959-69	101½	102½	1 10 10	2 17 11	30½	22½	8 c	8 c	29½	5 10 4
122½	109½	Funding 4½, May 1, 1960-90	112½	113½	1 1 9	2 16 0	81½	57½	12 c	15 c	77½	3 19 2
110½	97½	Savings Bonds 3½, Sept. 1, 1960-70	100½	101½	1 11 9	2 19 2	53½	40½	7 b	3 a	50½	4 0 5
104½	92½	Savings Bonds 2½, May 1, 1964-67	95½	95½	1 13 2	2 16 8	49½	39½	10 c	10 c	47½	4 4 3
123½	109½	Victory Bonds 4½, Sept. 1, 1920-76	104½	115½	1 4 5	2 18 1	67½	45½	10 c	10 c	53½	3 15 3
111½	96½	Savings Bonds 3½, Aug. 15, 1965-75	100½	100½	1 12 5	2 19 7	77½	48½	10 c	12 c	58½	4 6 11
117½	106½	Consols 4½ (after Feb. 1, 1957)	108½	109½	1 2 6	2 16 7	36½	29½	4½ b	24 a	35½	4 0 0
115½	102½	Conversion 4½ (after Apr. 1, 1961)	105½	106½	1 9 1	3 0 5	68½	47½	20 b	7½ a	63½	4 10 0
100½	80½	Treas. Stk. 2½ (after Apr. 1, 1975)	82½	82½	1 13 7	3 1 3	37½	29½	169½-58c	174½	34½	2 3 6½
110½	95½	Treas. Stk. 3½ (after Apr. 5, 1966)	97½	97½	1 16 8	3 4 6	63½	44½	12½ c	12½ c	58½	4 6 2
117½	98½	Redemp. Stk. 3½, Oct. 1, 1986-96	99½	99½	1 13 9	3 1 4	108½	74½	12½ a	12½ a	75½	3 18 7½
99	80	Consols 2½	81½	82½	1 13 5	3 0 10	147½	108½	12½ a	12½ a	142½	3 10 5
—	—	British Transport 3½ Gtd. 1978-88	97½	98½	1 14 2	3 1 6	68½	51½	11½ b	11½ b	87½	3 10 7
—	—	British Transport 3½ Gtd. 1967-72	96½	99½	1 12 1	2 19 0	107½	71½	55 b	15 a	90½	3 19 7

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (a) Net yields are calculated after allowing for tax at 10s. in the £. (b) Flat rate. (c) Assumed average life 17 years 6 months. (d) Notice given for repayment on March 1, 1948. (e) Buying Price.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. (g) Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. (j) Free of tax.

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our materials...
and found we'd
neglected staff"



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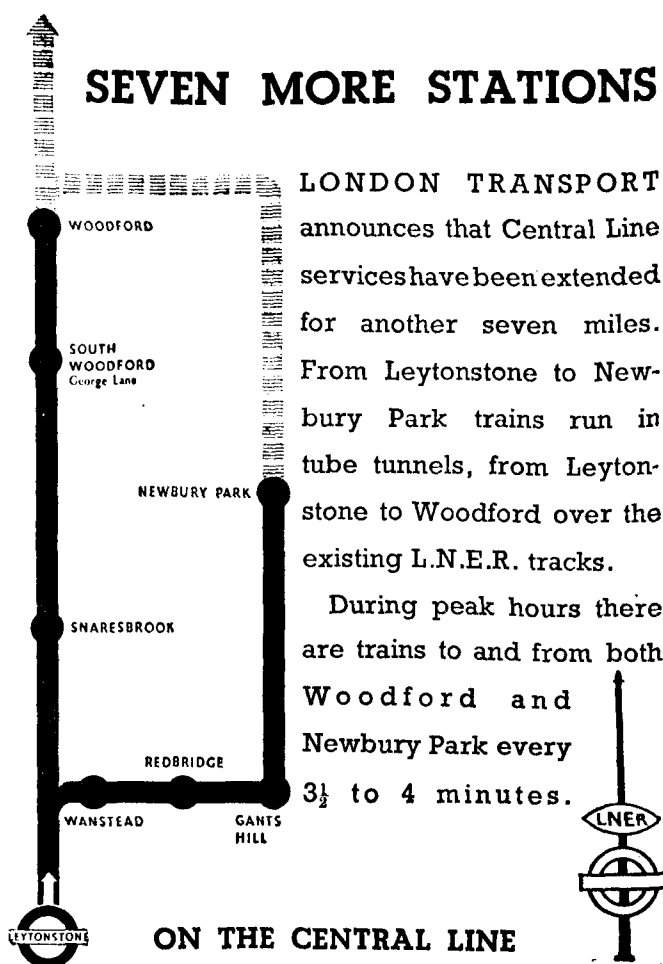
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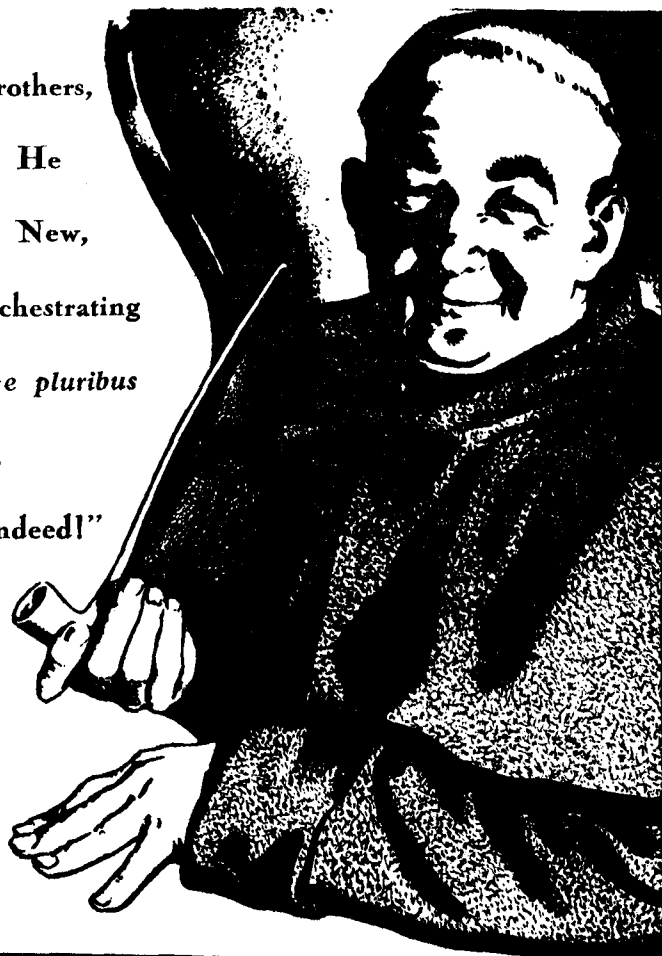
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COMPANY MEETINGS

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TOTAL ASSETS NEARLY £1,800,000,000

NATIONAL INESCAPABLE PROBLEMS

LONG TERM POLICY ESSENTIAL

SIR WILLIAM GOODENOUGH'S STATEMENT

The fifty-third ordinary general meeting of Barclays Bank Limited will be held at the head office of the bank, 54, Lombard Street, London, E.C., on the 23rd instant.

The following is the statement by the chairman, Sir William Goodenough, Bart., which has been circulated with the report and accounts of the bank for the year ended December 31, 1947, and which will be presented at the ordinary general meeting.

I have decided to follow the practice of recent years by restricting the proceedings at the forthcoming annual general meeting to the transaction of formal business, and I have, therefore, prepared a brief statement on the affairs of the bank to be sent to every stockholder with the report and accounts.

TRIBUTE TO THE LATE MR EDWIN FISHER

The sudden and unexpected death last January of our late chairman, Mr. Edwin Fisher, was a great shock to us all and has been keenly felt throughout the whole of the bank. We owe him an incalculable debt for his unsparing devotion to the bank's interests over many years, and especially for his leadership in what was, perhaps, the most difficult period of its existence. The influence of his personality will linger in the minds of all who knew him, and he will long be thought of with gratitude for what he did and with affection for what he was. Mr. Fisher joined the bank as assistant secretary in 1908 and became secretary three years later. After serving in the First World War, he was appointed successively a local director of the bank at Birmingham and a general manager. In 1932 he was appointed to a seat on the board and elected a vice-chairman. In 1934 he became deputy chairman and, in October, 1936, succeeded the late Mr. William Favill Tuke as chairman of the bank.

ALTERATIONS ON THE BOARD

The board have done me the signal honour of electing me to succeed Mr. Fisher as chairman. I recognise that this is a great responsibility, and I will do my best to carry forward the tradition built up by my distinguished predecessors.

At the end of 1947 we lost the valued services of Sir Harold Edward Snagge, K.B.E., who decided to relinquish his seat on the board for reasons of health. He first entered the bank's service 50 years ago. He was secretary from 1903 to 1908 and assistant general manager from that year until 1911. He then left the bank, to which he returned in 1914 as a member of the board. We are grateful to him for all that he has done in the past and no less grateful for the rich enjoyment, his companionship has given and we wish him every happiness in retirement.

Mr. Walter Osborne Stevenson and Mr. Anthony William Tuke, formerly vice-chairman of the bank, are well known to stockholders, and their election as deputy chairmen is a cause of great satisfaction to all of us.

During the year, the board has been strengthened by the appointment as directors of The Right Hon. The Earl of Airlie, K.T., G.C.V.O., M.C., Mr. Julian Stanley Crossley, The Right Hon. Viscount Knollys, K.C.M.G., M.B.E., D.F.C., Commander Sir Robert Micklethorn, C.B.E., R.N., Marshal of the Royal Air Force The Right Hon. Viscount Portal of Hungerford, K.G., G.C.B., O.M., D.S.O., M.C., Mr. Frederic Seebohm and Mr. John Thomson. We consider ourselves fortunate in having secured the service of these gentlemen, and stockholders will be asked to confirm the appointments.

A vote of thanks to the staff will be proposed at the meeting. This is no mere formality. It has been a difficult year for them in many ways, and I know that the stockholders will welcome the opportunity of being concerned in an expression of a real sense of gratitude to them for all they have done in carrying on the work of the bank so well.

CURRENT DEPOSIT AND OTHER ACCOUNTS

At the close of 1947 our current deposit and other accounts totalled £1,247,866,975, against £1,171,726,109 at the end of 1946. This smaller change over the year, which is in keeping with the general trend of the Clearing Bank figures as a whole, contrasts strongly with the rapid expansion in the previous twelve months, associated with the extreme pressure for cheaper money. But, while it is a matter for satisfaction that the weight of potential inflation shown in this particular form has not so greatly increased, other forces have come into play which can hardly fail to add weight, at any rate for a time, to the pendent mass of purchasing power for which there is no corresponding supply of goods and services. The American credit can no longer exert a substantial mitigating influence, and, although there may be further aid from the United States, the very steps that Britain is obliged to take to solve the overriding problems of the balance of payments are bound to aggravate inflationary tendencies, in so far as they involve an increase in production and in exports coupled with a restriction of supplies for the home market. On the monetary side, the supplementary Budget went some way towards meeting the situation by reducing the pressure of spending power, but, whatever view may be held as to the wisdom or adequacy of this measure, it is hardly to be expected that any fiscal remedy by itself will suffice to effect a cure. Even

the monetary aspect of the problem has other facets as well. Savings is one of them, and an important one in which the further aid of the banks has now been enlisted under the new "Save the Bank Way" Plan, which we hope will be strongly supported. The disappointing results of the Savings campaign in the past year underline the urgent need to bring home to the mass of the people, at all levels, full realisation that it is a duty of the highest national importance, as it was during the war, for everybody to save as much as he can. Nothing will be more calculated to stimulate personal endeavour here than the example of the strictest economy in Government expenditure. The psychological factor is of great significance in the field of saving, just as it is a major and indispensable part of the means by which a universal and forthright effort to increase production must be stimulated.

DISTRIBUTION OF ASSETS

While the total of the bank's resources has not altered so greatly as in previous years, there have been interesting changes in the distribution of our assets. To some extent this has been due to the continued movement by the authorities in favour of the Treasury bill as a means of financing the floating debt. More bills have been issued in response to the weekly tenders, and our own holding of bills discounted had increased to £206,445,106 on December 31st last, against £156,015,890 at the end of 1946. On the other hand, the balance sheet shows a lower total of £279,000,600 in Treasury deposit receipts, compared with £339,000,000 a year earlier. At the end of 1945, we held £95,508,900 in bills discounted and £345,000,000 in Treasury deposit receipts. Taken as a whole, our specially liquid assets, namely, cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice bills discounted; and Treasury deposit receipts amounted to £719,519,772 at the close of last year, representing no less than 57.6 per cent. of our current, deposit and other accounts. Besides being more flexible than it was before—a condition to which we attach great importance—our position is thus highly liquid.

INVESTMENTS

Amongst our other assets, we have made a further addition to our investments during the year, and the figure shown in the balance sheet, excluding investments in subsidiary banks, amounts to £297,088,881, which compares with £278,883,573 at the close of 1946. In March last, for the first time since they were overshadowed by Treasury deposit receipts in August, 1943, investments appeared in our published figures as the largest of our assets, and they have increased since then.

ADVANCES

I am pleased to say that our advances have again moved upward during the year. On December 31st they stood at £242,447,695, against £197,960,938 at the end of December, 1946, and they now stand at a level which is some £35 million higher than has ever been the case in any previous year. Of course, when the earlier record was set up in 1939, our deposits were much less than they are to-day, and, consequently, although advances are actually higher than they were

then, they represent far smaller proportion of our deposits: the ratio is now less than half of what it was at that time. Nevertheless, it is gratifying that even in this respect there has been a distinct improvement during 1947. At the same time, in arriving at an appreciation of the real meaning of the present level of our advances, we must not forget the influence of the rise in prices. Much more money is required to finance a given project now than was needed before the war and, consequently, the physical effect of our present lendings, pound for pound, is to that extent reduced.

PROFIT AND DIVIDENDS

The directors report that, after payment of all charges and after making provision for all bad and doubtful debts and for contingencies, the net profit for the year ended December 31, 1947, amounted to £1,637,706 5s. 8d., which is a reduction of £38,696 19s. 0d. compared with the figure for 1946. This fall was not unexpected for, although there was an increase in our investments and advances during the year, the level of our expenses has continued to rise and we have to meet the substantially higher rate of tax on profits. As will be seen from the report, the directors have allocated from the profit for the year £250,000 to contingency account and £250,000 to premises reserve account (for deferred repairs and reinstatement). Interim dividends at the same rates as in 1946 were paid on August 8th last. The directors now recommend the payment of final dividends of 5 per cent., making 10 per cent. for the year, on the "A" stock, and 7 per cent., making 14 per cent. for the year, on the "B" and "C" stock, less income tax in each case.

DIRECTORS' FEES

For a number of years, the directors of the bank have voluntarily abstained from taking the full amount of the tax-free fees to which they are entitled under the existing authority. The board feel that the time has now come when their remuneration should be a gross fee which will be subject to tax, as will be required by the new Companies Act when the relative provision becomes effective, but which, at present rates of tax, will produce a net sum smaller than they are now entitled to receive. Stockholders will find with the notice of meeting the text of an appropriate resolution, which they will be asked to approve at the meeting.

GROUP FIGURES

The new Companies Act will require us to publish a consolidated balance sheet incorporating the figures of the subsidiary banks. We are consulting with our auditors as to the form which this balance sheet shall take but, in the meantime, stockholders will be interested to know that, from figures available, the current, deposit and other accounts of the group amount to approximately £1,680 million. Of this sum £926 million is in cash in the tills, balances at central and other bankers, cheques in course of collection, money at call and short notice, bills discounted and Treasury deposit receipts, making a ratio of 55 per cent. in liquid assets. Cash and money at call are, of course, immediately available, while purchases of bills and Treasury deposit receipts are so arranged that a proportion of them matures

almost every day and, consequently, the resources employed in these ways are continually being turned over. The average maturity over the whole range of these assets, including the cash items, would be approximately one-and-a-half months. All these assets I have mentioned are apart from the investments of the group, amounting to more than £459 million, most of which are in British Government and Colonial Government securities, where our principal aim is to maintain a spread of maturity dates, but with special emphasis on short-dated securities.

I am sure that stockholders will appreciate the fact that the liquidity of the parent bank, to which I have already drawn attention, is characteristic of the group as a whole.

The total assets of the group are nearly £1,800 million—a striking indication of the wide ramifications of our bank. But even more striking is the thought of all that lies behind these figures—a great co-ordination of effort giving effective and indispensable service over a vast area of the world. The group is, indeed, a machine of precision which makes possible an immense economy of effort at home and throughout the whole sphere of its operations overseas, and it is a living and developing organisation. More than this, through its activities abroad, it is a substantial earning asset for this country.

NATION'S PROBLEMS—AGRICULTURE

The events of the past year have brought the nation abruptly to the point where urgent and far-reaching decisions have become inescapable. Our problems have overtaken us and at such a juncture there is no alternative to vigorous action. But I am impressed as much by the feeling that vigorous action must not be hasty or ill-considered action as I am by the momentous nature of the problems themselves, for what is done at this time in the stress of circumstances will profoundly influence our fortunes for many years to come. What is being determined by current decisions on matters of domestic policy in response to the pressing need of the hour is nothing less than the future shape and trend of the British economy—in particular of British agriculture and of British manufacturing industry in a competitive world. I have quite deliberately mentioned British agriculture first not only because in spite of all its vicissitudes, it has remained one of the greatest of all our industries but because I believe it has a most vital role for the future, both as a business which is at the same time a balancing factor in the make-up of the nation, and as a healthy and satisfying way of life for a large number of our people.

LESSON OF PAST HUNDRED YEARS

Almost exactly a hundred years ago there was just such a turning point as we have now, although the circumstances then were different. In those days men saw, or thought they saw, quite clearly what was wanted both for the moment and for the future. What they saw was simple and logical. By a series of measures, of which the most important was the repeal of the Corn Laws in 1846, the economic policy of the country was diverted from the course in which it had flowed for centuries. The feeling of the new age which prevailed in the adoption of this change and represented the ascendancy of the interests of manufacturing industry over those associated with the land is well expressed in the principle expounded by a contemporary statesman. The principle was "neither to foster one trade nor the other, neither to attempt to promote agriculture nor manufactures, but to leave them 'to flourish or to fade' according to the energies and skill of the people of this country."

It has been fairly said that the stars in their courses fought for the new system. A period of industrial expansion and rising prosperity, unexampled in duration and intensity, followed with the rapid develop-

ment of power and transport and the discovery of new sources of gold in California and Australia. Britain moved forward to secure her position as the workshop of the world, and the world became her granary. But, contrary to the expectation of those whose interests lay in the land, even agriculture prospered for a time. Great progress was made in stockbreeding, while the improvements in draining and fertilising, the introduction of machines and the pride taken in the development of landed estates brought more and more land into cultivation. By about 1870, after many flourishing years, agriculture stood at the zenith of its prosperity.

DRIFT FROM THE LAND

It is not surprising that the dazzling progress of the whole British economy should have become associated firmly in the public mind with the policy adopted in 1846. Nor is it strange, therefore, that the principle of free imports, regardless of wider considerations, should have persisted for many years after the first ominous sign of change. This came with the development of the vast American prairies for the mass production of crops, and the new railroads and steamships which combined to deliver them across the Atlantic. The abundance of low-cost food from new sources of supply was a factor of great value and importance to this country but, in the ten years following 1875, faltering under the impact of this flood of cheap grain, the elaborate and highly capitalised British agriculture, the result of generations of patient toil and good management, collapsed. So strongly rooted was the doctrine that left the fate of industries entirely to the mercy of events, and so wide by this time the mental gulf between town and country that no effective effort was made to save the countryside. Then, in the final decade of the century, came the frozen meat from Australia and New Zealand. The drift from the land was intensified and rural life fell away to a very low ebb.

COMPETITION AFTER FIRST WORLD WAR

But, soon after the turn of the century, it became evident that the great new competitors abroad in manufacturing industry were a rapidly growing force. Britain's overwhelming supremacy was challenged, and the consequence of the first world war in speeding up manufacture in countries overseas, in extending it to those hitherto concerned with primary products, and in leading to the erection of a formidable array of obstacles to trade, imparted a severe check to British industry, and the doctrine of 1846, already impaired, was swept away. Free imports, however desirable in the abstract, could not be sustained in the face of the massive impediments to the sale of British products abroad and the sort of competition encountered in world markets. The sacrifices of the second world war, so far as the economy of Britain is concerned, have advanced to a more acute form many of the ills suffered through the first, and now we stand, as we stood a hundred years ago, at a crucial point in our history. The underlying conditions are different and, indeed, in some ways quite opposite, but just as there was hunger in the land then, so hunger threatens now, and realisation of the fundamental need for an adequate supply of food, underlined by the experience of two great wars, has brought to the public mind an appreciation of the true significance of agriculture such as has not been known for generations. Thus has the wheel turned full circle.

I have touched briefly upon some of the salient points in our experience of the past hundred years because they illustrate how far-reaching an influence the adoption of a particular line of policy at a decisive moment can have on the national fortunes. Dominated by the nineteenth-century doctrine that I have tried to describe, the British economy became one-sided, and it is hardly to the

credit of judgment that agriculture was not utterly destroyed.

IMPORTANCE OF LONG-TERM POLICY

Clearly, then, experience tells us that in devising the means of solving our existing problems we should keep an eye on the long term: that we should look beyond the immediate future and see to it that the remedies we bring to bear for the easement of present difficulties are calculated also to produce a balanced economic pattern that will stand the test of time. If this is not done, if we allow the very magnitude of our problems to drive us into ill-chosen courses, then we incur the risk of developing a form of organisation which may prove to be out of harmony with future needs. We may thus sow the seeds of another process of major readjustment. I think what has happened in the past also helps us to visualise, however imperfectly, the direction in which our efforts should be bent. Let us consider some of the factors to be taken into account. We can see all too clearly how intense a degree of competition will eventually develop in world markets. We can see also, from the course of past events, that the growth of manufacture abroad will continue as the relatively undeveloped countries seek the added stability and higher living standards that they see in the possession of secondary industries. At a time not far distant, therefore, we must be ready for the disappearance of the outlet for some of the products that we have hitherto supplied in large quantities.

NECESSITY FOR GREATER DIVERSITY OF INDUSTRIAL DEVELOPMENT

Apart from showing how much our prosperity depends upon a growing volume of international trade in the future, these trends suggest two things, namely, that our industrial development must move towards a greater diversity than has been the case in the past, so as to become more broadly based and hence less vulnerable, and that it must be encouraged to sustain a strong progressive spirit, so that we may advance rapidly and freely to the initiation and exploitation of the new inventions and new techniques. In the new inventions and new techniques. In the field of war, we were unrivalled in the field of scientific invention, and it is vital to us that here this country should be and remain in the lead. Further, these trends suggest to me that we must prepare for a somewhat greater reliance upon agriculture for the future. But, if history teaches us anything, it is that the character of development on the land should not be related merely to the immediate and short-term problem of our balance of payments. Such a course might well lead in the wrong direction and, moreover, if we cast our minds back it must be clear that this industry has a far greater part to play than that. We must look further ahead and think in terms of a much more intensively developed and scientifically based agriculture, generating a high net output in keeping with a sound policy of nutrition and designed to fortify our economy in the long run and give balance to our national life.

PROVISION OF FINANCIAL AND OTHER SERVICES

There is one other direction in which, I think, there may be considerable scope for the United Kingdom in the future and that is in the provision of financial and other services for which she is so eminently fitted by long association with commerce and with international affairs. Here the line of policy should be to place no obstacles in the way of growth and wherever possible to encourage it. The restoration of sterling to full status as an international currency is, of course, a condition of success in this sphere.

As part of the pattern for the future, the general direction of development inherent in what I have said is associated in my own mind with the constant endeavour towards the strengthening of our ties within the

British Commonwealth in every possible way and with the idea of the United Kingdom as a great cultural centre attracting from all parts of the world a broad stream of people to her places of learning.

I have ventured at this time to take a wide view because I think it is important to remember that we can better solve the grave problems of the moment if we are mindful of our eventual purpose. I am firmly convinced that, if directed in this way, the maturity of British industrial and commercial experience, the traditionally high standard of our agricultural practice and the ready adaptability of the people of this country will find the way back to prosperity, given the will on the part of all sections of the community to make a sustained effort and, putting all other thoughts aside, to give of their best endeavours in the way that will undoubtedly be necessary.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

CAPITAL INCREASE APPROVED

MR W. M. FRAMES ON EXPANSION PLANS

An extra-ordinary general meeting of Blyvooruitzicht Gold Mining Company, Limited, was held in Johannesburg on the 9th instant.

Mr W. M. Frames, the chairman, who presided, said that in his address at the ordinary general meeting of the company held on November 14, 1947, he had outlined to shareholders a contemplated scheme for expanding the scale of operations. A circular and notice convening an extra-ordinary general meeting had given full particulars of the proposals which were being submitted for approval and adoption today.

The company's present capital programme, which was commenced in 1945, had been undertaken in order to increase the milling capacity to 40,000 tons per month, to sink a ventilation shaft and thereafter to increase the monthly output of the mine to 80,000 mill tons as rapidly as possible. The programme was now nearing completion and it was anticipated that the monthly milling rate would be gradually increased to 80,000 tons by the last quarter of 1948.

INCREASING OUTPUT

It was estimated that an amount of approximately £1,100,000 in excess of capital funds on hand would be required to complete the current programme. That additional expenditure was due to unforeseen increases in the cost of equipment and constructions and the inclusion of additional items which had been found to be necessary after the original estimates had been made. With the completion of that programme in sight, the directors considered that steps should be taken for further expansion of operations at the mine.

The company's technical advisers were of the opinion that it would be advisable to fix the next expansion objective at a milling capacity of 120,000 tons per month and they recommended that the necessary plant and equipment be ordered and steps be taken to increase the output to that figure as soon as possible.

In order to achieve that increase and to maintain output at the higher level, it would be necessary to increase the winding capacity of the main shafts, to sink and equip two sub-vertical shafts and to equip five incline shafts from the 6th level. It would also be necessary to extend reduc-

TERMS OF NEW ISSUE

The board had decided that it would be in the best interests of the company to finance those capital requirements by means of the proposals which were being submitted to shareholders for adoption today. These proposals involved increasing the authorised capital of the company from £2,950,000 to £3,306,000 by the creation of 700,000 shares of a nominal value of 10s. each. Thereafter, 29,000 of the new shares together with 510,000 shares at present in reserve—a total of 539,000 shares—were to be offered to shareholders at £7 10s. per share in the proportion of one share for every ten shares held.

The Central Mining and Investment Corporation, Limited, New Consolidated Goldfields, Limited, and Anglo American Corporation of South Africa, Limited, had agreed to underwrite the issue, free of cash commission, but as a consideration those corporations would have the right and obligation to subscribe for 71,000 of the new shares at the same price as they were being issued to shareholders—that is, at £7 10s. 0d. per share.

It was proposed that the balance of 600,000 of the new shares be held in reserve and that the board be given power to issue such shares to shareholders of the company at such time and upon such terms and conditions as the directors may determine. The issue of 610,000 shares, which would rank for any dividend declared subsequent to the date of issue, would realise £4,575,000. The directors had no hesitation in recommending those proposals for shareholders' approval and adoption.

The formal resolutions were adopted.

THE UNION BANK OF AUSTRALIA, LIMITED

NATIONALISATION POSITION

The annual general meeting of The Union Bank of Australia, Limited, will be held in London on the 2nd proximo.

The following is an extract from the statement of the chairman, Major-General Sir John H. Davidson, K.C.M.G., C.B., D.S.O., circulated with the report for the year to August 30, 1947:—

In March it was decided that two of your directors should proceed to Australia to attend conferences and meetings on the question of the proposed amalgamation with The Bank of Australia. However, the Commonwealth Prime Minister, suddenly and surprisingly, on August 16th stated in Parliament that he intended to bring in a Bill almost immediately to nationalise all the trading banks and to pass the Bill through all its stages during the present session. It was clearly useless to proceed with the expenditure of time and money on the proposed amalgamation until the question of nationalisation had been settled one way or the other.

The Bill received the Royal Assent on November 27th. The major issue of constitutional validity is now to be submitted to the High Court and we must await the result of this action and possibly of a subsequent appeal to the Privy Council. The necessity of substituting a monopoly for an efficient and well-tryed system, which has served the Commonwealth well for over a century and has played its part in developing the country and its trade, is not apparent.

The position of the Bank remains sound and liquid. Gross profits are up by £290,000 and the net profits by £27,000. This has enabled the directors to recommend a slightly higher dividend—9 per cent. less tax.

APEX (TRINIDAD) OILFIELDS, LIMITED

SATISFACTORY DEVELOPMENTS.

The twenty-eighth ordinary general meeting of Apex (Trinidad) Oilfields, Limited, was held, on the 13th instant, in London. Mr Malcolm MacLachlan (chairman and joint managing director) said that the net profit amounted to £235,000, and the directors recommended a final dividend of one shilling free of income tax per 5s. unit of stock, making a total dividend for the year of one shilling and sixpence free of income tax per unit of stock.

The production for the year amounted to 3,151,000 barrels of crude oil and 3,358,000 gallons of casing head gasoline, and deliveries of approximately these amounts had been made to the refineries.

Both drilling and production operations continued to be adversely affected by the difficulties of obtaining supplies of materials and equipment.

During the year 65,287 feet had been drilled in accordance with the company's programme to obtain production and also to extend the tested areas of the property.

The interesting developments in the syndical zone had continued and Well No. 438 had been satisfactorily completed in March last and was proving an excellent producer. During the year under review a further well No. 458 had been drilled approximately 800 feet to the north of well No. 438. This further well promised to be of comparable calibre to the successful well No. 438.

During the year the company had benefited from the higher level of oil prices. At the same time the steady increase in the cost of labour and materials continued, in addition to which the greater part of the increase in the profits for the year had been absorbed by the charge for taxation which had risen from £210,000 to £320,000.

The report was adopted.

(Continued from page 113)

are to be made in sterling. On the Russian side they will be canalised through the State Bank of the USSR No. 1 accounts, one of which is kept with the Bank of England and a second with the Moscow Narodny Bank in London. Each of these accounts is to be a transferable account. The British Government has undertaken not to restrict the availability of sterling standing in these accounts for current payments to residents in the USSR, in the sterling area and in such other countries as may be agreed by the Bank of England and the State Bank of the USSR.

In other words, "administrative transferability" will apply to Soviet Russia. What has hitherto been known as the No. 1 account of the State Bank of the USSR at the Bank of England became No. 2 account as from January 15th. Following the precedent set in all other monetary and payments agreements involving the technique of No. 1 and No. 2 accounts, this may be regarded as temporarily immobilised sterling which is not available for current payments. The exchange of letters makes it clear that all transactions authorised by the State Bank for payment through the transferable accounts shall be in respect of current transactions. The Government of the USSR has also undertaken not to restrict the acceptance by residents of the USSR of sterling which is at the disposal of residents outside the sterling area provided that the payments have been agreed between the Bank of England and the State Bank of the USSR and are in settlement of current transactions.

Deadlock on the Film Tax

The talks between the Treasury and the American motion picture producers on the British 75 per cent tax on foreign films have come to a standstill—each side, apparently, regarding the other's attitude as summary and high-handed, and Mr Eric Johnston, on his return to the United States, has given voice to displeasure. The American film negotiators had apparently been told to discuss nothing except on the basis that the British Government would withdraw the tax. And since the Government had (in spite of first appearances) given some thought to the problem before it imposed the tax in August, it was not prepared to open negotiations by giving way. It does not want to have American

RADIO RENTALS LIMITED

SUSTAINED DEMAND

The eleventh annual general meeting of Radio Rentals, Limited, was held, on the 15th instant, in London, Mr H. F. Hunt, the chairman, presiding.

The following is an extract from his circulated statement for the year to August 31, 1947:—

I am very pleased that we are able to put before you once again a report and balance sheet which I have every confidence you will regard as very satisfactory. It is especially gratifying to have achieved these results in a year that proved to be one of exceptional difficulty—bad weather last winter, the fuel crisis, rising costs of materials and expenses and shortage of supplies could all have affected our efforts. The most pleasing feature, however, is that the improvement in our profit is due to an increase in the number of subscribers rather than to an increase of the rental charged to our subscribers at a time of rising costs, and we are very proud of the extremely economic terms we offer.

The trading profits have increased by about 25 per cent., or some £14,000, and after providing for taxation we have a net £51,355 available for distribution as compared with £42,835 last year. The company has a strong liquid position. Current assets exceed current liabilities by over £40,000, whilst the surplus of assets over liabilities is now £373,000 as against the issued capital of £218,392. I anticipate that the coming year will not be without its difficulties. Nevertheless, we have obtained a substantial increase in subscribers in the first four months to date, and you may be well assured that we shall do our best to present to you next year another picture of sound progress.

The report was adopted.

THE RIO DE JANEIRO FLOUR MILLS & GRANARIES, LIMITED

FAVOURABLE CROP PROSPECTS

The sixty-second ordinary general meeting of this company was held, on the 15th instant, in London.

Mr S. C. Sheppard, the Chairman, in his circulated statement, said that the board's recommendation of a final dividend of 1s. per £1 unit of stock, less tax at 9s., making a total dividend for the year of 8 per cent. less tax, was amply covered and the carry-forward was increased by £9,737 to £77,106.

At the meeting the chairman said that later news had just been received from Rio to the effect that, whilst difficulties would undoubtedly arise during the year in connection with supplies of raw material, the somewhat improved world position made it hopeful that a reasonable quantity would be obtainable during this financial year; the demand for all the products of the company and its subsidiaries continued satisfactory.

The chairman added that, whilst the prospects of the coming crop in the Northern Hemisphere presented perhaps a better outlook today than they did some little while ago, the crops in Argentina had made a remarkable progress. Thanks to the unusually favourable weather conditions during the latter stage of growth, an exceptionally high yield could be relied upon in that their total crop figures should be now between 6,700,000 and 6,900,000 tons and which, after providing for their seed and home requirements of 3,200,000 tons, would leave a satisfactory exportable balance.

Furthermore, good fortune and improved weather conditions had likewise helped the crops in the south of Brazil, which last year were almost a complete failure. Thus it was hoped that the Brazilian 1947/1948 crop would be not far short of 250,000 tons of wheat.

The report and accounts were adopted.

"blocked" earnings piling up in this country, and the more rational methods which might be used to restrict Britain's dollar expenditure on films are ruled out by the conditions attached to the American Loan.

American producers are still earning a useful revenue from films (including re-issues) which were already in this country when the tax was imposed. These supplies cannot last many months longer, but while they last, each side can take a little time to find out how serious is the plight of the other—the one to regain a profitable market and the other to get enough films to keep its cinemas open and hence to maintain its film production. There is a danger that the American film interests may use the interval to see what can be achieved by pressure in Washington—for the temptation might arise to attach conditions to the Marshall Plan which would ensure dollars for the American film industry.

From the British point of view, and probably from the American point of view, too, it would be better to make another attempt at agreement—but this time a serious attempt. If a compromise could be found which would keep the British net dollar outgoings on films within reasonable bounds, there seems no reason to suppose that the Treasury would be intransigent about it. The Treasury is not seeking to use the tax as a protection for the British film industry; it would rather find openings for British films in America than over-protect the home market. The structure of the American film industry makes it difficult to negotiate any two-way trade. Something might, however, be achieved in that direction by individual reciprocity agreements between British and American companies, of the kind that Mr Rank brought home some months ago.

Freight Rates Increased

The Business Note under this heading in *The Economist* of January 3rd reviewed the extent to which the operating costs of shipping concerns have been rising in recent months. The Note included a statement which should be corrected. It referred to an increase of 60 per cent in pilotage rates in the United Kingdom on January 1st. This increase refers, not to pilotage, but to towage. Certain increases in pilotage rates have been made in various districts, but these did not amount to 60 per cent over the 1947 level as the Note suggested.

GOVERNMENT RETURNS

For the 10 days ended January 10, 1948, total ordinary revenue was £145,916,000 against ordinary expenditure of £68,158,000, and issues to sinking funds £527,000. Thus, including sinking fund allocations of £11,857,000 the surplus accrued since April 1st is £310,885,200 against a deficit of £562,587,178 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Jan. 11, 1947	April 1 to Jan. 10, 1948	11 Days ended Jan. 11, 1947	10 Days ended Jan. 10, 1948
ORDINARY REVENUE					
Income Tax	108,600	609,680	598,211	72,262	77,325
Sur-tax	80,000	30,832	35,555	7,600	7,350
Estate, etc., Duties	155,000	113,224	128,429	3,500	4,700
Stamps	57,000	27,154	40,680	1,000	1,400
N.D.C.	206,000	26,572	25,970	960	700
E.P.T.	1,000	273,581	201,518	10,805	10,133
Other Inland Rev.		188	175	20	35
Total Inland Rev.	158,600	1,081,231	1,030,538	96,147	101,644
Customs	742,460	475,426	612,150	19,506	23,490
Excise	668,540	433,000	490,900	8,600	7,500
Total Customs & Excise	1,411,000	908,426	1,103,050	28,106	30,990
Motor Duties	50,000	25,657	25,893	12,397	12,564
Surplus War Stores	95,000	102,104	133,641	184	668
Surplus Receipts from Trading	55,000	40,000	76,175	...	...
Post Office (Net Receipts)	11,000	6,380	7,450	...	Dr. 930
Wireless Licences	1,000	680	690	...	...
Crown Lands	21,000	22,826	19,631	617	114
Receipts from Sundry Loans	270,000	32,728	197,959	2,785	866
Miscell. Receipts					
Total Ord. Rev.	3,499,000	2,219,934	2,555,027	140,235	145,916
SELF-BALANCING Post Office	144,230	99,800	108,430	3,600	3,030
Income Tax on E.P.T. Refunds	49,000	137,421	18,186	1,773	346
Total	3,692,230	2,457,155	2,681,643	145,608	149,292

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Jan. 11, 1947	April 1 to Jan. 10, 1948	11 Days ended Jan. 11, 1947	10 Days ended Jan. 10, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	364,375	373,683	11,064	10,077
Payments to N. Ireland	23,000	13,379	16,269	697	764
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	6,700	6,608	2,347	2,347
Total	556,000	434,524	396,560	14,108	13,188
Supply Services	263,511	233,642	183,725	75,500	54,970
Total Ord. Exp.	3,191,114	2,770,976	2,322,855	89,608	68,158

SELF-BALANCING Post Office	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Jan. 11, 1947	April 1 to Jan. 10, 1948	11 Days ended Jan. 11, 1947	10 Days ended Jan. 10, 1948
Income Tax on E.P.T. Refunds	144,230	99,800	108,430	3,600	3,030
Total	144,230	99,800	108,430	3,600	3,030

SELF-BALANCING Post Office	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Jan. 11, 1947	April 1 to Jan. 10, 1948	11 Days ended Jan. 11, 1947	10 Days ended Jan. 10, 1948
Income Tax on E.P.T. Refunds	144,230	99,800	108,430	3,600	3,030
Total	144,230	99,800	108,430	3,600	3,030

After increasing Exchequer balances by £98,720 to £3,803,470 the other operations for the 10 days decreased the gross National Debt by £44,283,083 to £25,943 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	12	P.O. and Telegraph	625
Tithe Act, 1936, sec. 26	220	E.P.T. Refunds	422
		Overseas Trade Guarantees Act, 1939, sec. 4(1)	85
		Housing (Scot.) Act, 1944, sec. 4(2) and Housing (Fin. Prov.) (Scot.) Act, 1946, sec. 13(2)	414
		Coal Industry Nationalisation Act, 1946, sec. 34(1)	5,000
		Local Authorities Loans Act, 1945, sec. 3 (1)	10,250
		Cotton (Centralized Buying) Act, 1947, sec. 21(1)	5,000
		War Damage: War Damage Commission	5,000
		Civil Contingencies Fund	5,000
		Finance Acts, 1946 and 1947, Post-war Credits	1,284
			33,080

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings..... 4,550	Treasury Bills..... 64,389
2½% Def. Bonds..... 1,688	3½% Def. Bonds..... 4,302
Tax Reserve Certs. 15,354	3½% Terr. Annuities 1,270
Other Debt.....	Other Debt.....
External..... 24,804	Internal..... 3,818
Ways & Means Advances..... 11,600	Treasury Deposits..... 28,500
57,996	102,279

* Including £3,290,000 paid off on maturity.

FLOATING DEBT					
(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1947					
Jan. 11	2150.0	2467.1	411.4	...	1686.5 6715.0
Sept. 26	2190.0	2557.1	322.3	...	1292.5 6361.9
Oct. 4	2200.0	2534.8	363.9	19.8	1267.0 6385.4
" 11	2220.0	2561.7	343.2	20.3	1253.5 6398.6
" 18	2230.0	2584.7	362.8	2.0	1253.0 6432.5
" 25	2230.0	2561.5	332.6	...	1252.5 6376.6
Nov. 1	2240.0	2543.4	354.8	1.75	1252.5 6392.5
" 8	2250.0	2539.3	337.7	...	1252.5 6379.4
" 15	2250.0	2527.5	346.7	13.5	1252.5 6430.2
" 22	2250.0	2579.7	339.1	6.8	1317.5 6493.1
" 29	2250.0	2561.0	338.6	...	1337.5 6487.1
Dec. 6	2250.0	2582.2	340.3	...	1372.5 6545.0
" 13	2250.0	2569.5	325.1	...	1367.5 6512.1
" 20	2250.0	2605.4	306.6	6.3	1377.0 6545.2
" 31	2250.0	2550.7	305.6	...	1402.5 6508.8
1948					
Jan. 10	2220.0	2516.3	317.2	...	1374.0 6427.5

TREASURY BILLS						
(£ million)						
Date of Tender	Amount			Average Rate of Allot- ment %	Per Cent Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1947						
Jan. 10	170.0	287.6	170.0	10	0.16	47
Oct. 10	180.0	291.3	180.0	10	1.36	47
" 17	170.0	268.9	170.0	10	1.87	54
" 24	170.0	285.0	170.0	10	1.52	46
" 31	170.0	289.3	170.0	10	1.38	43
Nov. 7	170.0	285.4	170.0	10	1.49	45
" 14	170.0	270.1	170.0	10	1.85	53
" 21	170.0	271.2	170.0	10	1.70	53
" 28	170.0	269.2	170.0	10	3.02	53
Dec. 5	170.0	300.6	170.0	10	2.26	38
" 12	170.0	289.8	170.0	10	2.66	45
" 19	170.0	274.7	170.0	10	2.89	50
" 24	170.0	288.1	170.0	10	2.73	45
1948						
Jan. 2	170.0	274.2	170.0	10	2.99	52
" 9	170.0	285.2	170.0	10	2.63	45

On January 9th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 45 per cent. of the amount applied for at 99 1/8% and applications at higher prices were accepted in full. (£170 million maximum) of Treasury Bills are being offered for January 16th. For the week ended January 17th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS			
(£ thousand)			
	Week Ended		Totals
	Jan. 4, 1947	Jan. 3, 1948	Mar. 31 to Jan. 3, 1948
Savings Certificates:—			
Receipts	2,600	3,050	169,900
Repayments	2,300	2,000	109,550
Net Savings	300	1,050	60,350
Defence Bonds:—			
Receipts	2,910	870	56,010
Repayments	586	378	30,259
Net Savings	2,324	492	25,751
P.O. and Trustee Savings Banks:—			
Receipts	11,058	10,645	514,390
Repayments	7,424	8,319	483,959
Net Savings	3,634	2,326	30,431
Total Net Savings	6,258	3,868	116,532
Interest on certificates repaid	423	360	20,719
Interest accrued on savings remaining invested	2,198	2,254	85,903

BANK OF ENGLAND RETURNS

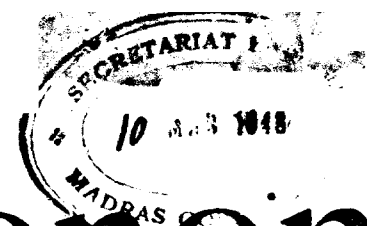
JANUARY 14, 1948

ISSUE DEPARTMENT

Notes Issued: (£ million)		Govt. Debt (£ million)	
In Circulation.....	1306,428,055	Govt. Debt.....	11,015,100
In Bankg. Department.....	93,819,778	Other Govt. Securities.....	1388,277,972
		Other Secs.	700,151
		Com. other than Gold.....	6,777
		Ant. of Fid. Issue.....	1400,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	247,833
			1400,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.....	308,321,370
Rest.....	3,657,549	Other Secs.....	
Public Depts.*	21,666,806	Discounts and	
		Advances.....	9,929,710
Other Deps.: Bankers.....	295,550,634	Securities....	19,382,232
Other Accts.....	96,349,915		29,311,942
	391,891,549	Notes.....	93,819,778
		Coin.....	315,814
	431,768,904		431,768,904



The Economist

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January 24, 1948

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Power for Frankfurt

FOR the third year in succession, a food crisis has reduced the Ruhr to rebellion and despair. The authorities' persistent failure in recent weeks to honour the fat ration has led to strike action in various towns, factories and mines. Had it not been for the remarkable restraint and responsibility shown by the leaders of the German trade unions, there might well have been a general stoppage of work. The mood of desperation was relieved a little last weekend by the news that at a hurriedly convened conference of officials from the *Länder* and from Military Government, it had been agreed to transfer to the Ruhr some of the fat rations earmarked for delivery elsewhere in the Zone. At the same time, the Americans and the British took steps to increase and hasten the arrival of supplies from abroad. But the crisis is not over. It has arisen earlier this year than last, and it is not certain whether the other States will in fact transfer their supplies to the North-West. It has behind it a greater weight of broken promises and hope deferred. It coincides with a Communist declaration of war on all Allied policies in the Western Zones. What lies ahead may well prove to be a serious challenge not only to the stability of Allied Government in Germany but to the whole conception of European recovery.

In the short run, there is little to be done about the crisis in the Ruhr save to divert more food there. The causes of the breakdown, which are described in greater detail in a survey on page 139, have deep roots in the policy and structure of the Zones and cannot be righted from one day to the next. One element—the loss of the agricultural lands beyond the Oder-Neisse line and the transfer of their population westwards—is a factor about which the Western Allies can do nothing for the present. But other factors are within their control and the crisis must be taken as the last warning the Allies are likely to receive if they hope to make Bizonia into a satisfied and workable community. This time they must draw the right conclusions and begin the necessary reforms, for it is almost impossible to believe they will be given another opportunity. The immediate cause of the food shortage is, by common consent, the failure of the central authority at Frankfurt to persuade or compel the agricultural areas, particularly in the south, to deliver their quotas of food to meet the ration in the big cities. Since the Ruhr contains a higher concentration of urban population, it is there—and in Hamburg—that the breakdown of deliveries from the farms has been felt first and most sharply. Last year, the Allied authorities carried a large part of the blame since they had failed to maintain the scheduled shipments of grain to Germany. This year there has been no such failure, the grain ships have arrived regularly and stocks are above schedule.

Nevertheless, the Allies cannot wash their hands of responsibility for the zonal authorities' failure; the Allies created the zonal structure and defined the powers of the central administration in Frankfurt. Moreover, simply by maintaining their present relationship with the German authorities, they help to keep alive a spirit of irresponsibility. If the Germans feel that ultimately, whatever mess they make of their own feeding arrangements, an Allied *deus ex machina* will step in with more

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Applications, which must be received on or before February 28th, 1948, should be sent to the Registrar, the University, Manchester, 13, from whom further information may be obtained.

BEDFORD COLLEGE FOR WOMEN

(UNIVERSITY OF LONDON) REGENT'S PARK, N.W.1.

The Council of Bedford College invites applications for the post of Secretary of the College, vacant as from 1st October, 1948. The post is open to women only, and the appointment will be made at a non-resident salary of £1,000–£1,200 per annum according to qualifications and experience. Candidates must hold a University degree. Last day for receiving applications 7th February, 1948. Further particulars from the Secretary.

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Applications are invited for appointment to the position of Lecturer in Economic Statistics in the Faculty of Economics. Salary range is £500 (Australian) per annum, rising by annual increments of £50 to £750 (Australian) per annum. Salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience. Travelling expenses will be paid as arranged at time of appointment; generally speaking, they will cover first-class steamer fare in the case of a successful applicant coming from abroad. Applicants should have training in Economics and Mathematical qualifications. Duties include teaching of statistical theory and methods to both Pass and Honours students under the supervision of the Senior Lecturer in the subject. There will be opportunities for research. Duties commence as soon as practicable in 1948. Further information may be obtained from the Secretary, Universities Bureau of the British Empire, 8 Park Street, London, W.1. Applications supported by testimonials and giving the names of three referees close with the undersigned on 31st March, 1948.

G. DALE, Registrar, University, Sydney.

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Sir Oliver Franks, K.C.B. (President of Queen's College, Oxford), on "The Marshall Plan."

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EXECUTIVE, 37, B. St. Leon. (Hon.), export manager of important concern, with commercial experience, seeks responsible position in economic intelligence, market research or export dept.—Write Box 636.

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(1946 Accounts)

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Duties: To investigate and report upon the structure and development, markets and other aspects of selected industries, with a view to further development.

Qualifications: Experience associated with the establishment and development of industries, ability to write reports, to prepare critical analyses and to formulate policy proposals based upon such reports and analyses. Academic qualifications, particularly in science, engineering, economics or accountancy desirable.

Senior Research Officer (2 positions).
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Duties: The planning and carrying out under direction of economic research projects in relation to secondary industries and advising on the policy aspects of plans for development.

Qualifications: Practical experience in economic research and some knowledge of the structure of secondary industries in Australia or elsewhere. Suitable academic qualifications required. Subject to satisfactory service, selected applicants will be guaranteed not less than two years' employment in the service of the Commonwealth. In relation to travel to Australia, selected applicants will receive the benefits accorded to migrants under the assisted passage scheme.

As amongst applicants outside the Commonwealth Public Service preference will be given in accordance with the Australian Re-establishment and Employment Act (No. 11 of 1945) (relating to preference to discharged members of the Armed Forces).

Applications showing full name, date and place of birth, and nationality, specifying if British, whether natural born or naturalised, particulars of war service; full particulars of qualifications and experience, together with copies of references, should be forwarded in duplicate to J. R. Cochrane, Australia House, Strand, London, W.C.2, to reach him not later than February 4th, 1948.

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ADDRESSOGRAPH Equipment wanted. Cabinet complete with trays or trays alone. Also hand Graphotype Embossing Machine. New or second-hand.—Box 639.

category "A" imports—those designed to check disease and unrest—then clearly they will not make the ultimate effort to solve their difficulties themselves. What is needed, therefore, to prevent a recurrence of the present crisis is a drastic reconsideration of the respective powers of the Central German authority and the *Länder*, and of the relationship of both to Military Government.

It may seem peculiar to propose "drastic reconsideration" of the structure of the central administration in Bizonia, when a quite drastic change has in fact been planned and proposed only a fortnight ago. But the present proposals for strengthening and enlarging the Economic Council at Frankfurt, for creating a Second Chamber to represent the *Länder* and for setting up a Supreme Court to adjudicate on any clash of power that may arise do not affect the real issue at all. Although the powers of the Central Council are increased, it has no executive agencies in the *Länder* and must depend for the carrying out of its orders on the officials of the *Länder* Governments, who naturally serve the immediate in preference to the remote authority. The planning of deliveries by the central agencies for food and agriculture has been adequate enough; the crucial failure lies with the regional authorities who are supposed to do the actual job of collection. It has not been done.

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This situation will not be remedied until economic functions in Bizonia are firmly centralised. Taxation, which is barely a matter for the Frankfurt administration under existing arrangements, must be transferred to the central authority, while food and agriculture, foreign trade and industrial policy, which are already under the nominal control of the Frankfurt administration, must be reinforced by executive branches in the *Länder*, which will owe their allegiance not to Stuttgart or Munich or Hanover but to Frankfurt. Without such reorganisation the carrying through of the much-discussed currency reform can hardly even be envisaged. Indeed, in no other way will Bizonia achieve an economic structure upon which any sort of reform or recovery can be based. The division of Germany between East and West is already a sufficient handicap to economic revival. To complete the process by balkanising Bizonia's economy is to ensure disaster.

The difficulty in carrying through so obvious a reform lies in the Allied—particularly in the American—belief in federalism. It has been assumed that federalism would be possible only with the utmost decentralisation of power; and so a governmental structure was imposed on the Germans which gave full play to the narrow particularism which usually infects them at times of economic dislocation and crisis. To create a system which enables Bavaria to cease feeding the Ruhr at a time of near-famine is to make certain that Bavaria will in fact behave in that way. Yet the past history of German federalism has shown that it is possible to combine a very high measure of political decentralisation with centralised economic institutions. After 1870, single cartels for iron and steel and potash, a central banking system and a measure of federal taxation were combined with local particularism pushed to the point of separate dynasties. There is thus in recent German history a possible federal pattern which would avoid the frustrations of the existing structure. Admittedly, the Americans, who now have the deciding voice in Bizonia policy, have shown themselves very inflexible on this subject. A change of heart is made all the more difficult by the undecided battle between the War Department and the State Department to determine which shall control German policy. But it could perhaps be urged, both on Mr Marshall and Mr Forrestal, that to maintain in Western Germany an economic regime which is precisely designed to prevent the feeding of the most vital industrial area is neither good foreign policy nor good defence.

The problem of creating new relations between Bizonia and the occupying Powers offers even greater difficulties. So long as Britain and America bear direct responsibility for policy in the zones, they will by that fact alone ensure that any German administration is weak, vacillating and incompetent. The central authority will lack the will to govern, even if it has the means; and the present deplorable situation will continue, in which the Allies are reviled for the mistakes committed by Allied and German officials alike, and receive no recognition for the tremendous effort and outlay made by them year after year to save the Germans from starvation.

Yet control in Germany must be maintained—enforcement of total disarmament, protection of the citizens' civil rights, safeguards against any resurgence of Nazism. And when all due blame has been attached to the German authorities, the fact remains that Western Germany is not self-supporting and that, by its own unaided efforts, it cannot feed itself, any more than can France or Italy for the time being. Even if Western Germany were not under military government, it would still need aid—Marshall aid. This, then, is the dilemma. Allied control and assistance are necessary—yet their perpetuation undermines the Germans' capacity to govern themselves.

Can anything be done to square this circle, to combine sufficient control with the creation of genuine German responsibility? There seems only one solution: to reduce Allied control to the absolute essentials—the maintenance of armies of occupation and the establishment of a strong inspectorate, on the one hand to enforce disarmament and the ban on certain industrial activities, on the other to check any attempt to frustrate or overthrow the Bill of Rights which must be framed for German citizens. For the rest, it is becoming more and more evident that direct Allied control should be withdrawn and the German Government at Frankfurt given—with certain obvious exceptions in the foreign field—the attributes of effective government and independence.

In the economic field, German officials and the German business community should be given the task of directing the German economy and organising the foreign trade of Western Germany. The Export-Import Agency, for instance, should be dissolved as quickly as possible. Since, however, Bizonia is not yet viable, Germany should be entitled to the assistance it needs, not by way of separate Allied provision, but through the established organs of international economic co-operation. Germans should plead the cause of the Ruhr before whatever international agencies for food rationing continue to exist. Germans should work—even if not as fully equal members—on the Committee of Sixteen. Germans should be associated with the negotiations on Marshall Aid in Paris and Washington and should accept the conditions of aid laid down by Congress for all the participating countries. The special assistance the Western Zones now receive under Category "A" imports could then become part of their allocation under the Marshall Plan. Their need for extra assistance is undeniable; but a few more years of spoon feeding by military government will confirm them for ever in querulous incompetence.

The truth is that the politicians in Frankfurt and in the *Länder* do not yet know the facts of international life—of world food shortage, for instance, and of the desperate competition for scarce goods—and they cannot know them so long as they see the world through the distorting mirror of military government. The aim of America and Britain should thus be to end military government as quickly as possible, and to establish effective self-government in Western Germany—of course with full safeguards—if possible before the year is out. There is no other way of squaring the German circle. There is no other way of ending, both in the *Länder* and in Frankfurt itself, the basic political irresponsibility which is, in the last analysis, the cause of the crisis in Bizonia today.

Half-Way House.

A YEAR ago, the House of Commons reassembled to face the greatest programme of legislation which any Government in history had demanded of it. Spirits were high; the formula of nationalisation was still fresh; and the fuel crisis was nearly a month off. This week Parliament has resumed its task in a very different mood. The first half of its term is passed, and its second half beginning. This is a time when the Government benches are beginning to wonder whether Socialism is, after all, enough. It is a time, too, when the Opposition must be asking itself why it makes such a small impression on an electorate which might well be tired of the country's plight and of the Government's ineptitude which has helped to bring it about. Middle term government has a habit of being unspectacular, and even timid. To use these words of a programme which includes the Parliament Bill may sound far-fetched, except to those who recall the flashy streamlined legislation of earlier sessions. Yet, with this single exception of doctrinaire irrelevance, the programme of work before Parliament during the remainder of the session promises to be austere and utilitarian.

It is something of a relief to contemplate the Government's comparatively uncontroversial programme of legislation for the remainder of the session. A further instalment of nationalisation is, indeed, included, in the shape of the Gas Bill, which has been introduced this week. But this measure would be supported by many who are not professing Socialists, and it was actually recommended by a committee presided over by the chairman of one of the country's largest industrial concerns. The case for nationalisation of the gas industry must in any case be conceded, if only because coal has been, and electricity will shortly be taken over. Nor is the Electoral Reform Bill likely to raise tremendous controversy, at any rate so far as the redistribution of seats is concerned, though the abolition of the university vote—as if it were on all fours with the business vote—would bear the mark of unthinking egalitarianism. The Cinematograph Films Bill may be open to the criticism that it does not go far enough in the correction of monopoly (one of the questions, incidentally, in the Labour Party's electoral programme which has yet to be tackled) but it cannot touch more than the fringe of party controversy. The Children Bill, which is discussed on a later page, will win the general approval accorded everywhere to the Curtis Report.

This is doubtless a worthy programme, but it does not promise much political advantage for the Government. On the Parliament Bill, they may win at Westminster, but they will almost certainly be the losers in the country, which is aware of the arguments for an agreed measure of reform for the Upper House but still suspects, despite all the protestations of Ministers, that the Bill is a device for making certain that

the Government can nationalise the steel industry during the remainder of their term. If there was a consensus of opinion in favour of nationalising the industry, or if it was failing to make its maximum contribution to the nation's needs, no such artifice would be needed.

In every respect but this, the Government's programme shows a modest realism. For that, the narrow escapes from last year's crises of fuel and dollars may, perhaps, be thanked. The complacency of July and the demoralisation of August have given way to self-respect and to a regard for facts. Nothing has contributed to this salutary change so much as the emergence of Sir Stafford Cripps in full mastery of economic and financial policy. The new Chancellor is entitled to make the most of the signs of economic improvement and expanding output, but he would never be tempted to use them to disguise the truth. Indeed, if Sir Stafford has a fault, it is precisely the reverse of Mr Dalton's: for he is—quite rightly—so preoccupied with Britain's adverse balance of payments and the dollar deficit that he is willing to impose any strain on the British economy, even to the extent of denying it the new industrial plant which it so urgently needs. In a real sense, this will be the Chancellor's session, with the promise of an "Economic Survey" for 1948 next month, and his first Budget in April. And in the meantime, the routine but important process of supply will concentrate the attention of Government and taxpayers on critical questions of expenditure.

Thus the stage is set for fresh thinking on problems which were unimagined by the Government in the cheerful days of twelve months ago. Already, some fruits of a new realism are forming. There are signs of a more healthy atmosphere in the British economy—exhortations to work from the trades unions, an end (for the time being at least) of the move towards a shorter working week, some Stakhanovites among Welsh miners. Production is rising, slowly and painfully, though in some cases expansion is still using up scarce stocks of raw materials. The contribution which is being made towards paying our way—in other words, towards the day when the British people will eat only to the extent that they produce and sell—is still pitifully small. If the mass of the people now have some idea—even a vague idea—that their short commons are only partly due to the war and only partly due to the shortages of food and dollars, the credit for their enlightenment belongs to Sir Stafford Cripps.

But he is, in truth, only at the beginning of his task, and it remains to be seen whether even his independence of mind will prevail over his potential critics at Westminster and Transport House. Many of those who enjoyed Mr Dalton's tirade against the advocates of disinflation a year ago ("persons not of a representative quality given to irresponsible babblings") have come round to the view that inflation is, after all, rampant. Those who



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have changed their view about inflation now that it is no longer partially suppressed, will hardly quarrel with the Chancellor's willingness to let the long-term rate of interest on Government securities rise to 3 per cent and to abandon his predecessor's campaign of ultra-low interest rates. But that retreat cannot be more than a symptom of the Chancellor's attitude towards inflation. The test will come when he opens his first Budget. Will it aim at a large and genuine surplus? Will it make a start towards a reduction of the fantastic burden of the subsidies with all their distorting and inflationary consequences? Will the Chancellor be prepared to listen to the more thoughtful of the bankers—and to be charitable to those whose tempers seem to be wearing thin?

No one realises better than the Chancellor that time is running desperately short. Within a mere six months the country may be facing insolvency—unable to buy its minimum requirements of food and raw materials because its dollars have been drained away. The illusion of prosperity at home (which really means

easy profits and bulging wage packets) and difficulty abroad (which is due in large measure to the fact that the country is living beyond its means) has by no means vanished, and it will require all the skill which the Government can command to prepare the country to make the best use of Marshall Aid, if it is forthcoming, or to gird it to the decisive struggle for survival, if aid comes too late or is insufficient. These will be the tests of the coming months. On foreign policy, both parties are in large measure agreed, and except for a few dissident back-benchers, there is general support for the unequivocal line which Ministers have recently been taking about Russia and encouragement for their more hesitant steps towards European co-operation. It is on economic policy at home that the Government still runs its greatest risks. The British economy is frustrated and brittle. It can be made to work more smoothly if the Government will only realise that an honest financial policy is not something which will benefit a few hard-faced bankers in the City, but means, in truth, security and stability for their own supporters.

General Election in Eire

MR DE VALERA has kept his promise. As a result of the defeat of his party, *Fianna Fail*, at the by-elections held in the autumn in Dublin and Tipperary, Eire now faces a general election on February 4th. In Ireland political opinion always moves to the left, never to the right. The only question is: how great will the deflection be? In the last year a new party known as *Clann na Poblachta* has come into prominence. It has the necessary republican outlook and also the second asset essential to success in Irish politics—a personality. Mr MacBride, the leader of *Clann na Poblachta*, is a barrister by profession with an impeccable revolutionary background. His father was one of the leaders executed in 1916. At the by-elections Mr MacBride attacked the Government on its blind side. He outlined in spacious terms a progressive social programme; he appealed to extreme nationalist sentiment by suggesting that members for Northern Ireland should be invited to sit in the Dail; and in Tipperary he enlisted the support of the land-hungry by denouncing the wealthier English settlers who have acquired large properties in the south. All these ingredients bubbling in the retort of Irish politics may make an explosive compound which might not only put an end to Mr de Valera's sixteen years of authority but might also conceivably end the twenty-six years of peace in Eire. Mr de Valera has wisely got off the powder keg and allowed the gas of Mr MacBride's explosions to escape into the open air of a general election.

Since Mr de Valera first assumed office in 1932, Eire has passed through the economic war, the Second World War, and a measure of postwar austerity. In spite of neutrality and of a policy of political and economic isolationism, Eire has suffered much from the impact of events in the outside world. There was little improvement last year. The bad weather and the fuel crisis in the spring caused widespread inconvenience and hardship. The dollar crisis in the autumn brought additional shortage in its train, and Eire's share of the sterling area dollar pool has been drastically cut. The budget early in the year raised the duty on tobacco and entertainments. A supplementary budget in the autumn raised the duties on beer, whisky, and wines; raised the duty again on tobacco and entertainments, and increased the standard rate of income tax and the motor licence duties. All these events were the cause of popular discontent, but none of them has caused such widespread indignation as the rise in the cost of living for which Mr de Valera's government is, rightly or wrongly, blamed.

The end of the standstill orders on wages was followed by numerous demands for more pay and shorter hours. The cost of living rose much more rapidly than in Great Britain and real

wages undoubtedly fell severely. The trade unions alleged that prices were not sufficiently controlled and that shopkeepers and traders were profiteering at the expense of wage earners. There were many strikes, frequently in defiance of the Labour Court, and sometimes even before the Court had had an opportunity of investigating the workers' claims. Transport was disorganised for two months in the autumn, and the banks had to close their doors for a few days as a result of a stay-in strike. It was to stabilise the cost of living that the supplementary budget was introduced in October. Subsidies were provided for flour, tea, and sugar, but, as these subsidies were paid by increased taxes on beer and other conventional necessities, the average working class household experienced no real benefit.

For those with money almost everything except coal is readily obtainable in Eire; for the less fortunate the rising spiral of prices means great hardship, which is sharply accentuated by the improved but still comparatively low standard of social services. The contrast with Northern Ireland is not being overlooked. Old age pensions in Northern Ireland are 26s. per week at the age of 65; in Eire they are 12s. 6d. per week at the age of 70. During the long teachers' strike of 1946 the National Union of Teachers made effective play with the very marked difference between their salaries and those of their colleagues north of the Border. Most significant, and due mainly to the high cost of living, is the fact that only 18 per cent of the young men in the 29 age group in Eire are married. In England the percentage is 53; in the United States it is 64.

The growth of the tourist trade has also aroused some misgivings. Tourists consume a large amount of imports for which they practically all pay in sterling, and as part of the imports are from dollar areas, tourists increase the pressure on hard currencies. Moreover they put up prices in the country and add to the soaring cost of living. It is probable, too, that the tourist trade is purely temporary and will fade away when continental travel is resumed.

More serious still is the adverse account of the balance of payments. From January to October, 1947, imports amounted to £105,203,234 and exports to £30,824,851. An adverse balance of this size cannot long be maintained even by so strong a creditor country as Eire. There are, of course, substantial invisible exports which largely bridge the gap, but how large they are is difficult to say because the annual official estimates of the balance of payments for last year have not been published.

In the long run, however, Eire's balance of trade depends upon increasing its agricultural exports. During last year, Mr de Valera paid two visits to London and arranged a new Anglo-

Irish trade agreement. Great Britain undertook to supply coal, raw materials, fertilisers and agricultural machinery, while Eire promised in return to supply more cattle and other agricultural products. This agreement contains considerable possibilities for expanding Irish exports. Britain can absorb large quantities of food, and the prices fixed are generally regarded as satisfactory. The real limiting factor is the low productivity of Irish farming. The shortage of fertilisers and feeding-stuffs during the war was enough to account for a temporary shrinking of output, but what is disquieting is the absence of any long-term trend to increase production on the land. A policy of agricultural development based on improved technique is imperatively required. The stagnation of agriculture is the Achilles' heel of Eire's economic system.

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It was against this economic background that the by-elections were held on October 29th. *Clann na Poblachta* won two of the three seats and Mr de Valera accepted the challenge by announcing the forthcoming general election. Hitherto, the division between the principal political parties has been based on the issues and personalities which split *Sinn Féin* a quarter of a century ago. General Richard Mulcahy, the leader of the Opposition party, *Fine Gael*, was Chief of Staff to Michael Collins, and his dispute with Mr de Valera has little to do with the present troubles in Eire. But a whole generation has grown up since 1921, a generation which is more interested in social problems than in the antagonism born in the civil war. Hence the popularity of Mr MacBride's *Clann na Poblachta* and the decline since 1932 of *Fine Gael*, whose fortunes are not likely to be revived.

The state of the parties in the Dail today is *Fianna Fail* (Mr de Valera), 76; *Fine Gael* (General Mulcahy), 27; *Clann na Talmhan* (Farmers), 11; Labour, 8; National Labour, 4; *Clann na Poblachta* (Mr MacBride), 2; and Independents, 10. It is quite impossible to forecast what the position will be after the elections. Mr MacBride is putting 92 candidates into the field, but few suppose that he will be able to form a government without outside support. On the other hand, if the by-elections are any guide at all, Mr de Valera may not secure an absolute majority. He has, however, a political and temperamental dislike of coalitions, and he has stated that he will not combine with any other party to form a government. Mr

The Middle Class—I

Plight of the Professions

(By a Correspondent)

IF the middle class is, as used to be said, the backbone of the country, then Great Britain is rapidly becoming invertebrate. In a sense, of course, the middle class is expanding and extending itself, as the wage-earner assumes bourgeois social habits and standards and the old upper class sheds inherited wealth and exclusiveness; and as it expands, so it grows less definite and homogeneous. Financial status, accent, habits and educational background no longer coincide. But the essential core of the middle class, the spinal cord in the backbone, the professional man as distinct from the profit-maker or wage-earner, does constitute a fairly recognisable social type. He holds a University degree, a qualification from a professional body, or at least he has gone through a recognised process of training extending over anything up to a dozen years beyond the legal school-leaving age. He lives on salary or fees, not on property. Until fairly lately his income, averaged over his working life, was—even allowing for his late start—much higher than that of the manual or clerical worker; now the overlap is so considerable that the distinction is blurred.

MacBride's prospects are much improved by the fact that the Labour party remains so deeply divided that each section proposes to run candidates against the other. But, while many consider Mr MacBride to be a Socialist leader intent alike on reform and national progress, others mistrust the sincerity of his democratic professions. It may be that Mr de Valera will be able to take full advantage of the doubts about Mr MacBride's ultimate intentions, but the probable result of the elections will be either a *Fianna Fail* government leaning reluctantly on Labour support, or a coalition of smaller parties. In either case Eire will have to face an unsettled period of uneasy coalitions and repeated elections.

The election is being fought on personalities rather than on political programmes, and the electorate will vote "pro-Dev" or "anti-Dev." Translated into broader terms, the choice is between a settled government and a coalition government. The latter would encourage political manoeuvre and would, at the same time, introduce a new vitality of a not very attractive kind into the political scene. Logically, all those in favour of settled government should vote for *Fianna Fail*, and many of the normal supporters of *Fine Gael*, whether former Unionists or large farmers, may transfer their allegiance to Mr de Valera. But whatever the gain on the Right, *Fianna Fail* will probably lose a good deal more on the Left.

One result of the birth of a new republican party may well be to bring into the open once again the question of Eire's relations with Britain and with the Commonwealth. The only formal link binding Eire to the Commonwealth is provided by the External Relations Act, under which letters of credence for representatives to foreign powers are signed by the King. This arrangement, always described as a matter of convenience by Mr de Valera, has been criticised rather irresponsibly from the Right in the Dail. It is possible that Mr de Valera, or his successor in office, in order to safeguard his position in the country, might seek an alternative arrangement. It is not, however, constitutional formalities, but co-operation in economic and social policy that matters. And in such spheres, as Irish participation in the Marshall Plan and the recent Trade Agreement have clearly shown, co-operation has been more intimate than at any time in recent years. It is to be hoped that nothing that results from the election will impair the new and friendlier relationship which has been built up since the war.

But if the class itself is hazy at the edges, both socially and economically, its particular role is less so. In a very real sense it is to the body politic what the spinal cord and central nervous system are to the physical body. A well-developed professional class distinguishes the civilised community as a well-developed nervous system distinguishes the higher animals. The professional man presumably has the usual dose of original sin to contend with; but professional training is calculated to check the hypertrophic acquisitive instincts of Economic Man, to widen civic horizons, to substitute for the grudging calculus of pay and effort the more generous ethic of the Scriptural second mile. It is, indeed, partly because of this attitude that the professional class as a whole now finds itself in such straits. It is too proud to fight; too proud, certainly, to enter wholeheartedly into the inflationary game of mutual blackmail.

The statistical evidence of its decline is striking. An article on "Wages and Profits," in *The Economist* of November 15th last, estimated that the real net level of wage earnings (that is, after allowing for the rise both in prices and in taxation) has

risen by between 10 and 35 per cent since before the war. But a corresponding figure for the representative salary income (if one were accurately obtainable) would show a loss of anything from 20 to 30 per cent in real net purchasing power. This is partly because the prices of those goods and services which are outside the scope of the cost-of-living index, and affect the middle-class consumer more than the wage-earner, have far outstripped those which the index subsumes. Out of any extra money income he may now be receiving (and the average increase is much lower than that of wages) the professional man must pay house-rent (unless he is lucky enough to have established prewar occupancy) at three or four times the prewar rate. His car, if he can run it, costs twice or three times as much now, up to ten times as much secondhand. Where the twentieth part of an £800-a-year salary would pay for a general maid, a full fifth is now needed. School fees are largely a matter of transfer between members of the professional class and their rise has been braked by that class's forbearance; but the pressure of other costs has forced them up faster than salaries in general. Without drawing on capital, the possession of which is by no means characteristic of the professional, it is now impossible for less than, say, £1,200 a year at least, even leaving prohibitions out of account, to enjoy the normal ingredients of a prewar professional family's life—the privacy implied for each member of the family by having a room of his or her own, the mobility and independence implied by a car, the leisure implied by even a part-time domestic—not to mention such other attributes of civilisation as concerts, theatres, books, the exchange of hospitality, and a modicum of foreign travel. It is impossible for such a family to give more than a single child the type of education they prefer—and which is still almost a conventional necessity. Whether it is rightly or wrongly so is another story, and a very long one; but the fact is that many professional and middle-class families would rather stint themselves on other things than accept the state's free education.

A cursory survey of salary scales shows that only a tiny minority, at the peak of their careers, attain or surpass the level of £1,200. The outstanding successful lawyer or doctor can, of course, do much better; so, occasionally, can the independent architect, whose percentages benefit automatically from each rise in building costs; on the fringes between the professions and business, large incomes are possible to the scientist, the technician, the publicist, the accountant and the professional manager. But the teacher, the university don, the civil servant or local government official, the social worker, the salaried doctor, scientist, architect or surveyor, the holder of His Majesty's commission, and above all the clergyman of almost any denomination, are otherwise placed. In academic life, one must be a full professor to surpass this figure—and few universities pay even their most distinguished members more than £1,500 a year. In teaching, the new Burnham scale provides a maximum, for the most highly qualified assistant teacher of £615. The civil servant must reach the rank of assistant secretary to pass the £1,200 mark by any noticeable margin. And everywhere, the loss relative to living costs and to the incomes of the rest of the community is heaviest in the upper reaches. The maximum salary of an assistant secretary, for instance, remains unchanged at £1,700; that of a principal is up by only 10 per cent.

There are temporary mitigations. Just as any given wage scale stands for higher earnings, thanks to full employment and overtime, so any given salary scale looks better to the present-day professional man because of the quick promotions of the last few years. If one has climbed three or four steps in half the usual time, one is less apt to notice that they are steps on a down-going escalator. But this very record of quick promotions darkens the prospects for today's juniors. The places at the top are now occupied not by seniors soon to retire but by men with twenty years' tenure ahead of them;

there are likely to be some starving horses while the next crop of promotions is maturing.

Of course the professional is less burdened by taxation, on paper, than the very rich; though surtax hits him at about the level where he might otherwise afford a cook, he does not qualify for an impost of 19s. 6d. in the £. But the very rich are generally so by reason of their capital, and can maintain their standards—on the principle of *après moi le déluge*, powerfully reinforced by the prospect of death duties—by simply spending it. Moreover, many a business man can, while remaining well within the law, work miracles of good living on his expense account—encouraged thereto by the profits tax; and he can cultivate a debatable terrain between income and capital gains where the professional has no consolatory foothold.

Both as compared with the wage-earner and the profit-maker, the salariat have in fact lost ground out of all proportion to the general fall in national wealth. Depressing as this may be for those affected, the community might, of course, view their decline with the same equanimity as it did that of the cab-driver ousted by the taxi, the officer robbed of promotion by the outbreak of peace, or any other interest damaged by the progress of social and economic events. After all, the professional classes are not actually starving or barefoot. But it is not consuming power alone which has suffered; it is, above all, leisure; and it is precisely the characteristic of intellectual work, particularly in its higher grades, that to be properly done it must have a certain amount of leisure surrounding it. The senior administrator cannot judge policy with his nose incessantly at the grindstone. The academic cannot contribute worthily to the advancement of knowledge when swamped with routine teaching. And outside actual working hours, when the professional man used to find time for the exchange of ideas, the cultivation of the humanities, voluntary social work, civic activities, and the attainment of that mental perspective in which alone the specialisations of professional life can be seen in true proportion, there is now merely the solitary struggle with the day's overspill from office or consulting room, and a multitude of domestic odd jobs. This is not a favourable climate for creative advances in any field—administrative, academic, scientific or cultural. And however low the abstract deserts of the professional, creative progress is not lightly to be sacrificed. If the Labour voter cannot see why a bishop should not shine his own shoes and stoke his own stove, and still less why a woman doctor should not scrub her own kitchen and fillet her own herrings, he should if possible be brought to understand that leisure, privacy, and the opportunity of external contacts is an essential to high intellectual activity as extra rations are to heavy manual labour.

That understanding is evidently remote. To the Left, the middle class is unmistakably—*pace* Mr. Morrison—a class enemy; the old slogan about workers by hand and brain does not comprehend the over-£500-a-year man. For him, two hoots and a tinker's curse are ample. Indeed, from almost every relevant action that the Government has taken there might be deduced a desire to hit the professional man harder than the plutocrat. Private building is impossible, and public building designed for the working class exclusively; the wealthy man can afford the quadrupled price of a prewar house, or dodge the dilemma in a service flat whose rent would absorb a headmaster's whole salary. He can take a Mediterranean holiday, by yacht or by air to Cyprus, while the professional man must forgo his fortnight in France. The rich man can obediently lay up his car and spend thrice its running costs on taxis and long distance hires; the salariat can tramp or queue. The winds of austerity are tempered for the wage-earner, and the capitalist has a fur coat of capital, but the professional class can, for all the Government cares, just shiver.

(To be continued)

NOTES OF THE WEEK

Third Force

Mr Bevin, preparing his speech for Thursday's debate, must have been a little puzzled to find some of the bitterest critics from his own party and some of Mr Churchill's closest friends tuning their voices to a common chant in favour of unity in western Europe. Those who were once urging him to keep left are now urging him to keep in the middle of the road, with the Russians on his left and the Americans on his right. Others are urging on him the practical and metaphysical attractions of the phrase "Third Force." Hardly anyone dares murmur the phrase "western bloc," which was fashionable for a time after Mr Churchill's Fulton speech but has since lost its respectability because it was thought too martial.

There is danger of confused thinking when so many slogans enter the field. Still more serious is the risk that bombardment with political slogans and phrases about "Western political integration" may divert the Foreign Secretary's attention from the more serious business of seeing that preparations for executing the Marshall Plan are given the priority in British policy that they deserve, in western Germany and elsewhere. It is after all desirable and likely that practical schemes of closer political and economic association—even integration—will grow naturally out of the work being done, and still to be done, on the Marshall Plan.

It is hardly necessary to point out the far-reaching consequences for British policy of any political integration of the United Kingdom with nations of western Europe. But it is necessary to point out that premature talk along these lines will certainly frighten the Swiss, and may frighten the Scandinavians out of the company of the Sixteen. They, and other interested Powers, wish to maintain a distinction between the European Recovery Plan and any European unity plan. And one can be reasonably certain that the members of the British Commonwealth would like the same distinction maintained, while they take time to think five or ten years ahead.

As for the "Third Force," there is really little to be gained by bringing this equivocal phrase out of the domestic into the international field. The words and the minority party that uses them were born in France out of fear and dislike of the two extremes which threatened to seize power: Communism and Gaullism. It implies a rather unsteady centre position, in which Socialists become slightly blue and men of the moderate Right become slightly pink. It further implies that the parties on each side of it are equally objectionable. Is it then seriously argued, at this stage of Anglo-American relations, that Britain and France should begin to move towards a position in which they express the same degree of antipathy to American policy and ideas as they do to Russian policy and ideas?

This is surely neither desirable nor possible, if only for the reason that the Third Force can only take root and flourish under American patronage. Admittedly, the declared object of the Marshall Plan is to put western Europe on its feet and give it reasonable economic independence. But it is a long way from this idea to the vision of a west European bloc holding the balance of power between America and Russia. And to start moving hurriedly in that direction is to run the risk of encouraging the Americans in five years' time to pull out their stakes in Europe and leave the Third Force looking more like a third eleven.

Copy for the Cold War

Why a French-sponsored newspaper in Berlin should be the first to publish in full Communist instructions for strikes and political resistance in the British Zone is a mystery still to be explained. The Foreign Office declares itself convinced of the authenticity of Protocol "M" which was published last week. It is said that the British authorities in Germany had been aware for some time of its existence. Why then was it not published under British auspices? The content was grave enough to justify such a course. If the document is genuine, it means that one occupying Power is conniving at and encouraging German Communist resistance against another occupying Power. If it is not genuine, it means that some Germans are interested in inciting one occupying Power against another. For it may presumably be taken for granted that no Allied authority is responsible for "planting" a document which is superfluous, indeed harmful, considering the genuine human distress which has provoked the latest strikes in the Ruhr. Whichever explanation is correct,

action should have been taken by the British: either to publish the document with the full authority of His Majesty's Government and with a formal protest in the Control Council; or to investigate and expose the train of events which led to its appearance in a "late extra" on the streets of Berlin.

Publications policy appears to receive less attention from the Foreign Office than it deserves. Why, for example, is it impossible for a member of the public to buy a copy of the declaration of Communist policy against the Marshall Plan made by Mr Zhdanov to the Cominform six months ago? It is a crucial document for the understanding of recent events in France, Italy, Greece and other countries where Britain has vital interests; it should have been made available in a White Paper. Why was the full infamy of the Petkov trial in Sofia not laid bare in a document backed by the moral authority of the British Government? Why are the main points of the United Nations Commission's repeated evidence of help given to the Greek rebels by Albania, Yugoslavia and Bulgaria not raised to public notice out of the welter of Uno documents which reach London late or in summary form?

The fact that the press has insufficient newsprint to do justice to the old-fashioned White Paper is an argument for—not against—giving the hard-reading few the documentation they need to provide the many with authentic information. The White Paper is immune from the objections so often made against newspaper reports—that their treatment and presentation reflect editorial policy. It has a dignified and effective part to play in the "cold war," which demands more skill and energy from British propaganda than seem now available.

* * *

Voice of the City

The latest pronouncements from the bank chairmen have run more nearly true to type than the essay in agrarian economics from Sir William Goodenough discussed here last week. But if ever there was a time of cohesive City opinion on the issues of the hour that certainly is not true today. Now the bankers speak with many voices, ranging from rather unconstructive political sniping at one extreme to laboured efforts to avoid even the semblance of criticism of official action. Happily, there are between these extremes some who, though speaking forthrightly, are plainly trying to make a real contribution towards the shaping of economic policy. At one wing is Captain Eric Smith, of the National Provincial, whose satire describes the fuel crisis as a "trifling interruption" and the convertibility arrangements as a "minor error of judgment . . . washed away in a spate of printer's ink." Such forced levity, complete with double exclamation marks (for the bankers' "speeches" are now printed statements), is surely out of place. And is it really wise for one who sits in the seats of the mighty in the City to voice the opinion that "the man who enjoys better food in a works canteen is accepting material charity from those not so favourably placed"—and then to imply that "no decent man should tolerate" being thus privileged?

Away at the other extreme is Lord Linlithgow, of the Midland Bank, who after weighty deliberation decides, amid much verbal sonority, that 1947 was a "year of solid progress" because of a moral revival and because we now understand just how exhausted we really are. Lord Balfour of Burleigh, who stands most prominently in the middle of the stage, denies us even this consolation. The public, he thinks, still does not understand the grim realities of Britain's plight. "In a matter of months," he says, "we may not have at our disposal the dollars wherewith to pay for our food and for the raw materials essential to our production for export." But Lord Balfour has a prescription for Britain's malady, and it is one with which all readers of these columns will already be familiar. Britain must tackle the inflation which is both sapping and dissipating its resources, must "harness the price mechanism to work with the physical controls instead of against them," and can do this only by a budget surplus achieved in spite of the reduction of direct taxation which is needed to give incentive. Moreover, there must be no more nonsense about cheap money: Lord Balfour thinks the long term rate ought to be "not under 3 per cent." In this matter of financial policy, the two Northern bankers, Sir Thomas Barlow of the District Bank and Mr Harold Bibby of Martins, think similarly. But Sir Thomas demonstrates again the engaging inconsistency of so many banking opinions. That any banker should deplore the

disappearance of the Liverpool Cotton Market is easy to understand, but this attitude hardly squares with the new protectionism which Sir Thomas would like to see for the industry which most nearly touches the interests of his own institution. He "devoutly" hopes that the Peace Treaty with Japan will impose some control upon the volume and price of Japanese production. What a counsel of despair.

* * *

Cracks from the Chief Whip

Astonishment, not to say alarm, was spread through National Savings circles last week-end—and, unhappily, far beyond them—by an extraordinary statement by the Government Chief Whip. Speaking at a "Silver Lining" meeting at Stanley (Durham), Mr Whiteley said:

Some fine morning these [note] hoarders, unpatriotic in the true sense, will wake up and find their hoard valueless. At short notice, it might be, a new issue of notes will be placed on the market and all old notes will then be worthless.

For irresponsibility this effort will be hard to surpass. Coming from one who bears the title of Parliamentary Secretary to the Treasury, a statement in such terms was bound to arouse the suspicion that a calculated indiscretion had been made. Indeed, even so responsible a journal as *The Times* headed its report "Hint" of a new note issue (as, on Mr. Whiteley's phrasing, it was fully entitled to do). And even the immediate interest which his speech provoked apparently failed to show Mr Whiteley the extent of his blunder. His denials of having "any official knowledge" merely made matters worse. One, at least, was coupled with the excuse "it is always a possibility." And Sir Stafford Cripps, when questioned on the matter, has risen to new heights of masterly evasiveness. These rumours, he said, "have no greater foundation than any other rumours."

Yet it ought not to be necessary to say that on no kind of day will note holders in this country awake to find their holdings valueless—and if they want to help to prevent any loss in their value, through a further rise in prices, they cannot do better than continue to hold them instead of spending them. This is not to say that an exchange of old notes for new, the possibility of which has lately been causing such concern to the "spivs" and tax evaders, is out of the question. But in such a case the note holders would get value for their money, and nobody who had come by his currency honestly would have any reason to fear the inquiries which might be made about the origin of any abnormally large holdings paid into the banks for the purpose of making the exchange. The fears of the dishonest are understandable, but unfortunately, even before Mr Whiteley's blunder, they had begun quite irrationally to infect the genuine note holders. Those among them who now are hurriedly denuding the banks of silver or turning their notes into goods would be well advised to think again. Nor need they fear any charge of "unpatriotism." If they can hold their savings in notes without giving way to the temptation to spend, they are more patriotic even than those who hand their money over to the National Savings Committee, for they save without being paid interest by the state for doing so. As for Mr Whiteley, if he has any more cracks in mind, let him save them for the Government's supporters on his hypothetical "fine day." An extraordinarily strong whip would certainly be needed then.

* * *

Children's Hour

The Children Bill, which was formally introduced in the House of Lords before the recess, is the long-expected measure for putting into force the main recommendations of the Curtis Committee on the care of children deprived of a normal home life. It also rounds off the social security programme of the present Government and its predecessor. The Family Allowances Act, the National Insurance and the Industrial Insurance Acts, and the National Health Service Act are comprehensive in that they apply to, or potentially apply to, the whole population. The two remaining measures now before Parliament—the National Assistance Bill and the Children Bill—are intended to tidy up the loose ends. They will apply to the small minority which, for one reason or another, falls outside the scope of the main social security agencies.

Even had there been no Curtis Committee, there would still have been need for a Children Bill; at least, similar provisions to those now brought forward would have had to be incorporated in the National Assistance Bill. For under the poor law a local authority is enabled to assume the parental rights of a child whose parents have abandoned him or are dead or are incapable or unfit

to have the care of him, and when the poor law is abolished by the National Assistance Bill, a similar provision will have to be made elsewhere. But the Children Bill goes much farther than this. Not only does it enable the local authority to assume parental rights—with the important new proviso that a parent or guardian may lodge an objection within a month which will be sufficient to defeat the local authority's resolution unless the court orders otherwise. It also imposes on the local authority parental duties in respect of a child committed to its care or for which it has assumed parental rights. Subject to the directions and supervision of the Home Secretary, local authorities will have to provide special accommodation for children not suitable for boarding out. Whether children are placed with foster parents or in Homes, the local authority concerned is obliged to see that they are brought up like ordinary children, go to the same schools as they and enjoy the same privileges. Local authorities are also enabled to provide hostel accommodation for young people aged 15-21 and to pay higher education and training grants to persons aged 18 or over who were in their care when they reached that age.

Those responsible for the Bill have, in fact, clearly tried hard to put some imagination into what might otherwise have been a mere matter of administration. Whether this imagination will survive the dead hand of Whitehall, town hall and county hall, and whether the tangle of red tape that at present enshrouds the welfare of these unfortunate children will be resolved by the appointment of children's committees by local authorities, remains to be seen. A great deal will depend on personalities, in particular on the personalities of the children's officers who will be the keystone of the whole new service. In work such as this, personality counts for far more than training.

* * *

Mr Gandhi's Fast

Mr Gandhi has never used his strange political weapon of refusing to eat in a better cause than in his most recent fast, which was undertaken to restore communal peace in Delhi and check the rising tide of agitation for war against Pakistan. The veneration in which he is held is so great as to deter any Indian politician from incurring responsibility for his self-imposed death by starvation, and he is thus able to make an effective stand against even the most popular chauvinism. Nor is he without secret allies in high places; most of India's political leaders probably deplore the strength of the current towards war, but the need to save the Mahatma's life is the only pretext on which they can justify moderation without exposing themselves to the charge of betraying the national or communal cause.

Not all Indians are ready to submit to coercion by Mr Gandhi's empty stomach, as was shown by the attempt to assassinate him made by a Hindu refugee from Pakistan. Feelings of hatred and revenge run high among the homeless refugees in India—as they do also among the Moslem refugees on the other side of the frontier—and Mr Gandhi's insistence that mosques occupied by refugee squatters should be evacuated and restored to local Moslem communities has caused the wrath of some of them to boil over. Nevertheless, the guarantees which Mr Gandhi demanded from communal leaders as a condition of ending his fast have been given, and an advantage has been gained over the forces of destruction which could have been won by no other means. Mr Gandhi's fast has not affected the India-Pakistan contest before the Security Council, but it has greatly reduced the risk of a fresh wave of bloodshed in India while diplomacy is at work.

Mr Gandhi's devotion to non-violence as a principle is genuine enough. But he is also a nationalist politician, and he believes that his policy is the best means of bringing about the reunion of India and Pakistan which he so greatly desires. India might conquer and annex Pakistan by war, but no stable unity could be thus achieved. If, on the other hand, India follows in practice over a period of time a policy of communal toleration and non-discrimination such as Mr Gandhi urges, the fear of Hindu Raj which has been the basis of Moslem separatism would be gradually dissipated and an ever closer association of India and Pakistan on a voluntary basis would be likely to ensue. This idea of Mr Gandhi's is indeed nationalist, but on the highest level of statesmanship.

* * *

Anti-British Riots in China

Anti-British riots in Canton and Shanghai have a prewar savour of the kind which even the most nostalgic reminiscence

of the twenties cannot welcome. It is indeed discouraging that, after all the British renunciations of treaty rights in China, it should be so easy for agitators to whip up anti-British feeling in Chinese mobs. But it is also discouraging that nothing has been done until now from the British side to settle the long-standing legal dispute out of which this humiliating trouble has arisen. China has not since the war challenged the British right to Hong-kong itself, which, together with a small area of the opposite mainland, is held by Britain in full sovereignty. Nor has there been a direct challenge to British administration of the leased territory on the mainland, though China has been inclined to claim certain residual rights in the leasehold area which are in conflict with administrative policies.

The small old walled town of Kowloon, however—not to be confused with the well-known city of Kowloon opposite Victoria—is a special case. By the treaty of 1898, this town, though within the borders of the Leased Territory, remained under Chinese civil administration. But in the following year, by an Order-in-Council, it was placed under British administration and the Chinese officials were expelled. The British case is that the behaviour of these officials was incompatible with the Chinese undertaking in the same treaty not to interfere with British measures for the military defence of the Leased Territory. It is questionable, however, whether an international treaty can thus be unilaterally abrogated by an Order-in-Council, and the Chinese have never recognised the validity of the British action. Shortly before the war the Chinese Foreign Minister of the time made it clear that China continued to regard British administration in Kowloon as a usurpation. It was, therefore, only to be expected that a crisis would occur sooner or later over the issue in the unstable postwar situation, and it would have been a wise act of policy if, when Britain resumed control of Hongkong in 1945, Kowloon had been handed back to Chinese administration. But this was not done, and last week the eviction of Chinese squatters in the ruins—for the Japanese destroyed the place during the war—provided the occasion for serious anti-British riots.

The nationalist excitement has no doubt been inflamed by certain politicians with ulterior motives, and the British Government cannot but protest strongly at the failure of the authorities to protect the Consulate in Canton. Nevertheless, an effort should be made without delay to clear up the legal dispute over Kowloon. It seems eminently suitable for reference to the International Court of Justice. Britain and China would together set an example to the world by prompt, honest and amicable submission of such a case to an impartial tribunal.

* * *

Report on the Tudor

In its attitude towards the development of the Tudor I aircraft the British Overseas Airways Corporation was lacking in enthusiasm and determination, deficient in leadership and administrative organisation—and not entirely fair in its treatment of the constructors, A. V. Roe Ltd., or accurate in the presentation of its case. Such is the pith of the Courtney Committee's interim report—a story of confusion so aptly compared by Lord Reading in last Wednesday's debate in the Lords to a recipe from Mrs Beeton. A. V. Roe's main fault was to risk unnecessary aerodynamic trouble by changing the well-proved Lancaster tail-unit for an untried design. In general, however, the firm's performance was satisfactory: only two and a-half years elapsed from the start of the design work to the issue of a certificate of airworthiness. But it was because every month was so important that one would have expected this period to have been reduced by the effective collaboration of all concerned. It was not. And the chief offender was BOAC.

The Corporation did not propose an unreasonable number of modifications, although it was responsible for 343 out of a total of 357. Nor did they involve delays as serious as those occasioned by aerodynamic modifications. But the manner in which they were put forward was extremely unfortunate. As modification succeeded modification, and as those modifications were themselves modified, relations between the firm and the Corporation deteriorated. The workpeople building the Tudor I became discouraged and worked more slowly. Finally, after trials which the Committee considers of doubtful validity and for economic reasons which are not wholly acceptable, BOAC last April informed the Ministry of Civil Aviation that

irrespective of whether the flying qualities of the Tudor I can be rectified, and whether its deficiency in performance can fully be recovered, there is no longer any justification for including Tudor I's in this Corporation's operating programme.

In reaching this decision, BOAC departed from the original

conception of the Tudor. It must have been influenced by the knowledge revealed in its recent annual report of the size of its deficit. But it cannot be denied that much of the delay and expense in developing the Tudor was due to the unrealistic and untimely search for perfection of its own project branch. Consequently the stop-gap was never ready to stop the gap.

The role of the other parties—the Ministries of Supply and of Civil Aviation—was somewhat inglorious. They did issue a warning against delay. But the unsatisfactory machinery of aircraft supply did not oblige them to go further. In the words of the report,

there was such an effective division of constitutional responsibility among the organisations concerned that each could find unimpeachable reasons for keeping its constructive activity within moderate limits; and on none of the parties was there such clear financial responsibility as would have impelled action.

Fortunately, the procedure for ordering aircraft has now been altered and the Air Corporations must now take full financial responsibility for machines ordered to their requirements. The next report of the Courtney Committee, which has had its terms of reference extended, is likely to propose further changes; and, as the Minister of Civil Aviation indicated in Wednesday's debate, the Government is in a mood to introduce them. Meanwhile, the Government has decided that BOAC must fly the Tudor I's, if they conform to original specifications, must buy and not hire them, and will not receive any special subsidy to meet losses incurred in their operation. So ends an unhappy chapter in British civil aviation for which there is ample explanation but little excuse.

* * *

A Profit for BSAA

The present system of ordering aircraft is also criticised in the first annual report of the British South American Airways Corporation, published in the middle of the week, as costly, cumbersome and the cause of avoidable delays and misunderstandings. Its modification is the first of the four prerequisites which the directors consider to be essential for effective competition with other air lines. The others are the removal of unreasonable restrictions on operations, the general recognition of the "fifth freedom" right of through air lines to traffic between intermediate points on their routes and the absence of any preferential treatment for competitors.

For the period under review, however—August 1, 1946, to March 31, 1947—BSAA showed a net profit of £20,507—a sum insufficient to bring the losses of the three Air Corporations within the statutory limit of £10 million, but nevertheless a satisfactory result. In achieving this, it carried 5,397 passengers 24,046,600 miles and its aircraft were 58 per cent full.

This success was in part due to the fact that its early start enabled the Corporation to take advantage of the abnormal demand for transport at a time when there was little competition either in the air or on the sea. This advantage no longer exists—and all costs are ominously rising. Yet credit is due to BSAA for seizing its opportunity. Indeed in its short career it seems to have missed few. Its drive and initiative in pressing the Tudor IVs into service, for example, received favourable comment from the Courtney Committee. And, in a different sphere of activity, the announcement that some scheme is being considered to foster among the staff a sense of responsibility and partnership like that provided by incentive bonus schemes in industry is very interesting. But it must be admitted that its problems are simpler than those of the other Corporations. With only two types of aircraft and with long stages on its routes, it has neither the disastrous variety of obsolescent types, which is the costly bugbear of both BOAC and BEAC, nor has it comparable overheads. To admit this, however, is not to detract from the merit of its performance; and it is especially welcome to note the stout assertion of its faith in British aircraft, on which it relies exclusively.

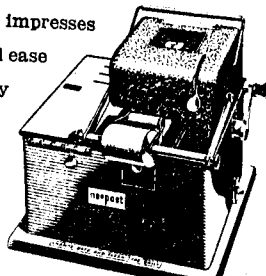
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Health Service Skirmishing

The real battle between Mr Bevan and the medical profession has still to be joined. In the meantime, there has been a preliminary skirmish by both sides. Last week-end Mr Bevan issued a plea that doctors should be guided by their reason rather than by their emotions in the coming plebiscite, and that they should not defy the will of Parliament. He also promised a full statement at a later date. In its turn the British Medical Association points out that Parliament authorised the Minister to establish a national health service, not a state medical service which it accuses Mr Bevan of attempting to introduce, and that in any case

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Tendencies to Monopoly in the Film Industry, published in 1944. This report assessed both the approaching dollar difficulty and its restrictionist outcome quite clearly:

It does not appear that the American industry has had occasion hitherto to take stock of the exchange problem facing this country . . . if for lack of exchange this country found itself compelled shortly after the war to clamp down on the importation of pictures in favour of more indispensable requirements. It is in the interests of both countries that relief from the existing exchange situation should, if possible, take the expansionist form of a return trade.

Instead, "relief" has taken a restrictionist form which, as the supply of American films dries up, is creating a complete set of new problems for the industry.

Mr. Wilson announced at the same time his intention to set up a Production Council and a new committee to inquire into monopoly. For the Production Council there is a good case—if it proves to be a reality and not another of the well-meaning institutions with which the film industry is becoming endowed. It could do something to speed up the "turn-round" of studio space. It could harry ostentatious expenditure, whenever expenditure loses sight of the goal of entertainment value. Whether it will do these things will depend on the backing it gets. As for the new committee of inquiry, it is of course admirable that the hindrances which face the independent producer should be investigated and published. But much is known about them already, and little has been done. The Palache Committee produced an excellent report in 1944, but only one or two of its recommendations have been taken up. A new report would add some new facts, and bring them up to date in detail, but if it had no better fate than its predecessor it would have little point.

* * *

Prices Referendum in Australia

First shots have been fired in Australia in the campaign for this year's referendum on Federal rent and price control. It has opened with the issue of the official "Yes" and "No" cases which will be distributed to all electors by the chief electoral officer. The "Yes" case was prepared under the supervision of the Attorney-General, Dr. Evatt, and the "No" case by the leader of the Federal Opposition, Mr. Menzies, and the leader of the Country Party, Mr. Fadden. During the war years, the Commonwealth Government administered control of prices and rents on an Australia-wide basis under the defence powers contained in the constitution; but, with the gradual move back to a peace time economy, there is grave doubt whether the Commonwealth can continue to exercise these controls and so the issue is being put to the electors by referendum.

The Commonwealth Government's case claims that a "Yes" vote will mean protection against inflation, fair rentals, security against eviction, real benefit from wage and salary increases, fair value for money, protection for savings and deferred pay, full value for life assurance, superannuation and social service benefits. It is claiming that a "No" vote would expose the public to inflation, boom and depression, profiteering, rack-renting and blackmarketing, eviction from homes, a scramble for houses and goods with the rich always winning, decrease in the real value of savings, and industrial unrest.

The "No" case says that the powers sought by the Chifley Government would enable Canberra to fix not only prices, but profits, house rents and everything associated with rents. It is pointed out in support of the "No" case that most of the states already have price control laws; the others could introduce them at a few hours' notice. The controls would be administered much more efficiently by state authorities. Prices, it is claimed, have never been higher, and blackmarketing is widespread under Canberra's price control, which is increasingly becoming profit control.

Since federation, the Australian elector has shown as great a disinclination as the American elector to alter the constitution. Appeals to the people to alter the constitution by referendum have failed almost without exception. The constitution in Australia seems almost to be sacrosanct. They have already rejected Federal control of prices and rents in the general powers referendum of 1944; but in the present instance the Federal Government is so seized with the importance of preventing unrestrained inflation as a threat to its economic policy, that it is presenting it as a single issue. There is bound to be great opposition, and already the Government is being told by the Press that it "should be divesting itself of wartime controls, not trying to rivet them permanently on the country."

New Ships for Old

When steel is scarce it may be necessary to scrap old warships to build new ones. More than once in the history of the Royal Navy timber shortage has forced this policy on the Admiralty. But there are other good reasons for the decision, announced on Wednesday in the House of Commons, to break up five old capital ships and provide the hungry steel industry with over 82,000 tons of scrap. The maintenance in reserve of 30,000 ton warships costs much money and diverts a thousand men from more useful duties. Moreover, the balance of naval power is now—and will remain in the immediate future—such that a cut in the strength of the Fleet is less open to nervous criticism than it would be later. Should that balance be seriously threatened, whether by developments in air warfare and long-distance projectiles or by the emergence of a new naval Power, the adaptation of old ships would be a poor substitute for new building.

The Civil Lord of the Admiralty has given an assurance that the battle training squadron at Portland will not be affected. Of the five up to date battleships now available the *Vanguard*, *King George V*, *Duke of York*, *Anson* and *Howe*, only two are in full commission. With the future of the battleship in doubt, the investment is large enough.

Six years ago two of the victims—the *Queen Elizabeth* and the *Valiant*, were maintaining naval supremacy in the eastern Mediterranean by the narrowest margin against torpedo bombers, submarines and under-water attack in harbour. And the *Rodney* was able to engage and batter the *Bismarck* only when carrier aircraft had lamed the ship which had kept the Home Fleet for long months in a state of nervous watchfulness. Everyone knew that these veterans and the *Nelson* and *Renown* could not stand up against their successors of the King George V class, planned before the last war. At that point they became due for scrapping at the first opportunity.

Shorter Notes

After last month's debate in the House of Commons, when over 160 Labour and Communist members voted for a reduction of £5,000 in the allowance to Princess Elizabeth, the passing of the second reading of the Annuities Bill with a minority of only 16 came as a welcome surprise. The Government were very wise in ignoring the amendment to be moved in committee, the purpose of which is to separate the personal allowances of the Princess and the Duke from their official expenditure. This would only create endless trouble and embarrassments and it is to be hoped that no more will be heard of it.

*

The Overseas Resources Development Bill passed its report stage and third reading in the House of Commons on Tuesday. As on earlier occasions, the sole point at issue was the Minister of Food's intervention, through the establishment of the Overseas Food Corporation, in matters that should be the responsibility of the Colonial Secretary. Mr. Strachey again rejected amendments designed to exclude the Overseas Food Corporation from colonial territories, or to enable its projects to be transferred to the Colonial Development Corporation; but the point is likely to be raised again in the Lords.

*

A correction is required to figures about composers' wages which appeared in a note on "The Wages Spiral" in last week's issue of *The Economist*. The claim of the London Society of Compositors called for an increase of 22s. on their minimum wage of £6 5s. It may be added that the Society has accepted the award of the National Arbitration Tribunal for an increase of 15s. per week.

*

As the situation in Greece has faded out of the news, that in Trieste has come into it. The sharp diplomatic exchanges between the British and the Americans on the one side and the Yugoslavs on the other about conditions in the occupied zones of the Free Territory may have had their effect on Marshal Tito, the only statesman in south-east Europe able to talk frankly to Moscow. Meanwhile after four months' effort, no governor has been found for this inflammable area, in spite of the high quality of candidates suggested. The chief reason for the failure is that none of the interested Powers wishes to withdraw its troops—which they would have to do once a governor had been installed.

Letters to the Editor

A Capital Levy?

SIR,—Your leading article of January 17th, having admitted the justification for a levy on those holdings of capital that have increased since 1939, was deterred from advocating such a tax in practice on the grounds of the difficulties involved in the identification of pre-war holdings. There is, however, a possible solution to this problem. Capital, for the purpose of the tax, could be computed by capitalising the unearned income as disclosed by the taxpayer's income tax returns, and provisional assessments could be based on the increase in such notional capital.

The Inland Revenue would extract from the income tax return for 1939-40 the taxpayer's total income for the year to April 5, 1939. There would be deducted therefrom the income from "trades, professions and vocations" and from "employments, offices and pensions," leaving the income derived from dividends, interest, property, etc. From this would be deducted interest, etc., payable and ground rents, to arrive at the net unearned income. The net unearned income would be multiplied by, say, 20, to give the notional capital in 1939. A similar calculation would be made for the year to April 5, 1947. The 1939 figure would be increased by, say, 40 per cent to allow for the rise in the cost of living, and the increase, if any, between the 1939 figure (plus 40 per cent) and the 1947 figure would be provisionally assessed as the capital increment during the war period, and would be taxed at whatever rate was decided upon.

Any taxpayer aggrieved by the somewhat summary treatment outlined above should be given the option of having an amended assessment made based on the actual figures of capital holdings in 1939 and 1947 computed on the same lines as for estate duty. In such case, the onus of substantiating the actual holdings should fall on the taxpayer.

It is appreciated that, in the case of the provisional assessment, many anomalies would arise, such as, for example, where a partnership has been converted into a limited company, but such anomalies would be rectified by the option to base the assessment on actual holdings. Furthermore, the provisional assessment would fail to gather into the net any increase in "portable property" which would escape unless the taxpayer opted to be assessed on the actual figures. No scheme, however, no matter how devised, could cope really effectively with such elusive assets.

As your leader pointed out, some form of capital tax is a political necessity if an attack is to be made on food subsidies. Its yield may well prove disappointing, but even so it would still be a most desirable measure if only to prove that capital does not, automatically accumulate in the way portrayed in the Marxist legend.—Yours faithfully,

A. P. W. SIMON

Palmerston House, Old Broad Street, London, E.C.

Danish Socialists Return

SIR,—The very instructive correspondence from Copenhagen, "The Danish Socialists Return to Office" (on page 1946 in your issue of December 27th), needs perhaps a supplement about the financial position of Denmark. In this field Denmark has made a great effort to put her house in order by reducing the overwhelm-

ing spending power created during the German occupation, and remarkable results have been achieved.

The costs of the German occupation were covered by the National Bank of Denmark under Government guarantee. After the liberation the guarantee naturally became effective, and at the end of 1945 the Bank's balance-sheet showed a Government debt of 7,611 mill. Kr. on the "Government Regulation Account." Since then the debt has been reduced to 5,609 mill. Kr., or by more than 2,000 mill. Kr. This reduction, which I think is unique, is due to a series of financial measures, including a tax on the increase of property and a general capital levy. Various Acts in force are expected to produce a further reduction.

This effort has, together with the restoration during the first half of 1946 of the equilibrium in the state budget, contributed very much to the re-establishment of sound monetary conditions in Denmark. We feel sure that the new Government will carry this development a further step forward.—Yours faithfully,

C. V. BRAMSNAES,

Copenhagen Governor of the National Bank of Denmark

Municipal Trading

SIR,—It is unfortunate that your short note in last week's issue should have so misrepresented the recent Birmingham plebiscite. In the first place, personal observation and first-hand information convince me that the 43,382 electors who voted against the furniture trading proposal were by no means merely members of the shopkeeping community. They were a very wide cross section of the general public, and, in fact, the closing of the poll at 8 p.m. prevented many small shopkeepers from recording their vote. The case for municipal participation in the trade was not based on dissatisfaction with existing quality or service—indeed the Council spokesman categorically denied any such motive.

As for hotels, the principal Birmingham hotel company has not so far been able to pay a dividend on its ordinary shares, and the industry here is seriously handicapped by the fact that only from Monday to Thursday is there any demand for accommodation. The likelihood of a municipal hotel being other than an expense to the ratepayers is therefore small.

This particular Bill would have empowered the Corporation to manufacture furniture and dispose of it at any price by hiring or selling. I cannot think that you would defend trading on such terms as fair competition with the heavily rated shopkeepers of the city.—Yours faithfully,

H. CLEGG

3 Newnham Road, Edgbaston, Birmingham

Palestine Immigration

SIR,—If there is a good case against the partition of Palestine, it is certainly not the one advanced by Mr. Michael Thornton in your issue of January 10th. He claims that the United Nations scheme is invalid because Jewish immigration will use up the country's water resources to the detriment of the Arabs. His assumption is not borne out either by irrigation experts or by the layman's observation in Palestine.

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On July 4, 1939, a deputation to the Colonial Office, headed by Sir Frank Sanderson, MP, and including Sir Murdoch McDonald, MP, Sir Thomas Moore, MP, and Admiral Taylor, MP—a deputation that no one could accuse of pro-Zionist bias—advanced the opinion of various authorities that the Negeb had, in the early centuries of the present era, maintained a considerable population (about half a million), and urged that the Jews should be given the opportunity of revitalising it through irrigation and water conservation.

From *The Economist* of 1848

January 22, 1848.

OUR peace-loving countrymen, who are extremely anxious to obtain a reduction of the window taxes, and a modification or abolition of the excise laws, must now see that the warlike aspirations of our journalists, at their comfortable firesides, are producing corresponding aspirations in the Paris journalists. Ministers in both countries will allow themselves to be coaxed by such writers, claiming to represent the public, into augmenting the military forces and extending their patronage. The naval superiority and complete security of England, however, being manifest, the demands here for additional armaments justify some alarm across the water. Our chimerical fears appear hypocritical there, and all the hostile population of France infer that our increase of force is to menace, insult, and invade their country. Had the good sense of our people therefore not detected the silly and extravagant fallacies of our war agitators, and laughed at their idle fears, England and France, like two angry men, would have gone on swearing and squaring at each other till some fancied opportunity of planting a successful blow had excited them to pummel each other to disfigurement, blindness and exhaustion. What a result for the Liberal press to boast of in the two most civilised nations of the earth! But neither in France nor in England do the invasion-fearing and war-provoking journals determine the opinion of the people; and we shall have at present neither invasion nor war. The budget presented to the French Chambers contains a reduction both in the army and navy estimates, and that example will supply no warrant for an increase here.

AMERICAN SURVEY •

The President's Programme

(From Our US Editorial Staff)

NOW that all three of the President's annual messages have been delivered to the Congress it is possible to assess not only the political and economic state of this nation as the Administration sees it, but also what the Administration proposes to do about it in this election year. The November elections explain a great deal. Gallup poll takers had felt the nation's pulse only three days earlier and discovered that Mr Truman's popularity compared with that of Mr Taft was as 63 is to 37. If the Presidential tone was warmed by that poll, the courtesy with which a Republican Congress listened was also cooled by it.

The first message was obviously framed as a campaign document. It is not enough for a Democratic President, facing this election year, to survey America's problems at home and abroad with the eye of a statesman. He must also state them with the guile of a candidate under fire from left as well as right. How well Mr Truman succeeded may be measured by Mr Taft's assertion to the microphones on the following night that Henry Wallace "would have a hard time to find anything to promise the people of this country that is not promised in this message."

The details of the President's goals, of how he aims to achieve them and 'to pay for them, are contained in the other two messages, delivered in printed form five and seven days later. Mr Truman went back ten years to draw from the "amazing

Anyone who has been in Palestine will know of the great volume of water which runs to waste during the heavy rains ; and how, when it is piped into desert regions, the barren land becomes fertile. During the last twenty-five years, Jewish irrigation schemes have brought visible benefits to the Arabs. They have created new areas of Arab settlement, and contributed to the reduction of the Arab mortality rate. I very much hope that under the Economic Council of Uno, a Joint Water Authority will be established with both Jewish and Arab representation, so that the advantages of modern irrigation may be equally available to each, and that the ample waters of the Jordan may join and not divide the two peoples.—Yours faithfully,

House of Commons, London, S.W.1 MAURICE EDELMAN.

Refugees without Refuge

SIR,—I have read with great interest the article in your issue for January 17th, in which the achievements and future hopes of the Preparatory Commission for the International Refugee Organisation are discussed. In the course of the article, however, you quote some figures of refugees who have departed for resettlement under PCIRO auspices, showing the countries of destination. In their present context, these figures could be construed as representing the total number of refugees resettled by PCIRO in the first four months of its existence, whereas, in fact, they are the totals for a selected list of countries for the month of September, 1947, only. The totals for the first four months for each country are, of course considerably in excess of those which you quote and amount in all to 76,000, the figure which is correctly given in an earlier part of your article. I hope you will allow me to correct this ambiguity in an otherwise accurate and well-informed article.

In the table of figures which I have mentioned, the total under the Westward Ho! Scheme is given as 3,026 but I think I should point out that the Westward Ho! Scheme was begun by the British Government in April, 1947, before PCIRO came into existence, and up to the present time nearly 40,000 volunteer workers have been admitted into this country under the scheme.—
Yours faithfully, LESLIE DOW.

Chief, PCIRO Office, United Kingdom

19 Hill Street, London, W.1

economic progress of the last ten years " an augury for the next ten. Here at home,

Fourteen million more people have jobs than in 1938. . . . The average income of our people measured in dollars of equal purchasing power has increased, after taxes, by more than 50 per cent. . . . In no other ten years have farmers, business men and wage-earners made such great gains.

In the future we may not be able to do so well because we start from a high plateau of production and from full employment. "But we can increase our annual output by at least one-third above the present level. We can lift our standard of living to nearly double what it was ten years ago." To achieve this, "agriculture, business and labour must move forward together." There must be for the farmer continued price support, crop insurance, improvement in crop distribution, further rural electrification; for labour, continued full employment and a rise in the minimum wage from 40 cents an hour to 75 cents; for industry, an atmosphere in which full production will flourish—"free competition is the key to industrial development," and "vigorous private enterprise is vital."

Abroad—and the importance to Europe of the achievement and its continuance needs no argument—Mr Truman rejoices that “we were able to provide aid to war torn and distressed countries.” He is confident of the ultimate success of the

United Nations; he reaffirms his faith in the soundness of the European Recovery Programme, and urges Congress to act promptly "on this decisive contribution to world peace."

What chiefly worries the President is the inflationary trend that accompanies this prosperity. He hopes to brake it without also slowing the wheels of industry, and he believes that his ten-point programme, of which Congress has accepted only three points, will do it. He wants prosperity stabilised at somewhere near the present peak, with full employment, full production (not yet achieved) and the price-income structure so adjusted as to stop the inflationary spiral without reducing production or extensive unemployment. Having achieved that miracle, he would like "to establish firmer foundations for the long-range growth and prosperity of our economy in the years ahead."

The estimated cost of such a programme for the fiscal year which runs from July 1, 1948, to June 30, 1949, is set at \$39.7 billion. The anticipated income (taxes to remain about the same) is \$44.5 billion, leaving a surplus of \$4.8 billion to take a minute tuck in the national debt. If none of Mr Truman's recommended new legislation is added, it will still cost \$34 billion to run the country as it is. The first figure is, as Mr Taft immediately complained, four times the amount spent before the war. It is also two billion more than the budget on which the Government is now operating, and while the former comparison may be more spectacular, the latter is more vulnerable to the criticisms of Congressmen.

The President calls attention to the grim fact that 79 per cent of this largest peacetime budget "directly reflects the cost of war, the effects of war, our efforts to prevent a future war." Defence alone takes 28 per cent of the budget, international affairs and finance 18 per cent. Compared with them, the social programmes, which provoked instant attack, cost very little. The President's new health, education, housing and social security programmes will cost \$452 million, which is a mere 1 per cent of the budget. It is not the warm heart that strains the purse, but the hot war and the cold one which has succeeded it.

Over the longer term the President's goals as set forth in his political message are five—

To secure fully the essential human rights of our citizens.

To protect and develop our human resources.
To conserve and use our natural resources so that they can
contribute most effectively to the welfare of our people.

To lift the standard of living for all our people by strengthening our economic system and sharing more broadly among our people the goods we produce.

To achieve world peace based on principles of freedom and justice and the equality of nations.

Those goals share in their language the unreality of a political platform—which promises all things to all citizens, but they cannot be entirely dismissed on that ground. They come at the end of fifteen years of Democratic success in saying what the people want to hear. They form a banner for the party, but they are also a wreath on a tomb, and a pledge that faith will be kept with the social aspirations of the New Deal even though the economic conditions which evoked it are long gone and the theories which supported it have changed. This is the voice of the welfare state—rich, powerful, aiming to do everything possible to raise the standard of its citizens' living still higher, wanting a peaceful world in which to do it, ready to help pay the costs of achieving that peace. In the process it even hopes—and this, implicit in the President's economic report, is spelled out in the earlier report of his Economic Advisers—to solve an ancient riddle of the economic sphinx, the problem of

balance between capital and consumer consumption of goods and services; the balance between output and absorption, or between supply and demand, which can be achieved only through an ever-improving management of the wage-price-profit structure by those who shape it; and the balance which depends upon economically efficient distribution of national income, not only between producers and consumers or between employers and workers, but also between industry and agriculture and among the various sections of the country.

Presumably the balance between Government and private enterprise would be set in the process.

These ideals may be illusory, but they are not puny. For all their verbiage, the messages cannot be accused of reflecting a short or a narrow view. That a depression may in 1948 mock their figures of achievement and render their aspirations for the future as insubstantial as a smoke ring in a gale is beside the point. The welfare state got its start in the deepest depression this country has ever known. It is Mr Hoover's phrase that Mr Truman echoed when he talked of "stamping out poverty in our generation." Poverty, that time, swept Mr Hoover out of office, and the Democrats in. That Mr Truman dares to snap his finger at what must still make the Republican shudder is a measure of his confidence that if the worst comes again, the pattern which his party established can again be invoked successfully.

The Oil Shortage

(FROM AN INDUSTRIAL CORRESPONDENT)

For the first time in a quarter of a century the United States is feeling the pinch of a peacetime oil shortage. After supplying the major part of the world's oil needs during the 88 years of its history, the industry is confessing by public advertisement its inability fully to supply its domestic market.

The shortage has not yet become a national catastrophe, or even a crisis; the Gulf, Rocky Mountain, and Pacific Coast States are not seriously affected. But in the mid-west and Atlantic coast States, where normally two-thirds of the nation's oil is consumed, the shortage generally is 15 per cent and much higher in some areas. Cold homes and schools, and closed factories, are freely forecast by the spring. An unusually severe or prolonged winter in that region could bring a repetition of the British experience of a year ago.

The industry is at present pointing not one but a whole handful of accusing fingers: one at the steel industry, another at transportation, a third at labour, and a fourth at the weather, leaving the thumb to pillory demand, which ironically is the result of the industry's own efforts to educate the public to the superior virtues of petroleum products.

With five so occupied, no digits are, naturally, left to point accusingly at several other pertinent factors, among which industrial myopia must be accorded a prominent position. The economists of the industry steadfastly refused, for a year after V-J Day, to appreciate adequately the popularity of their own wares, and for another year, after it became unmistakable, refused to believe that such popularity, deserved though it must be, would last. A business recession was counted on to provide relief from the necessity for doing much about it. Now, belatedly, a \$4 billion expansion campaign has been launched, which, because of the difficulty of obtaining sufficient steel, cannot be completed before some time in 1949, but which, started two years or even one year ago, would have contributed that much precious time toward meeting a demand now reproachfully described as "unprecedented." By 1949, of course, demand will be still higher. It is unlikely that supply can match it much before 1951 or 1952, and perhaps not then.

It is easy to account for the increased demand. More vehicles in 1946 used one-third more gasoline than in 1945; final figures for 1947, not yet available, are expected to show as large an increase, perhaps larger. Oil burner (furnace) installations, a record 500,000 units in 1946, approached 1,000,000 last year. Farm consumption, owing to mechanisation, was up 100

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per cent last year over 1941. Increased use of diesel locomotives, and new uses, such as kerosene heaters for tobacco curing and butadiene for synthetic rubber, played a part in raising demand last year by 10 per cent above 1946, compared with an annual prewar increase of about 5 per cent.

The key to the shortage in the mid-west, where rationing was in effect unofficially a year ago, is the decline in production of the oilfields in that area, the second most heavily populated and industrialised region in the country. Before the last war, production in this district, which runs roughly from Oklahoma, Missouri, and Tennessee north to the Canadian border, was adequate for indigenous needs. Between 1941 and 1947, however, production fell from 404 million barrels annually to about 345 million, a decline of 15 per cent, while indigenous demand rose more than 30 per cent. The inevitable consequence was importation of crude oil from surplus areas as far away as west Texas. This brought on the shortage of tank cars, barges and pipe line capacity, of which the industry now complains, but it is the result of the mid-west oil shortage, not the cause.

The key to the Atlantic seaboard shortage is tankers. This district, the most heavily populated and industrialised of the nation, gets more than 95 per cent of its supply by water. As late as last June, war surplus tankers were going begging. After buying seven during the previous six months, industry spokesmen told the House Maritime and Fisheries Committee that it had plenty of tankers to supply the east coast and was not interested in buying more except on its own terms. In order to get rid of them, the Maritime Commission sold 83 abroad and delivered most of them, before the industry, only a few weeks ago, came to its senses and realised that the shortage it had hoped would be confined to the mid-west was spreading to the east coast. It is now moving heaven and earth, and hopes to move the State Department, to delay delivery of 22 vessels which have not yet actually changed hands, to keep them in service for the east coast.

Whatever its past shortsightedness, the industry is exerting prodigious efforts. Production has been raised from about 3,800,000 barrels a day in 1941 to nearly 5,600,000 barrels—far beyond the war peak of 4,900,000 barrels a day in July, 1945. Trainloads of tank cars are operating from the Gulf states to the mid-west. The Government is keeping inland waterways open this winter for barge movements as far north as the Great Lakes. Plans are under way for co-operation between Government and industry under the authority, granted by Congress at the recent special session, for industry agreements on pooling supplies. The chief bottleneck now is refining capacity, and will be for several years to come.

The Bureau of Mines points out in its January forecast that supply depends as much on refinery capacity as on transport facilities. Refinery runs, the Bureau reported, were 97 per cent of rated capacity, allowing for normal maintenance shutdowns, during December, and 103 per cent (5,636,000 barrels a day) during the week ending January 3rd. The January 3rd figure does not reflect the effect of a ten-day strike at a 100,000-barrels-a-day refinery in Texas. Other contingencies are likely to preclude miracles such as the 103 per cent operation from recurring often enough to reduce the estimated 15 per cent shortage in the mid-west and east coast materially.

Exports of 163 million barrels last year were still above imports of 157 million. The Bureau of Mines forecast for 1948, however, is 149 million barrels for exports and 166.8 million for imports, the first time the country has been a net importer since 1923.

Summarised briefly, the United States last year used nearly 2 billion barrels of oil, twice as much oil as all other nations of

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the world combined. From present indications, its fields, owing to the declining discovery rate, can no longer supply the still rising domestic demand, much less exports. Imports can, and, unless the discovery rate improves radically, will have to meet the deficiency for a time. Far-sighted oilmen are talking seriously about synthetics.

American Notes

Witnesses for ERP

The past week has seen a steady stream of official and unofficial testimony for the Marshall Plan presented to the Congressional Committees. Military experts like Mr Forrestal and Mr Royall have insisted that the costs of no Marshall Plan in terms of increased defence appropriations and the return of Selective Service, would be far greater than those of the European relief and recovery programme. The Secretary of the Treasury, Mr Snyder, questioned closely about the hidden dollar assets of individual Europeans, agreed with Senator Lodge that it was outrageous to tax poor Americans while wealthy Europeans made no contribution to European recovery, but urged that it would be shortsighted to force a crippling liquidation of investments and gold and dollar balances as a condition of aid.

The witness upon whom Senators fastened with most enthusiasm was Mr McCloy, the president of the World Bank, not for his statement that the \$6.8 billion sought would be rather a "tight fit," but to find out whether it would not be possible to include in the Recovery Bill provisions for "following our dollars abroad" similar to those employed by the Bank after a loan is made. Some such protective device, Senator Vandenberg insisted, would dissolve half the opposition to the Marshall Plan.

The freshest testimony came, however, from 70-year-old Mr Bernard Baruch, the first of the eminent private witnesses to be summoned to the witness stand. Mr Baruch not only argued convincingly for the Recovery plan; he presented a whole supplementary programme of his own to increase its effectiveness. The appropriation of dollars, he said, was not enough; world recovery required new efforts in American production, military and political guarantees, and a much broader acceptance by the United States of world imports.

His programme included eleven specific points, including a solid American guarantee against aggression for European nations banding together into a political, economic and defence union under the United Nations; American anti-inflation programme centring on the reduction of farm prices in return for a three years' price guarantee to farmers; a two-year peace production drive in the United States; American purchase of all surplus of non-perishable raw material surpluses; the extension of the President's tariff authority for three years while allowing other countries to maintain their Empire preferences; the stabilisation of European currencies at a realistic level; and the realistic settlements of all prewar and wartime inter-governmental debt.

Congressmen, whose chief concern is to whittle down and safeguard the American investment in the Marshall Plan, did not seem impressed by Mr Baruch's much wider view of the commitments needed to make recovery a reality. But his testimony is a useful reminder that the Marshall Plan cannot operate in a vacuum; and the fruitfulness of the dollars will be conditioned as much by the fear of war, and American policy on trade, production, and inflation, as by bankers' checks and balances.

A Vandenberg Compromise?

Outside the committee rooms, the chief development in the Marshall Plan has been the formation of a body of twenty Republican Senators, most of them with isolationist backgrounds, to debate amendments to the Marshall Plan which they wish to submit to Senator Vandenberg. This is the source of rumours that there is to be another, more modest plan for European recovery bearing the Republican label. At the moment, however, even die-hards like Senators Wherry, Butler, and Brooks seem less concerned with voicing their opposition to ERP than with the danger of a split in the party between Senator Taft and Senator Vandenberg over foreign policy. Senator Vandenberg, even if he wished to, could hardly carry all the dissidents of his own party along the path indicated by the Administration. Their "constructive proposals" may well be the price of a bargain which would avoid a rupture in an election year when a common party policy is essential.

Republican doubts about the administration and control of the

plan still hang most heavily over its future. Senator Taft in a radio address this week suggested that the recovery administration be headed by an independent executive of Cabinet rank, who would be an equal of the Secretary of State, a hard-boiled representative of the American interest, who would put a brake on the State Department "which is only interested in giving American money away for foreign policy purposes." This is a far cry from the ultimate control over the foreign policy aspects of the Marshall Plan demanded by the Secretary of State.

The way seems to be open for another Vandenberg compromise, such as those which reconciled Congress and the Administration over control of atomic energy and tariff policy. The Senator is said to be considering a proposal which would give the Secretary of State only advisory powers over the recovery administration. Would this be acceptable to Mr Marshall? He may well realise, by now, that if he cannot convince Senator Vandenberg and the Senate Foreign Relations Committee of the soundness of the Administration scheme for control, the prospects are almost hopeless in the House. An acrimonious stalemate over the chain of command may easily endanger the adequacy of the appropriation and the success of the whole plan. The Administration may consider that a tactical retreat on this point would gain the substance and sacrifice only the shadow, for the President is unlikely to appoint an administrator unsympathetic to Mr Marshall. Such a concession, coupled with the checks on expenditure advocated by Mr Vandenberg, would probably meet most of the objections of the "Committee of Twenty" who, for all their isolationist past, show no open desire to face the tide of general approval for the Marshall Plan, and revive the "little group of wilful men" of the first world war. It would also carry good hopes of sidetracking the Herter proposals in the House, which would in real earnest create a second Secretary of State.

Budget Reactions

Budget Reactions

First reactions to Mr. Truman's \$40 billion Budget suggest that his own party leaders are scarcely enthusiastic about the proposal to relieve lower income groups at the expense of a higher charge against company revenues. Mr. Robert Doughton, who ranks as the senior Democratic member of the House Ways and Means Committee, has stated quite publicly that he "has not yet chosen" between the Presidential plan and that put forward by the majority party—for tax reductions that would take at least \$5.6 billion from present revenue estimates. And, contrary to the usual procedure, the new Tax Bill has been introduced by a junior member of the Democratic Party.

The proposal to raise the company tax charge, from 38 per cent to over 50 per cent is meeting with strenuous opposition, not only by reason of its contrast with the gift held out to personal taxpayers (who carry votes), but also because of its apparent clash with the President's own forceful recommendations for increasing productivity through capital expenditure. Actually, the clash is between the shorter-term objective and longer-range plans, but Mr Truman could hardly expect, in an election year, to get away with plans that carry such an obvious appeal to the Left-wing of the Democratic Party.

In turn, the Republican majority will probably have considerable difficulty in pressing their own plans for tax reduction. The most likely development seems to be a revival of the 1947 struggle between House and Senate, for Republican spokesmen in the Senate have already agreed that proposals for a "ceiling" on Federal expenditures cannot be very sensible, unless Congress has previously agreed upon a fairly narrow range of estimates for foreign aid. The President may at some later stage be willing to make modest concessions to win agreement in other fields. But the general impression now is that any major tax cut will have to survive a Presidential veto.

The danger of fastening upon foreign relief appropriations for economy work has been increased by the report, discussed last week, on air defence. Most Republican Congressmen will probably be unwilling to curtail many of the social welfare funds suggested, despite the display of righteous indignation which always accompanies a Budget Message. And they will, presumably, be more unwilling to cut defence estimates, which have risen from \$10.7 billion in 1947-48 to \$11 billion in 1948-49. Indeed, if Congress accepts the Air Policy Commission's figures, defence costs could easily rise by \$3 billion over the period to June 30th, 1949.

There is also controversy about the deflationary impact of the Treasury surplus over the next eighteen months. By adding together 1948 and 1949 surpluses, and by including government fund operations and Treasury Bond sales, it has been calculated that a total of \$22 billion may, possibly, be withdrawn from the

stream of incomes during that period. But with estimates pushed so far ahead, it is scarcely profitable to speculate about 1948-49. The \$7 billion surplus over the rest of 1947-48 could in itself have quite a salutary effect if it became available completely for debt reduction. But plans for cutting taxes may upset Treasury operations, and the Reserve Board can support long-term interest rates at the present low level only by offsetting the effects of reductions in the debt.

Voluntary Controls

The Department of Commerce, which recently received an extension and reinforcement of its powers of export control, last week declared that commercial shipments of all commodities to Europe would require individual licences. The new policy will operate from March 1st, and will embrace the United Kingdom, continental Europe, Turkey, the Soviet Union, and its Asiatic possessions. Much of the controversy attaching to this new regulation seems to have been resolved by the firm declaration that existing export agencies will not be penalised, that Government operations will be restricted to a necessary minimum, and that foreign Governments will not be given a dominant role in the selection of channels of supply. Closer supervision of possible supplies for Soviet Russia and its satellite states is one obvious feature of the plan, the primary purpose of which, however, is to establish the direct controls which will become necessary under the European Recovery Programme.

Over the wider industrial field, the process of securing agreements for the voluntary allocation of scarce materials is making much slower headway. The first moves rest with the Department itself which is responsible for all commodities, other than food and fuel, and which must determine priority programmes, especially for such products as freight cars, oil, farm and electrical power equipment, and fertilisers. Production quotas will be given to each producer, who must determine his material needs, and secure voluntary agreements with suppliers. The steel industry, as key supplier to all these industries, has naturally been first on the list of consultants. For that industry, voluntary allocation has been agreed. Production quotas, however, form only the initial link in a chain of curbs which may become necessary if domestic demands continue at their present level, and many spokesmen for steel have declared that they would resist strongly any "policing programme" in terms of trade quotas or inventory controls.

At the moment, official comments bless the informal approach, and stress the need for "minimum interference with industry." A belief seems to be prevalent that that much can be attained by plans for standardising equipment, using substitute materials, and securing maximum output, and there may well be a certain amount of official reliance upon some reduction in domestic demand in the months ahead. What does seem certain is that the pattern of agreement for industry will take some time to complete, and will become progressively harder as negotiations move away from those industries which have for long experienced some form of voluntary curb. In many quarters, there has been a loose comparison drawn between the new type of voluntary agreement, and those established by the National Recovery Act (the short-lived NRA codes). But while enforcement by Congress might now go much farther than seems to be generally recognised, such action could follow only from a complete refusal by producers to accept the minimum of control now authorised.

Wallace and the Wishful Thinkers

The first Gallup poll to be taken since Mr Wallace's announcement that he would run for President on a third-party ticket has given a rude jolt to the wishful thinkers in the Republican Party. In New York State, the poll taken on January 10th showed that even with Mr Wallace receiving 18 per cent of the total vote, Mr Truman could still beat Senator Taft quite comfortably: by 47 per cent to 31 per cent. On the other hand, if Governor Dewey is the Republican candidate, Mr. Wallace's intervention gives him a lead over the President of 44 per cent to 41 per cent. The greatest interest, however, lies in the suggestion that if the contest were between General Eisenhower and President Truman, the General would walk away with 56 per cent of the total votes, against 31 per cent for Mr Truman and 13 per cent for Mr Wallace.

It is a remarkable coincidence that, within a week of the publication of the poll, Governor Dewey announced that, although he would not campaign actively for the nomination, he had no objection to being pushed; and General Eisenhower, by neglecting to

disavow the filing of his name in the New Hampshire primaries, suggested to the cynics that he was of much the same mind. With the campaign shaping up so rapidly, it is evidently time for all good men to come to the aid of their candidacies.

A poll taken in New York may well exaggerate the national strength of Governor Dewey and the national weakness of Senator Taft; for Governor Dewey is New York's favourite son, and Senator Taft is no favourite with organised labour, which is strong in New York. Further public opinion polls, covering the whole country, and particularly Illinois and California, will be awaited with intense interest by both parties. But New York is the key State, both because it sends the largest delegation to the electoral college and the party conventions, and because it contains the core of Wallace strength. It is not too early to conclude that Mr Wallace's buzz is worse than his bite. His intervention can defeat the Democrats, but only if the Republicans have a strong candidate. It does not seem that he can assure the election of a Republican the people do not want; and the preference is very clear for new blood in the grand old party. Those Republicans who thought that the Wallace for President movement gave them a free rein to disregard public opinion in choosing a candidate will have to think again. The greatest danger of a Left Wing third party, that it would strengthen the likelihood of a reactionary Republican nomination, appears to have been averted.

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Labour's Share of the Cake

The third round of wage increases for organised labour is now under way by the pace-makers of the Congress of Industrial Organisations. In Detroit Mr Walter Reuther has announced that the General Motors Corporation would be asked for an increase of 25 cents an hour, with an additional 5 cents an hour for health benefits, a guaranteed 44-hour week, and other fringe concessions. The United Electrical Workers, which represents the left wing of the CIO as Mr Reuther represents the right, had already announced that it meant to get back for its workers everything they had lost through price rises since 1945—amounting to \$13 a week. A wage and working rule dispute already exists between the railways and the three brotherhoods of operating employees, who are demanding a 30 per cent increase. The steelworkers are marshalling the arguments for rises in anticipation of the reopening of their contract on April 1st.

For the three CIO unions, these arguments are twofold: the bloated state of profits, and the steady sucking away of workers' purchasing power through price rises. Mr Reuther, for example, long an advocate of "looking at the books," has reckoned that the profits of General Motors, Chrysler, and six independents totalled \$450 million in 1947, after taxes, a return of 22.2 per cent on the capitalisation of the companies. If the present wage demands were granted, he estimated that the return would still

U S Business Bulletin

THE ECONOMIST receives every week, from its own correspondents and from other sources, a great deal more information on business conditions and economic developments in the United States than can possibly be used for "American Survey."

It is therefore proposed to issue for private circulation a fortnightly "U S Business Bulletin" which will contain a more extensive digest and analysis of this information than can appear in the paper. It will be designed to be of value both to exporters and also to those more generally interested in economic affairs in America.

Detailed information on this bulletin will be available shortly and will be sent to any reader who would like to receive it. Please address your request to:

Manager, The Economist Intelligence Unit, 22 Ryder Street,
St. James's, London, S.W.1

stand at 12.5 per cent in 1948. But the demands, he insisted, at least as to the first 25 cents, represented no increase in wages; they simply would enable the wage-earner to catch up with the cost of living. The other 5 cents is a demand for a "modest share in the nation's progress."

The Automobile Workers, the Electrical Workers, and the Steelworkers are three of the highest-paid groups of workers in manufacturing industry in the country. The Autoworkers—the best paid of the three—are at present receiving average hourly earnings of \$1.50; the new rise would give them approximately \$1.75 an hour. The Steelworkers receive \$1.38 an hour, electrical workers \$1.31, against an average manufacturing wage of \$1.24. These figures cast an illuminating light upon the President's request for a minimum wage of 75 cents an hour and the reported willingness of Congress to grant a 65 cent minimum.

Even in the automobile industry, however, hourly earnings amount, even with 52 weeks' work (not often received in 1947, on account of steel shortages) to \$2,860 a year. The Bureau of Labour Statistics recently compiled family budgets showing that the cost of a reasonable—by no means luxurious—standard of living for a family of four ranged, in major cities, from \$3,458 in Washington, DC, to \$3,004 in New Orleans. Many families, of course, have more than one wage-earner; many have fewer than three dependents. The shortness of the working week (37 hours in the automobile industry), though not altogether within the power either of the unions or the industry to change, is more the villain of the piece than the unions like to admit. Nevertheless, in Washington the cost of maintaining a family of four has risen by more than \$500 a year in just over eighteen months. Only the most stringent anti-inflation legislation could have diverted the unions' demand that the workers' slice of the cake be maintained.

Shorter Notices

Mr Truman's Economic Report to Congress foreshadowed a slower pace of shipbuilding than that suggested recently by the Shipping Advisory Committee. New funds sought in Congress total only \$24 million, in contrast with the four-year total of \$600 million for the full programme of forty-six passenger vessels recommended by the Committee. Amounts available for construction and improvement over 1948-49 will be as high as \$70 million, most of which represents work on contracts already under way in 1947. The President has asked for operating subsidies of \$30 million in 1948-49.

While the Administration has still to present formal bank control proposals to Congress, the President states quite clearly in his Economic Report that he "will not consider" proposals to "bring about an anti-inflationary contraction of credit, as in 1920." The Government Bond market will be supported, he says, and if voluntary action fails, "other and less dangerous methods to restrain bank credit" will be used. Mr Eccles, chairman of the Federal Reserve Board, is thus expected to renew his proposals for "secondary reserve" powers designed to protect Treasury Bond quotations while permitting a moderate rise in commercial loan rates.

Mr Petrillo, of the Musicians Union, has scored a resounding court victory over the "anti-Petrillo Act." Criminal charges were brought against him of violating the Lea Act, which prohibits the use of force, express or implied, to make a radio station employ more persons than it needs. The judge who tried the case in Chicago had at first declared the Lea Act unconstitutional, because it was so clearly aimed at Mr Petrillo. The Supreme Court disagreed and ordered the case to be retried. Mr Petrillo has now been acquitted; his counsel declares the Lea Act is dead; and Mr Petrillo is being hailed as the Houdini of the Labour Movement. To judge from the tempers of Congressmen, the Lea Act is likely, however, to be born again, this time with more cautious drafting.

The White House has announced that Mr George Allen, Ambassador to Iran, will succeed Mr Benton as Assistant Secretary of State in charge of public information policy. The post is very much more attractive than it was a year ago. The change of heart Congress has undergone over the "Voice of America" is an astonishing index of an altered international point of view. The Mundt Bill authorising the information services, which was hopelessly obstructed in the last session, will have an early debate and is scheduled for passage.

THE WORLD OVERSEAS

The German Economy in 1947

Bizonia's First Year

THE story is told in Frankfurt of a German business man in Hamburg who found the work of his factory held up for want of cement. So he set off in his car, and drove, on black market petrol, from Hamburg to Frankfurt. There he bought in the black market some packets of chocolate, such as are sold to G.P.'s in their stores for \$1.05 a box, and to Germans illegally for 250 marks. With these he drove to Munich, where he bartered the chocolate for silk stockings, smuggled in from the Soviet zone. He then went on to the Bavarian Alps, where he bartered the stockings to a peasant for butter. With the butter on board he drove all the way back to Hamburg. There he bartered his butter for cement.

The tale might be continued further. The Hamburg manufacturer would produce in his factory just enough to enable him to secure by barter sufficient food and goods to keep his workmen and his family, and to offset the losses which he had incurred through selling a part of his output legally at the prewar fixed price. Then, bearing in mind that currency reform is planned for the spring, and that a large proportion of his cash and bank account will be cancelled, he would store his remaining goods and raw materials as far away from the eyes of authority as possible.

The German situation is unique in the history of inflation. There is neither a runaway inflation, nor a valueless mark. Two organised, comparatively stable systems exist together, but independent of one another. In the legal system, a workman receives an average wage of 180 marks a month, pays his pennings for his tram fare and his starvation rations; the peasant receives 200 marks for a ton of wheat, and the Ruhr mining companies 15 marks for a ton of coal. In the parallel illegal system, a man earns as much in one deal as he would in a month in a factory; a cigarette costs 3 marks, a pound of butter 300 marks, and traders operate on a scale of prices of cigarettes for all the staple commodities.

It is impossible to say what proportion of the population lives entirely under the legal system ; it is probably a minority. The abnormal is becoming the normal. For this reason, many German conservative politicians—influenced by American advocates of free enterprise—attack the Socialists for trying to control everything, and for foundering in a welter of forms in the attempt. Certainly the situation is not one to be cured by issuing more regulations from the Frankfurt Economic Council, to be disregarded like the rest. It calls for a drastic curtailment of spending power, together with a revision of the wages and price structure, and reduction of the present prohibitive taxation on profits. This in turn depends for its success on public confidence in adequate food supplies, greater import of raw materials to replenish stocks, and on a competent administrative machine.

Critical Weeks in the Ruhr

Of these three essentials, only the second is likely to be achieved under the new plan for importing £25 million of raw materials in the first quarter of this year, drawn up by the now American-controlled Joint Export-Import Agency. The food situation may be better, but it is unlikely to have been overcome to the point where confidence in steady, assured and adequate rations is established. The Frankfurter "Government" has no body of competent, trained civil servants to administer its decrees. The best of those who were left after denazification are all in the administrations of the eight States (including Hamburg and Bremen) in this most over-governed and bureaucratic of countries. The Anglo-American zones have a population of just under 40 million; to realise how swollen the bureaucracy has become under the decentralised system, it is only necessary to imagine the situation if the Whitehall Ministries and Parliament were to reproduce themselves eightfold. Frankfurter will only attract good men if the service they are joining is permanent, and part of a fully responsible government. The Ruhr will be highly critical. Docu-

The next few weeks in the Ruhr will be highly critical. Documents such as "Protocol M" are not needed to provide evidence of Moscow-directed Communist efforts to sabotage Western German revival. The Social-Democrat Party knows all about them, and will use its power in the unions and works councils to frustrate

The big change that has taken place since the crisis of early 1947 is the new role of the Americans. Instead of being a purely British responsibility, the control of Ruhr coal is now a joint Anglo-American concern. More than that, the Americans have the greater responsibility, since in the division of functions the control of actual production was secured by them.

There is no point on which all the various American committees which examined the prospects for the Marshall Plan were so unanimous as the fact that the Ruhr is the key to the Plan, and that only better food, distributed partly as incentives, can secure its recovery. Hence the better prospects that this year's crisis may be overcome, even though—owing to the inadequacy of American grain supplies to meet all needs—other countries may suffer.

Failure of the Farmers

The Anglo-American authorities foresaw last autumn, after the effects of the drought were clear, that it would be possible to keep up the present low ration of 1,550 calories for the normal consumer only if the German farmers delivered their quotas, and if the States authorities obeyed the Frankfurt Council's distribution decrees. Both these provisos obviously would not be fulfilled. About half the potato crop had already been wrongly distributed by Bavaria, Lower Saxony and Schleswig-Holstein before the Frankfurt decree seizing it for fair allocation had even been issued. Quite ineffectually, the British and American authorities tried to convince the German authorities that they were not prepared to accept false returns and to subsidise thefts, black markets and inefficiency. The German estimates of the crop were rejected. Now that the revised estimates have been found to exceed the actual collections, the Anglo-American authorities are faced with the prospect of having to cut rations or weaken on their threat not to import more.

The German officials are under the illusion that it is a simple matter to buy food from Germany's neighbours. Even Herr Schlange-Schoeningen, the food and agriculture chief, has shown that he is innocent of the workings of the IEFC, or the Food and Agriculture Organisation which has taken over its work of international allocations. Nor does he realise that bulk contracts have mopped up most of the remaining fats supplies. He thinks that Bizonia's "surplus of exports over imports" might easily be used to secure supplies of butter from Denmark; and he has proposed in a widely publicised statement that Bizonia must import 600,000 tons of oilseeds, valued at \$300 to \$350 million a year, as well as 2,000,000 to 2,500,000 tons of fodder. This would suffice to give an average consumption of 13 ozs. of fats a week, which he declares is necessary to restore the working capacity of the population. Herr Schlange-Schoeningen sees that it must be "some years" before Germany can reach its prewar fat production, but declares roundly that the Anglo-Americans must now really make up their minds to give Germany an adequate diet "by granting credits for a few years."

Apart from the eight-year isolation of the Germans from the rest of the world, one reason for their present inability to grasp the realities of the food situation is the artificial division of imports into Category A goods, consisting of food, fertilisers, seeds and oil products—paid for out of British and US appropriated funds, and from now on to the extent of 80 per cent by America—and Category B goods, consisting of raw materials, financed by Anglo-American capital advances. The Germans simply ignore Category A, and believe that, since German exports have so far exceeded Category B imports, it is they who have been granting credits to the British and Americans. And, they conclude, it is high time this was changed. Though their arguments are in most ways illusory, it is true that a valuable psychological stimulus to production for export would be given if German manufactures were directly applied to imports of food.

There is nothing to be said against the German authorities' insistence on the vital need for better feeding. The physical capacity of the ordinary workman is not equal to his tasks. It is

THE BUSINESS WORLD

The Shape of Sterling Policy

A CERTAIN cohesion is beginning to return to the system of payments between the sterling area and the non-sterling world which broke into fragments on August 20, 1947. The suspension of convertibility of sterling undermined only one of the three legs on which the structure of Britain's overseas payments rested—namely, the agreements with non-sterling countries other than those in the dollar area. Payments with dollar countries were not affected; although their volume may have been reduced by conscious attempts to cut the dollar gap, through which \$40 million a week was still draining away last month, they still have to be made, as before, in dollars. Even though sterling may interpose itself in the transactions when it is paid into American accounts, such sterling remains today, as it was before August 20th, automatically and unconditionally convertible into dollars. So far as dollar payments are concerned, therefore, there are no changes in the mechanism.

The only new agreement which bears on payments with the dollar area is that with Canada. On the financial side, as distinct from the trade side, this agreement merely increases for a period of three months the proportion of the net sterling area deficit with Canada that has to be met in US dollars. Instead of the former ratio of one US dollar for every Canadian dollar obtained by drawing on the Canadian loan, the short term agreement provides that Britain will have to pay \$US100 million as a condition of drawing \$45 million from the Canadian credit.

The second leg of the tripod, payments with sterling area countries, is also substantially unaffected. Here the only changes to record result from the agreement with South Africa. This is important on two counts. First, South Africa, while still remaining a member of the sterling area, has undertaken to become directly responsible for its own hard currency requirements. These arrangements applied at first only to South Africa's US dollar requirements; but it was announced this week that they are also to apply to Canadian dollars. As a corollary of this direct responsibility for financing the Union's dollar expenditure, a dollar market has been set up in South Africa, where the commercial banks are now quoting rates on New York and Montreal instead of covering their exchange requirements through London. London, as the traditional banker to the sterling area, can hardly find this development palatable. These new arrangements, which divorce South Africa from the sterling area dollar pool, have also brought attendant changes in the arrangements for selling South African gold to Britain. An immediate loan of £80 million of gold (now under consideration by the South African Parliament) replaces the previous agreement for yearly sales which in each of the years 1946 and 1947 had involved shipments of about £80 million. The second point of substance in the agreement with South Africa is the proposal for exchange of information between the two Governments about movements of capital between their respective countries. Exchange of information is pointless unless the facts which are brought to light can, if necessary, be followed by appropriate restrictive action. This provision of the agreement with South Africa may, therefore, be regarded as a potential exception to the rule that funds can be freely moved within the sterling area even for capital transactions.

Apart from these reservations which arise from the new arrangements with South Africa, the mechanism of payments

with the sterling area remains unchanged. The need for dollar economy and for easing the strain on the central gold and dollar reserve of the sterling area has been brought home to all its members. At the meetings in London last autumn the general outlines of a dollar conservation policy were agreed by all the sterling countries concerned. Since then good work has been done in overhauling the mechanism of exchange control in various parts of the area and the necessary technical assistance has been provided by the British Treasury and the Bank of England.

It is in the third category—the payments arrangements with non-sterling countries other than the dollar area—that the main work of new negotiations had to be undertaken. The most important members of this group of countries are those that were linked together in the transferable account system. Within this group of countries* sterling was freely transferable for current transactions (as defined by their monetary authorities). Further, any sterling in transferable accounts could be paid into American accounts, provided again that the transfer was in payment of a current transaction. This latter right, which had made sterling in transferable accounts convertible five months before the obligation to convert became effective, was annulled with the suspension of convertibility on August 20th. But the right of automatic transferability within the original group of transferable account countries has been withdrawn only in certain specific instances, such as Egypt, Belgium and Portugal. It has been withdrawn from countries which, by virtue of their export surpluses with other transferable account countries, might be expected to receive current sterling and thus accumulate balances to the point at which they could claim convertibility into gold. The basis of the direct payments relationship between Britain and each of these non-sterling countries is a mutual undertaking to hold each other's currency up to a fixed ceiling, above which any excess accumulation is convertible into gold. This particular element of convertibility has become far more important since August 20th than it was before. The unwillingness of these countries to hold sterling beyond the "gold point" fixed in each of these agreements may be assumed to have grown with the suspension of general convertibility of current sterling.

In the negotiation of these agreements, the main objective of British policy has been to prevent the emergence of a situation in which particular countries, having accumulated current sterling to the limit, might begin to exercise their rights of convertibility. This risk has been safeguarded, as far as possible, through a combination of financial and commercial arrangements. On the financial front Belgium has been induced to raise the ceiling of its sterling holding from £5,000,000 to £27 million. Even so, Belgium has managed to accumulate some convertible sterling in recent months. In the case of Portugal, the accumulation of "current" sterling is being brought down to the stipulated £5,000,000 by inducing that country to pay in current sterling

* The initial list was Argentina, Canada and Newfoundland, and the Belgian, Netherlands and Portuguese monetary areas. Later additions included Anglo-Egyptian Sudan, Brazil, Czechoslovakia, Egypt, Ethiopia, Finland, Iran, Italian monetary area, Norway, Spanish monetary area, Siam, Sweden and Uruguay.

for certain types of exports from the United Kingdom which, under an earlier agreement, would have been paid for from sterling accumulated before 1946.

The next method used to keep the accumulation of sterling by these countries below the convertibility point has been to substitute "administrative" transferability for automatic transferability in cases where the latter spelt danger, as, for example, in Belgium and Portugal. Sterling cannot be paid to residents in those countries by residents in "transferable account" in those countries unless the Bank of England has sanctioned the countries unless that such sanction will not operation. It may be assumed that the transfers will cause the be given if there is any danger that the transfers will cause the recipient's sterling accumulations to rise beyond the convertibility point. Automatic transferability still obtains where it involves no conceivable danger, notably in countries which, at present, have no rights to convert their accumulated sterling—such, for example, as Argentina—or where the balance of current payments is in favour of the sterling monetary area.

The main lever in maintaining the equilibrium of payments is, however, to be found in the commercial negotiations which have gone hand in hand with the re-negotiation of the payments arrangements. The aim of these trade negotiations has been frankly and unashamedly stated in each agreement so far reached: to achieve an approximate equilibrium in current payments between the sterling monetary area and that of the country in question, but to establish that balance at the highest possible level of mutual trade. The policy has the defects of all bilateral barter: it involves the import of inessentials such as Belgian azaleas in order to obtain Belgian steel; it cannot possibly achieve the maximum expansion of trade that would occur under more normal conditions, when the advantages of specialisation and of the international division of labour could be properly exploited. But conditions are not normal. The bilateralism of the recent commercial agreements does at least make more than an empty obeisance to the principle of expansion of trade; and the agreements enable the British authorities to keep a strict watch on the accumulating claims on the exiguous gold and dollar reserves of the sterling group.

In the midst of the recasting of the overseas payments mechanism, the authorities appear to be keeping in sight the easy task, yet the concept of "transferable sterling accounts" is far from dead. It has, in fact, been extended recently to the agreement negotiated with the USSR, which provides that payments between the Soviet Union and sterling countries will be made through transferable accounts. Such transferability will also apply to payments with non-sterling countries, subject to the joint approval of every transaction concerned. The British authorities are necessarily feeling their way carefully, and here and there they may seem to show needless timidity. But they cannot be accused of having gone back completely on the principles of convertibility that were being pursued up to August 20th last.

The picture of the sterling system which emerges from these renegotiated agreements may be likened to three concentric circles. The centre piece, wholly homogeneous, is made up of the United Kingdom, the Colonies and dependencies which together have a common quota in the International Monetary Fund. Not only is there complete freedom of payments within this group, but there is also complete freedom to discriminate in monetary and commercial arrangements. Outside this inner ring are the rest of what the Exchange Control Act calls the "Scheduled territories." Here too, there is freedom in the movement of funds, but a far greater degree of monetary autonomy than is to be found in the inner circle which, with its currency boards, may be said to take its policy and technique of control from London. Thirdly, there is an outer ring of countries which though outside the sterling area are neverthe-

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STATEMENT OF ACCOUNTS

December 31, 1947

LIABILITIES		£
Capital paid up	...	15,158,621
Reserve Fund	...	15,158,621
Current, Deposit and other Accounts	...	1,280,351,586
Acceptances and Confirmed Credits	...	31,433,651
Engagements	...	25,592,296

ASSETS		£
Coin, Notes and Balances with Bank of England	...	108,713,759
Balances with, and Cheques on other Banks	...	49,858,251
Money at Call & Short Notice	...	74,154,842
Bills Discounted (Treasury Bills £194,237,238)	...	209,398,431
Treasury Deposit Receipts	...	292,000,000
Investments	...	289,163,139
Advances & other Accounts	...	269,282,398
Liabilities of Customers for Acceptances, etc.	...	57,025,947
Bank Premises	...	8,261,746
Shares in Yorkshire Penny Bank Ltd.	...	937,500
Shares in Affiliated Companies:		
Belfast Banking Co. Ltd.	...	
The Clydesdale Bank Ltd.	...	
North of Scotland Bank Ltd.	...	8,898,762
Midland Bank Executor and Trustee Co. Ltd.	...	

Head Office :

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less prepared (in a few cases *compelled by circumstances*) to maintain a part of their external exchange reserves in sterling and to transact much of their foreign trade in sterling. It is a larger group than is generally supposed and comprises the greater part of South America, much of Western Europe and such near neighbours of the sterling area as Egypt. This group could be expanded and made more coherent than it is at present. Whether it expands and acquires organic cohesion depends

Sugar or Dollars?

LAST November Mr Strachey faced some strong criticism from the back benches when he reduced the weekly sugar ration from 10 oz. to 8oz., and simultaneously raised the price from 3d. to 5d. a lb. His critics urged that Britain's sugar stocks were ample and that the cut was unnecessary or, at least, premature. Mr Strachey did not deny that stocks were adequate; he fell back on the argument that sugar cost dollars and that it was necessary to husband supplies and to conserve stocks. This argument may have sounded plausible, but it does not go very far. A reduction of 2 oz. a week saves less than 160,000 tons a year—say, one-tenth of Britain's annual consumption. Moreover, the Ministry of Food had, already in July, bought forward substantial quantities of Cuban sugar for delivery this year—although at a high price. Hence Mr Strachey's unkind critics still suspect that the cut in the ration and the raising of the retail price may have some connection with the Ministry's desire to avoid a trading loss, or a higher subsidy. If the ration had been kept at 10 oz., weekly expenditure per person on sugar would have risen from 2d. to 3d. By reducing the quantity to 8 oz., weekly expenditure rose by only ½d. Dollars may have come into this calculation, but it seems likely that the Minister had one eye cocked on the cost of living.

The connection between British sugar supplies and dollars is worth examination. Before the war the internal consumption of sugar in the United Kingdom amounted to 2,110,000 tons. Domestic beet sugar production provided only 17 per cent of the total amount consumed, but one half of the imported supplies came from Empire sources—Australia, South Africa, Mauritius and British West Indies, in order of importance. Cuba and St. Domingo were the two most important foreign suppliers, and together accounted for 37 per cent of total imports. The war, however, changed this pattern considerably. Internal consumption declined to 1,750,000 tons a year between 1940 and 1945; in 1946, it was further reduced to 1,660,000 tons, but increased in 1947 to 1,780,000 tons. Home production expanded to 470,000 tons in 1946 and to 550,000 tons last year. But although

upon the future of sterling—in short, upon the capacity of Britain to regain its economic strength and to restore its overseas equilibrium. To suggest that the three rings may one day add up again to what was the sterling area before the war—an area extending far beyond the Commonwealth—might appear pretentious today; but it is a pretention which should not lie beyond the hopes and vision of those charged with the creation of the new system.

total imports declined, both the actual and the relative supplies from Cuba and St. Domingo increased, until last year they represented 77 per cent of total sugar imports.

The accompanying chart shows the changes in Britain's domestic production and consumption (calculated on a refined value), together with imports of unrefined sugar, for 1938, 1946 and 1947. Figures for home production are for calendar years and therefore comprise parts of two different seasons, which run from October to March. The chart shows that Britain has been forced to substitute dollar sugar for Empire sugar, at a time when it was vital to reduce dollar expenditure to the minimum. This change in the sources of British supplies may seem strange, viewed against the background of Britain's wartime purchasing policy. Then the aim was to secure Empire supplies by means of long-term contracts, which were made with Australia, Fiji, British West Indies, British Guiana, Mauritius, British East Africa and the Union of South Africa; in each case, the contracts provided that Britain should purchase the exportable surpluses at prices negotiated annually, and they do not expire until December, 1949. Yet, despite these arrangements, sugar production in these Empire countries has declined—except in South Africa, Jamaica and (up to 1944) Mauritius—owing partly to the disruptions of the war, shortages of labour and fertilisers, and the greater need for more essential agricultural products. A further factor—it is often contended—may have been the low prices which the Ministry of Food offered, though it is difficult to measure the incentive effects of a high price on producers who could not spend the proceeds on consumer goods owing to lack of supplies. South Africa was one of the few areas where sugar production increased substantially during the war, but the improved standard of living in the Union, particularly of the negro population, caused a reduction in the exportable surplus of sugar by more than 60 per cent.

The main cause of the changes in Britain's sources of sugar can be traced to the policy of the Combined Food Board—an Anglo-American organisation set up in 1942 to economise in

shipping by directing allied supplies to their nearest area of consumption. As a result, sugar from Mauritius was diverted to the Near and Middle East; South African supplies went to other parts of the African continent; Australian and Fiji sugar was reserved for the Pacific area; and Jamaican sugar went to Canada and Britain. Under this system the United Kingdom drew the largest part of its supplies—under Lend-Lease—from the two dollar producers, Cuba and St. Domingo, and the rest from West Indian colonies for sterling. The work of the Combined Food Board was constantly hampered by the International Sugar Agreement—a scheme drawn up in 1937 to support the prewar sugar market by fixing export quotas. This Agreement formally runs until August, 1948, but during the war it often became necessary to permit countries to export in excess of their quotas in order to secure a rational distribution of supplies, and in September, 1944, the quota system was finally suspended.

In 1946, the International Emergency Food Council succeeded the Combined Food Board and became responsible for the allocation of sugar and other foods among the various importing countries to ensure an equitable distribution of scarce supplies. But as Lend-Lease was no longer in operation, each country had to pay for its allotted quantity in the appropriate currency. And since the pattern of distribution was maintained on the lines laid down during the war, Britain and other European countries had to make payment in dollars for the supplies which were allocated by the IEFEC from Cuba and St. Domingo. Britain, of course, also received sugar from the West Indian colonies in return for sterling, but West Indies' sugar represented only 13 per cent of Britain's sugar imports in 1947. In the latter part of last year many countries could no longer spare the dollars to buy their share of Cuban sugar, and stocks began to accumulate. Since there were prospects of another good Cuban crop in 1948, the IEFEC allowed consuming countries to import Cuban sugar beyond their allocation and the international "rationing scheme" broke down.

It should not be assumed that Britain could import sufficient sugar from Empire sources even to satisfy the present low level of consumption despite the expansion of home produced beet sugar. Probably at least one third of its present annual requirements can be obtained only from dollar countries. Almost without exception, sugar consumption has increased in the Empire exporting countries; hence their output would have considerably to exceed the prewar level before they could increase their exports even to the prewar figures, though a relatively high export price might encourage them to do so. But the longer-term expansion of Empire production is not a simple matter. It would have to surmount the problems common to all colonial development schemes, and, granted the limited resources of capital and labour which are available, sugar is likely to rank for a much lower priority than more urgently needed foodstuffs and raw materials like oilseeds and fibres.

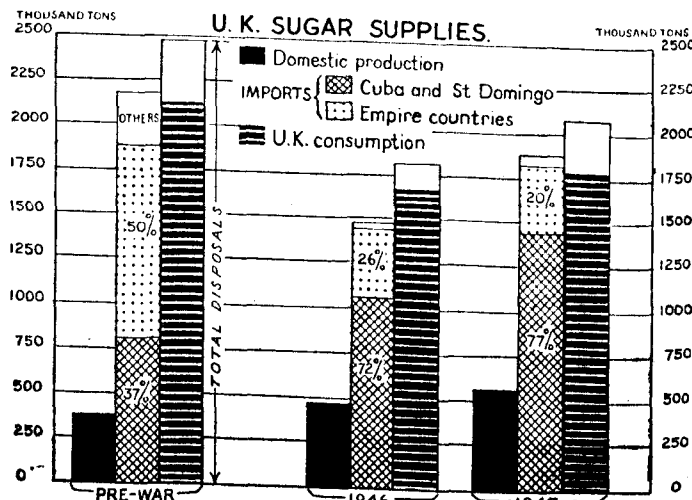
It follows, therefore, that criticism cannot be levelled against the Ministry of Food on the score of having to import dollar sugar. But the same absolutism can hardly be given to its purchasing policy, in view of recent developments in the sugar market. World production of white sugar in 1947-48 is estimated at about 25½ million tons (raw value) compared with 27 million tons in 1937-38. Consumption is believed to total about 25 million tons, compared with 26½ million tons before the war. This represents a significant decline in consumption per head, when account is taken of the increase of between 5 and 10 per cent in world population. Although the excess production of 1947-48 is put at only 500,000 tons, it may prove to be much larger. Moreover it follows a season which showed an estimated surplus of 1,500,000 tons. The accompanying table gives the geographical distribution of world production and consumption of sugar. It clearly shows the predominance of Cuba as the largest source of exports, with North America (mainly the United States) and the United Kingdom as the chief importers. Reduced world production, compared with prewar years, is due mainly to a smaller output in Europe and the Far East, but Cuba has almost doubled its production. Restriction in consumption has been caused mainly by the general shortage of dollars. Most countries are prepared to meet their basic sugar requirements at high cost—in Europe, basic supplies are generally assured by beet sugar production, so that dollar purchases can be, and have been, drastically reduced. Under such conditions, a fall in the price of sugar may induce little or no additional demand, simply because the saving in dollars resulting from a lower price would be applied to the purchase of more essential imports. In Britain, however, domestic production plays too small a part to afford any considerable reduction in dollar sugar expenditure; hence the British demand is a major factor in the world sugar market.

Dollar difficulties have recently had an important effect on the Cuban market and prices have tended to fall from nearly 24s. a cwt. to 22s. 3d., though the market is now steadier. If there is any truth in the reports that the Ministry of Food last summer bought well over 500,000 tons of Cuban sugar at about 28s. a cwt., for 1948 delivery, there would indeed be ground for strong criticism of the Ministry's trading policy—quite apart from its caution (or perhaps its face-saving) in reducing the ration. Sugar provides yet another example of the way in which the official policy of secrecy about trading operations prevents informed discussion of matters which are of great concern to British consumers. No Ministry is omniscient; nor, of course, is any private trader. But, in view of the claims which are put forward about the advantages of bulk purchase, it is surely reasonable to expect that those responsible should be in a position to make accurate market forecasts. If they have been made in the case of sugar, the Ministry has remained very modest about them.

WORLD SUGAR PRODUCTION AND CONSUMPTION
('000 tons—raw value)

	1937-38		1946-47		1947-48	
	Production	Consumption	Production	Consumption	Production	Consumption
Surplus Areas						
Cuba	3,000	160	5,750	250	5,400	250
British W. Indies*	600	45	625	80	700	80
Other W. Indies	1,525	90	1,600	180	1,475	180
Central America	350	350	700	575	700	650
South America	1,900	1,800	2,550	2,475	2,475	2,450
Far East	4,950	2,650	1,275	775	2,025	1,175
Australia, Fiji, etc.	950	450	650	550	700	600
India†	1,550	1,550	1,450	1,250	1,650	1,550
U.S.S.R.	2,500	2,475	1,500	1,500	2,700	2,700
Deficit Areas						
N. America	1,700	6,600	1,900	6,775	2,225	7,600
United Kingdom	400	2,400	600	2,000	450	1,700
Europe	6,800	6,675	4,500	4,725	4,200	4,825
Near & Middle East‡	25	330	40	230	50	250
Africa	800	930	800	1,075	830	1,100
World Total	27,050	26,500	23,950	22,450	25,600	25,100

N.B. Totals rounded off.
* Including British Guiana. † Including Indian Ocean territories. ‡ Including Mediterranean.



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Business Notes

Three Per Cent under Pressure?

Students of market psychology would have some difficulty in explaining why gilt-edged stocks, which stood up well enough to the choice of a 3 per cent issue for Transport Stock and to the raising of interest rates on local authority borrowing by one-half per cent, should have been so greatly unsettled this week by the discovery that the "public stag" had become tired of holding 2½ per cent Corporation stocks and was now selling them on the basis of 92½-93½. There was a time when the ex-Chancellor preened himself on the profit which the departments had made from their early support for 2½ per cent conversion issues by home corporations, when they were being issued during the most violent phase of the cheap money drive. Now the true losses are brought out into the open. But that fact alone would hardly account for the sharp fall which occurred in every section of the gilt-edged market on Tuesday and continued, though with some signs of greater steadiness, on Wednesday.

Obviously, the opportunity of switching into corporation stocks, with lives ranging up to 27 years and standing at a discount of seven points, to secure redemption yields to the latest dates a shilling or so below 3 per cent, was bound to have repercussions on the 40-year Transport Stock. At one time this newcomer had so far lost its attractions for institutional investors, who had been steadily supporting it since January 2nd, that the price fell below 98. It is hardly surprising that, in the present unsettled state of the market, some investors should already be asking whether the 3 per cent basis, which had generally been expected to command support, is now showing signs of vulnerability. Certainly, those who are doubtful about the future course of gilt-edged prices will not derive much consolation from the exchanges between Mr Piratin and Sir Stafford Cripps in Parliament on Tuesday. When pressed to explain what new circumstances had arisen since the ex-Chancellor introduced the "very welcome reduction in interest charges" payable by local authorities on their borrowing from the public Works Loan Board to necessitate an increase now, the Chancellor replied briefly that the Government's borrowing rates for comparable periods had "altered"—a perfectly simple position which required no further explanation.

The result of this week's setback finds undated stocks close to 80; 2½ per cent Treasury Stock is in fact below that price, after allowing for accrued interest, and now yields £3 2s. 7d. per cent, or £1 14s. 3d. per cent after deducting income tax at 9s. in the £. But one of the Corporation stocks which has come on the market this week—2½ per cent Southampton, 1970-75—offers a net redemption yield to the latest date of £1 14s. 7d. That the market should have succumbed to the relatively modest degree of competition introduced by the release of the unwanted corporation issues in the hands of the departments is, in itself, proof of the thin veneer of stability which it has acquired in recent weeks. There are some who hold that, once Marshall Aid is assured, the authorities will have an opportunity to renew their cheap money drive. But recent tactics almost suggest that cheap money is not a matter of primary concern of the Chancellor, and that he is not even as mindful as most investors would expect him to be of the desirability of maintaining the 3 per cent position.

Australia Converts

Certainly, there is no attempt at forcing tactics in the terms of the new Australian conversion loan, which was announced on Thursday. A year ago, Australia, under the wing of the ex-Chancellor, attempted to persuade investors to take a 2½ per cent stock, with a 24-29 year life. The new issue is a 3 per cent stock, redeemable optionally in 1963 and finally in 1965, and will be issued at 98½. The new stock will replace part of the New South Wales 5½ per cent loan, 1947-57; of the outstanding £17,870,500 of this stock, £5,000,000 will be paid off from the sterling balance held by Australia. Apart from the changes in the terms compared with a year ago—signalled by the yield to final redemption on the new stock of £3 2s. 3d. per cent—it is interesting to note that it will be underwritten in the market. Last year's precedent, when the Commonwealth Bank acted as underwriter and was left with the burden of a heavy under-subscription, is not repeated.

These terms were evidently designed to ensure success—on the basis of gilt-edged prices when they were announced. The cash lists open next Wednesday, and the conversion lists will close on or before February 9th. The new stock is perhaps most closely

comparable with 2½ per cent Savings Bonds, 1964-67, both in its life and the somewhat surprising narrowness of its dates. This stock, on the eve of the announcement of the Australian terms, stood at 95½, to yield £2 17s. 1d. to final redemption. A spread of a clear 5s. per cent gross in the yields shows the measure of Australia's willingness to attract the market. It is, at the same time, a symptom of the growing tendency for the yield structure to widen, and to lose some of the narrow constriction into which it was forced by ultra-cheap money. And it implies no disrespect to the status of Australia as a borrower on the London market to emphasise that such a change towards more normal yield differentials is entirely salutary.

Franc Devaluation

The moves which have led to the now imminent devaluation of the French franc hardly accord with those rules of secret diplomacy in which monetary affairs of this character and importance should be discussed. The approaches to the International Monetary Fund in Washington and the general character of the French requests for a devaluation of their currency have become common property, not only of the press commentators but of every speculator who has found ways of capitalising pending developments. That the French franc had to be devalued was a point on which no two opinions could be held. The currency has been overvalued so long and the underlying trend of wages, costs and prices in France is still so unmistakably upward that some official recognition of this loss of value in the currency was long overdue. The two points on which there might be some doubt are whether this is the proper time to proceed with the operation, i.e., would it not have been better to wait until underlying conditions were somewhat more stable before taking the leap of a formal devaluation, and, secondly, whether this is the most expedient form of devaluation.

On the first point, the pressure of events is proving stronger than any arguments that might suggest caution and delay. Some move must be made now. On the second point, the French have been so impressed by the apparent success of the Italian devaluation that they have decided to follow the same pattern. That is, while allowing a formal devaluation of the franc which would carry the official rate of the dollar, say, to 200 francs and that for sterling to 800 francs, they desire at the same time to see established in France a free market in which French exporters would be able to sell part at least of the foreign exchange proceeds of their sales abroad. The French argument is that only by allowing such a free market, in which both foreign currencies and gold would be quoted, would rates be established at which Frenchmen now hoarding currencies and bullion will be prepared to disband.

It was this problem which the French Finance Minister, M. René Mayer, brought to London on his recent visit and which provided the dominant, if not the exclusive, topic of his discussions with Sir Stafford Cripps. The British attitude to the French proposal seems to have been one of root and branch opposition. The case for the devaluation of the franc is not, and cannot be, contested. But the establishment of a free market and the consequent undermining of confidence in currency stability are thought to be an unduly high price to pay for the advantages of this particular type of devaluation. In particular, British authorities cannot ignore the fact that a free exchange market in France would almost certainly lead to cross rates between sterling and other currencies which would be seriously out of line with prevailing parities. The French appear to have suggested that British scruples on this score might be respected by forbidding free dealings in sterling. Apart altogether from the added restrictions on the free use of sterling which any such development would involve, it would in effect aggravate the situation from the point of view of the cross rate. Under the French proposal sterling would continue to be quoted at the official level of 800 francs, while dollars, allowed to find their own level, might rise to rates which would give quite fantastic sterling-dollar equivalents.

Monetary Fund and the Export Franc

British resistance to the French proposals must, however, be applied through the International Monetary Fund in Washington, with whom the ultimate responsibility for accept-

ing or rejecting the request rests. The request has been before the Fund for some time and has formed the topic of perhaps the longest and keenest debate yet held between the executives of that institution. The Fund has prejudiced its case in resisting the French demands by the precedent it has set in accepting multiple currency practices and fluctuating exchanges in the cases of Ecuador and Italy. In the former case the Fund announced in June of last year that it had approved a request by Ecuador to adapt its multiple currency practices through the imposition of a sur-charge on non-essential imports. The Fund announced at the time that the practices to which it was giving its sanction could be justified only as a short period device. But it went out of its way to stress that its attitude towards the use of multiple currency practices "cannot be doctrinaire." Again, in the case of Italy last December, the Fund announced that, although fluctuating exchanges did not accord with its long term objectives, it recognised "that in some cases members may be required for temporary periods to institute extraordinary measures in an attempt to meet particular difficulties." The Fund, therefore, gave its sanction to the Italian devaluation proposals which brought the exchange of the lira nearer to its economic parity, although it did so by tolerating, and indeed encouraging, a free market in which foreign exchange rates would fluctuate and might be quoted at rates which gave equivalents far removed from the official parities. In the case of Ecuador the Fund was merely sanctioning long standing multiple currency practices. In the case of Italy, the Fund could argue that no par value for the lira had yet been agreed and that this left room for some elasticity.

These particular arguments do not apply to the French case, since an official parity for the franc has been notified and agreed, and since there is no question of multiple currency practices other than the multiplicity which will be provided by a fluctuating free market. It cannot, however, be denied that the concessions given to these other countries regarding the rigid application of the articles of agreement of the Fund set precedents which are likely to make any resistance to the French request extremely difficult to maintain. The American attitude, which for some time past has been in favour of devaluation of European currencies, is likely to approve any move which conduces to that objective without bothering too much about the manner in which it is made. The British representatives on the Fund have, it is hoped, been resisting the particular devaluation technique proposed by the French Government. They must do so for a number of reasons. In particular, a widely fluctuating market would undermine confidence in all exchange stability, and the existence of such a market in France would make it necessary for Britain to tighten up on all its exchange controls and perhaps even consider the blocking of certain sterling assets.

Shipbuilding and the 1947 Target

The shipbuilding target for 1947 given in the Economic Survey was 1,250,000 tons gross, with a large repair programme in addition. Its achievement, it was said, "depends upon increased output per man-year and upon adequate supplies of materials, fittings and other components." Bad weather, lack of fuel and power, and supply difficulties early in the year led Ministers to hint that 750,000 tons might be the maximum attained. Actual tonnage completed during the year, so far as can yet be seen, was in the region of 950,000—a quite creditable figure, particularly when the large volume of reconversion work which has also been completed is taken into consideration. Tonnage launched during the year was more than 1,200,000 tons gross, the returns issued by Lloyd's Register during the year showing figures of 270,000 for the first quarter, 243,000 for the second, 302,000 for the third and 390,000 for the fourth. The high figure for the last quarter doubtless reflects the improvement in steel deliveries in the latter half of the year.

The total amount of work in British shipyards at the end of the year, according to Lloyd's Register, was 2,173,361 tons gross, an increase of 60,692 tons over September and of 236,299 tons over December, 1946. Work in shipyards abroad (excluding Russia, Germany and Japan) amounted to 1,808,996 tons gross, the so that the British share is 55 per cent of the world total. The busiest countries abroad are France (295,389), Sweden (261,605), Holland (255,199) and Italy (219,122 tons gross), while Canada is working on 148,250 tons gross compared with only 135,852 tons under construction in the United States. Out of eighty-four oil tankers totalling 742,084 tons, British yards are working on fifty, of 447,945 tons. The only vessels larger than 20,000 tons are in British yards; six of them under construction there account for about 190,000 tons gross.

Lloyd's Register also shows that Norway and France are at the moment by far the largest importers of ships. The former has

453,000 and the latter 233,000 tons building in other countries. Other importers are Portugal (121,000), Argentina (97,000) and Brazil (64,000). Britain remains by far the largest exporter of ships. The total of 671,000 tons building in British yards for foreign account compares with 163,800 tons in Sweden, 133,170 in the Dominions, 129,450 in Italy and 70,861 in Denmark. The British figure rose from 105,000 tons in March, 1946, to 478,000 tons at the end of 1946, and to 580,000 tons at the end of June last year. As many as 51 ships, totalling 146,832 tons, for foreign account were begun during the last quarter, bringing the export percentage to 30.9. This proportion is likely to increase still further; a considerable batch of export orders has been received, including ships for Panama and the United States. Large orders for tankers have been placed by British and foreign owners.

Too Little Steel for Ships?

In the light of the Lloyd's Register figures, questions are naturally being asked about the effect of the Government's decision to allocate steel to the shipbuilders at a rate of 20 per cent less than they received in 1947. Nobody knows what stocks the shipbuilders or their suppliers of fittings and components have. Nor is it possible to say whether actual deliveries of steel will be more or less than allocations; last year the shipbuilders received considerably more than they were allocated, but the allocations should be more efficient under the new system. What is known of the steel budget suggests that there may have been some under-allocation for the first two quarters of 1948, perhaps as a deliberate precaution.

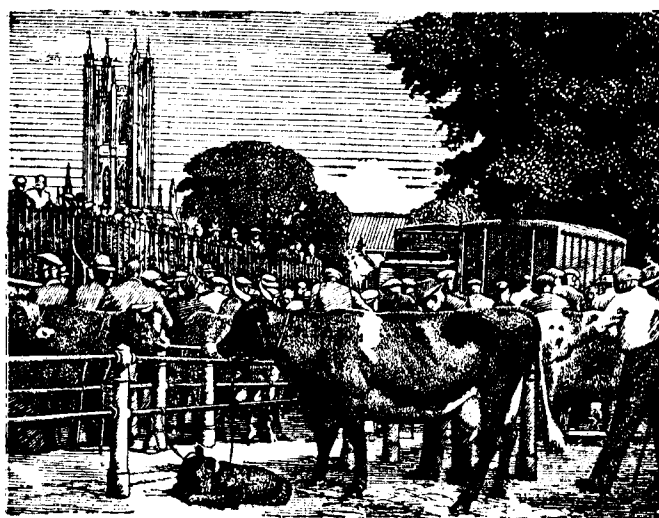
Where are the shipbuilders' bottlenecks at the moment? From all accounts, they are not in bulk steel supplies but in other things—timber, fittings and small electric motors have been mentioned. This is borne out by Lloyd's Register, which gives the remarkably high figure of 2,173,361 tons gross for merchant shipping under construction—the highest for twenty-five years. Lloyd's Register itself comments that the increase "is necessarily influenced by the delays which present circumstances are imposing upon the completion of ships." Many hulls, it seems, are waiting for mechanical and electrical fittings and for finishing work of a minor sort. The completion of such tonnage does not depend on the immediate bulk supplies of steel to the shipyards. It ought, indeed, to be easier, not harder, if the new steel distribution scheme works well enough to clear the bottlenecks in the supplying industries. If so, shipbuilders will not lose output.

Yet the shipbuilders' protests are easy to understand. It is exasperating to be told to concentrate more on finishing tonnage under construction, and to be less concerned about starting new ships. Shipbuilders want to keep their platers, drillers and shipwrights working steadily, as well as their carpenters and painters. They want to keep all the processes of the industry running concurrently at an even pace, and they will see in any attempt to reduce the amount of new tonnage started the sign of American hints or even interference—for all Sir Stafford Cripps's denials. In the past year it seems that they have (in relation to the finishing work done) been rather over-employed in the primary construction of hulls. They do not want to see-saw to the other extreme.

Discount Market Profits

The reversal of the trend of the gilt-edged market last year—as a Note in these columns three weeks ago pointed out—made for difficult working conditions for the discount houses, although, of course, the effects upon them of the fall in prices is not to be gauged by the big slump which occurred in the irredeemable stocks, but by reference to the relatively moderate movements of the short bonds. The incidence of these changes upon individual houses must have been far from uniform, depending partly upon the structure of the bond portfolio and partly upon the date at which each house participated in the general expansion of discount market capital which the authorities permitted in 1946 and early 1947. It is not surprising, therefore, to find wide variations in the profit changes disclosed by the "Big Three" discount companies which make up their accounts at the year end. One house—the National Discount Company—reports an increase in net profits (from £239,000 to £262,000) while in the other two cases profits are lower. The decline reported by the Union Discount Company is trifling, but Alexanders' profits have fallen from £299,000 to £72,000.

It would probably be unwise, however, to assume that these contrasts are a true measure of the relative earnings experience of the three houses during the year. Alexanders' profits in 1946 rose much more steeply (from £89,000 to £299,000) than those of the Union and National, and this difference cannot have been



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ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1947

LIABILITIES		£	£
Authorised Capital, 1,300,000 Shares of £2 each	...	2,600,000	
Of which there have been issued—			
100,000 £2 6% Cumulative Preference Shares, fully paid	...	200,000	
1,200,000 £2 Ordinary Shares, £1 paid	...	1,200,000	
(Reserve Liability £1,200,000)			1,400,000
Reserve Fund	...		2,200,000
Balance of Profit and Loss	...		327,336
			3,927,336
Loans, Deposits, Contingency and other Accounts	...	105,077,086	
(Including Liabilities of £104,327,072 secured on certain assets per contra.)			
Final Dividends (less tax) recommended	...	69,300	
NOTE.—There is a Contingent Liability in respect of Bills re-discounted of £5,621,808 (excluding Treasury Bills.)			

£109,073,722

ASSETS		£	£
Cash at Bankers	...	1,414,464	
British Government Securities	...	27,752,355	
Dominion and Colonial Government Securities	...	1,553,404	
Bills Discounted (less provision for rebate) and short-dated Securities	...	77,911,314	
Loans on Security and Sundry Accounts	...	442,185	

£109,073,722

24, LOMBARD STREET, LONDON, E.C.3.

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1947

LIABILITIES		£	£
Capital paid up	...	4,160,042	
Reserve Fund	...	4,260,042	
Current, deposit and other accounts (including Profit and Loss Account)	...	271,959,733	
Liability for acceptances, endorsements, etc.	...	22,281,851	
		£302,661,668	

ASSETS		£	£
Cash in hand and at Bank of England	...	£24,717,115	
Balances with, and cheques in course of collection on other British banks	...	14,582,151	
Money at call and short notice	...	23,703,000	
Balances with banks abroad	...	892,069	
Treasury Bills	...	25,800,000	
Treasury Deposit Receipts	...	56,000,000	
Bills discounted	...	2,000,182	
Investments	...	72,194,090	
Advances to customers and other accounts	...	57,702,511	
Bank Premises	...	2,788,699	
Liability of customers for acceptances, endorsements, etc.	...	22,281,851	
		£302,661,668	

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ESTD. 1829



DISTRICT BANK LIMITED

Subscribed Capital	-	-	-	-	£ 10,560,428
Paid-up Capital	-	-	-	-	£ 2,976,428
Reserve Fund	-	-	-	-	£ 3,000,000
Deposits	-	-	-	-	£212,425,591
Total Assets	-	-	-	-	£225,391,142

31st DECEMBER, 1947

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PRINCIPAL LIVERPOOL OFFICE : 3, WATER STREET

wholly attributable to the fact that Alexanders had then had the benefit of its new capital for almost twelve months. The inference seems to be that in 1946 Alexanders brought into its published figures a bigger proportion of the large earnings of that year than was true in the other cases. On the other hand, it should be noted that the only house to show increased profits for 1947 was the last to raise its capital—the increase was made as recently as last March. In all cases, investment depreciation appears to have been provided out of inner reserves—although the Union Discount Company, whose profit formula is somewhat different from that of the other companies, does not say so explicitly. Alexanders, elucidating the fall in its profits, explains that changes in its bond portfolio, with the object of shortening the average currency, were carried out on a falling market, and the realised losses on security sales were charged to profit and loss account. Each of the companies has maintained its dividend, but, for Alexanders, this has involved some reduction in the large sum carried forward.

"BIG THREE" DISCOUNT HOUSES (£ million)

	Union	National	Alexanders	Total
Bills* —				
1945	76.8*	73.5	50.2	200.5
1946	152.2*	102.1	82.2	336.5
1947	146.2*	115.0	77.9	339.1
Investments :—				
1945	69.5	15.6	18.7	103.8
1946	56.5	15.6	23.0	95.2
1947	64.5	15.8	29.3	109.5
Loans and Deposits :—				
1945	144.7	87.9	68.2	300.8
1946	205.0	116.1	102.8	423.9
1947	207.1	128.3	105.1	440.5
Capital and Reserves† :—				
1945	5.3	3.0	2.2	10.5
1946	8.2	3.4	4.0	15.6
1947	8.3	5.0	3.9	17.2

* Including short-dated securities other than bills, except in the figures of the Union Discount Co. † Including carry forward.

As expected, the balance sheets—the principal items of which are compared in the accompanying table—show a much smaller expansion than the record movement shown twelve months ago. Aggregate loans and deposits of the three companies rose by only 3.9 per cent (in contrast with 41 per cent in 1946), and almost the whole of this movement was attributable to the house which raised new capital during the year. Unfortunately, neither Alexanders nor the National has followed last year's lead by the Union Discount in segregating bills discounted from bonds, so that in these two cases bills are merged with other short-dated maturities. The combined portfolio of bills and investments of the three companies rose from £430.7 million to £448.6 million. A notable feature of the balance sheets is the large expansion which has occurred in bills re-discounted, indicating the growth in the supply of commercial paper. The Union Discount, whose re-supply of commercial paper is the highest in its history, points out that almost the whole comprises inland bills, and remarks that these operations are at such fine rates that they afford little scope for profits—which is even more emphatically true of the vastly greater operations in Treasury bills.

More Wheat ?

There are faint signs of more favourable changes in world grain supplies, though they are not sufficient to justify any optimism. The Australian wheat crop is now estimated at 210 million bushels—an increase of 30 million bushels over the previous forecasts, when it was believed that serious damage had been wrought by the rains. Under the contracts signed recently with the Australian Government, Britain and India were to receive an additional 5,000,000 bushels each if the harvest proved to be larger than 210 million bushels, and it now seems that these additional supplies, beyond those already sold by Australia, may not be forthcoming.

No official information has been received about the Argentine crop, but trade estimates put it as high as 216 million bushels—an increase of 10 million bushels over the 1946-47 crop. If this estimate proves correct, Argentina's available export surplus should be in the region of 112 million bushels compared with 80 million bushels last season. There has also been some improvement in the general condition of winter cereals in the United States, but the crop will probably mature unevenly owing to the drought at sowing time.

An addition of some 40 million bushels of wheat to world supplies is indeed welcome, but it is not sufficient to change the outlook from acute shortage to plenty. Moreover, wheat cannot be regarded in isolation; the prospects of the other grain food crops are equally important. Supplies of feeding grains and potatoes are very short. It may require bumper crops in North America for at least two seasons—1948 and 1949—before the present world shortages can be eased. The portents suggest that wheat will not necessarily stay at its present price of over \$3 a bushel, but as yet there are no signs of any break in the market.

The most important market factor will be dollar stringency, and the extent to which it may be relieved by Marshall aid. The American authorities have purchased nearly 400 million bushels of wheat under the foreign relief (or "interim aid") programme, of which the bulk has already been shipped. But the critical food situation in Germany may cause a diversion of supplies originally intended for France and Italy.

Britain's position itself is far from favourable. It seems inevitable that the present potato ration will not be met in the near future, for there is little hope of importing large quantities. So far there has been no marked diversion of consumption to bread. But as soon as potatoes become really scarce, bread consumption is certain to increase, and that in turn will impose a strain on British wheat stocks. In that event, available supplies of wheat may only just see Britain through the season. Normally a large part of British-grown wheat moves off the farms in the early part of the year, but a substantial movement took place after the last harvest. This wheat is presumably now included in the Ministry of Food's stocks, and the "hidden reserve" which remains to be drawn upon has been correspondingly reduced.

* * *

Buyer's Market in Textiles ?

Is the seller's market in textiles coming to an end? Sir John Grey, in his chairman's speech at the annual meeting of the Lancashire Cotton Corporation, did not seem to think so. Sir John observed that distributors frequently suggest that the tide is turning, but that producers could find little evidence of it in their own experience of dealings; there were still clear signs that the demand for cotton yarn and cloth greatly exceeded the supply. Certainly this is still true of cotton yarn, in which the Lancashire Cotton Corporation does the bulk of its export business. But the reports of price resistance in the hard-currency markets for finished cloth are becoming too regular to be wholly ignored. In some European countries, British shirts appear side by side with American, and with the products of the continental textile industries, in the same shop window, and "excess of demand over supply" does not save the British product there from damaging price comparisons. Even the BBC "Progress Report" on Wednesday, touching as delicately as possible on the marketing of British textiles in Canada, brought out the uneasiness there over British prices.

Sir Thomas Barlow, in his first annual review as chairman of the District Bank, has spoken this week in a more general sense for the Lancashire trade. Sir Thomas shows a lively concern about the factors which are pushing up production costs in Lancashire, and he recognises that the seller's market will not continue indefinitely. Hence the need not only to ship the right sort of goods, but to ship them at competitive prices. He went on to make some observations on Japanese competition, and hoped ("devoutly") that some control would be imposed in the peace treaty on the volume and price of Japanese production. More will be heard, no doubt, of this suggestion as the seller's market nears its inevitable end. It seems, surely, to be a desperate counsel; can the Lancashire trade be assured of survival only by imposing political controls to prevent its competitors from competing? The international vistas which such a policy opens up are endless and forbidding, not least for one of the victors which itself depends entirely, in the long run, on its success in the export trade.

This proposal, and Sir John Grey's statement that the Lancashire Cotton Corporation's exports to North America are at present "restricted only by our capacity to produce" come within a few days of each other. No market is likely to remain insatiable for long. And the markets for finished cloth are already becoming more critical, both of quantities and prices.

* * *

Manpower Distribution

The Ministry of Labour's report for November records a further rise in the total working population and in the number

reduction in the rate of wastage and an increase in the numbers placed directly through the Employment Exchanges.

The most satisfactory feature of the November report is the continued increase in the rate of recruitment to the undermanned industries, which was achieved without any resort to the powers of direction. In fact, 42,574 people were placed in the "first preference" undermanned industries, only four people were directed under the new powers, compared with eleven in the previous month. The increase of 8,000 in the textiles, although less than in October, compared with an average of 2,700 a month between January and September. Manpower in mining and quarrying increased by 2,000, compared with a fall of 1,000 in October. Although the continuing increase in the numbers engaged in distribution is rather disquieting, there was a substantial drop in employment in building and in the hotel and entertainment trade, which was probably not due entirely to seasonal influences.

The Ministry of Labour may with some justification congratulate itself on the smooth working of the Control of Engagement Order. But there are two questions which it might well ask itself. Reports suggest that the first registration of this week of the "drones" has been a complete fiasco, while a fortnight ago it was the genuine "barrow boys" who registered and not the "spivs" who were really being sought. Have the results been worth all the fuss and bother about registration? Secondly, is it not time that an attempt was made to get a more scientific breakdown of the numbers engaged on manufacture for export and the home market? Mr Harold Wilson, who has some experience in statistical returns, had some caustic comments to offer this week on the accuracy of the much-vaunted increases in the numbers employed on exports. But confirmation from such an authoritative source of criticisms which have been voiced in *The Economist* and elsewhere suggests that the present figures should be improved—or suspended.

* * *

Seasonal Jump in Savings

The somewhat better trend of National Savings in recent weeks was apparently sharply accentuated in the week covered by the latest return—the week to January 10th. Gross receipts jumped from £14,465,000 to £24,194,000, and although withdrawals and encashments were rather larger, the net receipts amounted to £12,822,000 compared with only £3,868,000 in the previous week. This is the best performance since the first week of this financial year (when the figures were swollen by the final rush for the old series of Savings Certificates), and is only the second occasion on which the year's target rate of £7,000,000 per week has been surpassed. Unfortunately, this cannot be taken to mean that any significant change in the savings trend is in prospect. The improvement is purely seasonal, and results very largely from the fact that no more than a net £500 may be credited to any individual savings bank account in any one calendar year, subject to an absolute limit of £2,000 on the total balance on the account. In consequence, many people whose accounts stand below the maximum hasten to pay in further sums up to £500 immediately after the turn of the year—transactions which are plainly revealed in the fact that new deposits in the banks accounted for £17,674,000 of the £24,194,000 of total gross savings in the week in question. A further influence at this time of the year arises from the substantial dividend moneys, bonuses to employees and gifts which the recipients are paying into their accounts.

In addition, there is no doubt that the savings movement for some two months at least has been benefiting significantly from the uneasiness which popular discussion of a currency exchange or capital levy has aroused even among those who have least reason for concern at the possibility of such operations—the "little" men who, especially in rural districts, have preferred in the past to keep their holdings in the form of notes. After last week's indiscretion by the Government Whip (of which more is said in an earlier Note), it is perhaps questionable whether this particular influence upon savings subscriptions will be as noticeable in future as in the recent past, for such irresponsible statements are calculated to prejudice most monetary forms of saving and are more likely to provoke a new rush for goods than the savings subscriptions which Mr Whiteley sought so naively to aid. Meanwhile, despite these fortuitous aids, the net savings total for the 41 weeks of the current financial year is no more than £129 million, far short of the £366 million for the full year which was "written into" last April's budget. In the corresponding period of 1946-47, when the year's target was lower, net receipts amounted to £237 million.

Last Year's New Issues

New capital issues in 1947, of which a full analysis is published in this week's issue of the *Records and Statistics* Supplement, show that, including conversions, the aggregate for the year was £619 million compared with £1,660 million in 1946, when the figure was inflated by the issue of £418 million 2½ per cent Savings Bonds, 1964-67, and £149 million 2½ per cent Treasury Stock issued during the year. The total, excluding conversions, declined from £746 million to £527 million. Government borrowing, exclusive of conversions, was only £211 million, compared with £475 million in 1946. The figures reflect the fact that the Government had less need to resort to the open market, since it could finance itself largely from the proceeds of the American loan. There has, however, been an increase in borrowing, including "permission to deal" operations, by the private sector of the economy from £204 million to £240 million. Borrowing by Empire countries has remained around the same level, at £65 million, while that of foreign countries fell further to £3,000,000.

New company issues show a fall in "permission to deal," for the total excluding this item has risen from £119 million to £187 million, while the inclusive total has risen only from £271 million to £299 million. It should be noted that the "Shell" Transport and Trading issue to shareholders has contributed £29 million to both totals, although the first call on the new shares was not made until January 15th this year. If this issue is excluded, industrial borrowing for the year was on much the same scale as in 1946. There was a slight reduction in issues of ordinary capital, including conversions, from £210 million to £206 million, while debenture issues have increased from £18 million to £34 million and preference issues from £34 million to £58 million.

Fluctuations in capital issues always follow the course of stock exchange prices. The flow of conversions went on unabated until it was frozen by the fuel crisis, and it never recovered thereafter, despite the attempts of the authorities to revive it. A dearth of activity followed until the late autumn when a revival gathered pace until the closing stages of the year. The capital requirements of industry have apparently been met in this phase from its own liquid resources or from increased borrowing at the banks. The tax on bonus issues has certainly been a restraining factor on new issues to shareholders. The scope for capital expenditure has been further narrowed by physical shortages, but, so far, the re-direction of investment has not revealed any obvious change in pattern, although the Capital Issues Committee has been working to its new instructions for some months.

* * *

Electricity Stocks and Nationalisation

Home rails are now a thing of the past, and the investor's attention has recently been turning to other nationalisation counters, including road passenger companies' shares, gas, and electricity stocks. With the exception of the former (to which reference was made last week, the scope for active dealings seems to be quite limited—unless, indeed, compensation for the gas undertakings is based in the forthcoming Bill on maintainable net revenue, as is suggested in some quarters. In the

ELECTRICITY STOCKS AND EQUIVALENTS					
Security	Offered Price	Estimated "Take-Over" Price	Equivalent Price of New Stock*		Annual Dividend allowed under Act
			Ignoring Final Dividend for year ended Dec., 1947	Allowing for Net Final Div. for year ended Dec., 1947	
Clyde Valley Elec.	44/9	46/3	99½	99½	%
County of London	47/10½	49/5	100	98½	10
Edmondsons' Elec.	30/3	31/6	99½	98½	6
North Eastern	35/4½	36/6	100½	99	7
W. Glos. Power	32/-	32/9	101½	99½	6½
Yorkshire	49/3	50/10	99½	98½	9

* It is assumed that the British Electricity Stock will be issued at 100; the equivalent price is calculated after allowing for full Commission and 2% Stamp.

case of electricity stocks, however, there appears to be no opportunity for cheap backdoor entry into the gilt-edged market on the lines practised by many buyers of home rail stocks during the last three months of 1947. There are, to be sure, some uncertainties about the precise amount of compensation payable in particular cases—the Electricity Act lays down the procedure to be followed on compensation for companies (other than hold-

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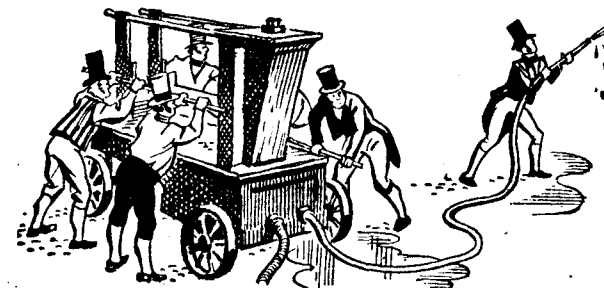
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ing companies) by reference to the Stock Exchange value of their securities on given dates, but, unlike the Transport Act, it does not provide a schedule of prices to be paid to the stockholders.

It is, nevertheless, possible to make some estimate of the relation between present prices of representative electricity stocks and their prospects for compensation. In the accompanying table (which is largely reproduced from a recent list of stocks on offer by a leading firm of dealers in the electricity share market) the offered prices of six electricity stocks are compared with the estimated take-over prices, calculated in accordance with the terms of the Act as far as available information serves. The current prices of the electricity stocks are then transcribed into equivalent prices for British Electricity Stock, taking account of the value of the final dividend for 1947 and allowing for the cost of buyers' commission and Stamp Duty. On the assumption that the new stock is issued at par, the discounts represented by present prices for these stocks now on offer range from a mere one-eighth to 1.1. Since Transport Stock itself stands at 2 discount, it is evident that electricity stocks, at their present prices, are hardly competitive with gilt-edged.

Ceylon Asks for More

The Ministry of Food's offer to the Ceylon Government for a tea contract for 1948 has been rejected. The Ministry agreed to increase its buying price by 2d. a lb. but for a limited term of only one season. Last year, the price was raised by 3d. a lb. to induce an adequate offer of supplies from producers; in addition a sliding scale allowance was introduced to cover changes in direct labour costs. Britain also agreed to pay the export duty of 7d. a lb. The response, however, was disappointing and only 100 million lb. was tendered out of a total of 150 million lb. Those producers who preferred to take the risk of selling their tea at the Colombo auctions were better off for "free" prices averaged at least 4d. a lb. more than the Ministry of Food's tender price. The new offer, therefore, may not seem very tempting, yet producers represented by the Ceylon Association were prepared to accept the price provided that all the other clauses of the contract remained unaltered. Their tentative acceptance now becomes ineffectual, owing to the Ceylon Government's rejection of the proposal.

Both the Ministry of Food and the Ceylon Government have an eye on the Netherlands East Indies. Tea production in that area has not recovered, but it is possible that exports may begin to show some expansion towards the end of 1948. These increased supplies might constitute a threat to the stability of the Colombo market, and the Ceylon Government is therefore anxious that the Ministry of Food should offer a longer term contract, preferably for three years. The Ministry on the other hand, realises that any long-term contract for large supplies would effectively neutralise Indonesian competition. If no agreement is reached,

Ceylon may insist on all domestic teas passing through the Colombo market, which would force Britain into the market as a buyer. The advantage lies with Ceylon in the short-term, but time appears to be on the side of the British consumer.

Bridging the Trade Gap

The gross trade deficit for 1947—the year first of disappearing fuel and then of disappearing dollars—amounts to £591 million, equivalent to a net deficit of £420 million, after allowing for the cost of freight included in the value of imports. In the absence of multilateral trade, however, the crucial factor is the adverse balance with those countries whose currencies are scarce. Britain's gross deficit with Canada, the United States and Argentina—the three main hard currency markets—amounted to £480 million for the eleven months up to November. This figure indicates the gap which British exports must fill in hard currency markets.

Total imports in 1947 reached £1,787 million c.i.f. compared with the original programme of £1,450 million f.o.b.—an increase of about 10 per cent over the planned figure. Food, drink and tobacco totalled £805 million, raw materials £560 million and manufactures almost £400 million. Unfortunately it is not possible to make a direct comparison with the planned import programme, as the method of grouping the various items differs. Nevertheless, it seems that imports of manufactures were far larger than was originally intended. The volume of retained imports was probably only 80 per cent of the prewar figure, compared with 69 per cent for 1946, although in value it was double that of 1938.

Export recovery was seriously hampered by the winter fuel crisis and no marked improvement became apparent until the summer months. There has, however, been a steady rise in the value of exports since August culminating in December in the highest daily rate yet recorded although it was inflated by the Christmas parcel post. Total exports for the year were valued at £1,137 million, compared with the planned figure of £1,200 million. The discrepancy would in fact be greater but for the rise in export prices. The first target set for 1947 was 140 per cent of the 1938 volume to be reached by the end of 1947. The December volume of exports was in fact 120 per cent of 1938 and that for the fourth quarter 117 per cent against 114 per cent for the previous three months and 111 per cent in the last quarter of 1946. Last autumn, however, the end of year target for 1947 was postponed to mid-1948 so that industry has a six months' respite in which to expand output and to reach the export target.

Exports of manufactures last year amounted to £999 million, and accounted for 88 per cent of the total. Shipments of machinery formed the largest single group, with a value of £181 million followed by vehicles (£168 million), iron and steel (£84 million), cotton goods (£78 million), chemicals (£67 million) and wool goods (£58 million). On a value basis, the major brunt of

the export drive was shouldered by the machinery and vehicle groups; both showed a very large expansion over 1946. Exports of textiles also improved significantly during the year, but their volume is still small and a tenfold expansion in 1948 appears to be contemplated.

The chief markets for British machinery were (in order of importance) India, South Africa, Australia and Russia; together they took 36 per cent of the machinery exports. Vehicles went mainly to South Africa, India and Argentina, and iron and

	BRITISH TRADE (£ million)					
	Imports			Exports		
	1938	1946	1947	1938	1946	1947
Food, drink and tobacco...	430.1	637.5	805.4	35.9	63.7	64.7
Raw materials	248.2	390.2	559.8	56.9	33.0	34.2
Manufactures	233.5	245.3	399.4	365.3	789.1	998.9
Others	7.7	28.0	22.9	12.7	28.9	39.3
TOTAL	919.5	1,301.0	1,787.5	470.8	914.7	1,137.1
Volume Index	100.0	68.6	80.0*	100.0	99.0	108.0*

* Provisional.

steel to South Africa and India. There is, despite these occasional glimpses of encouragement, no cause for complacency about the improvement in exports. Last year, 36 per cent of Britain's imports came from the United States, Canada and Argentina, and they comprised mainly vital foodstuffs and raw materials; but only 11 per cent of Britain's total exports were shipped to these three markets. Until multilateral trade can be restored, it is this balance which must somehow be equated.

Speculation in Platinum

Platinum, which enjoyed a steep rise in 1946, and reacted to £14 per troy ounce last summer, has recovered to £17 in recent weeks. This rally, which originated in the United States, is due partly to restocking by the American jewellery trade, to purchases by hoarders, and to the drying up of Russian shipments. The recent demand by the American jewellery trade should contract with the passing of Christmas. The complete stoppage of Russian shipments since last July—United States imports from the Soviet Union reached 178,700 ounces in the preceding 18 months—was solely due to the fall in prices. Shipments might be revived if the market continued strong, but whether the present or even higher prices can be sustained, depends almost entirely on speculative demand.

Since the end of the war, speculative buying of platinum has been strong and it has been stimulated further by the contraction of the "free" markets for gold and silver since last summer. The hoarding of platinum at £17 per ounce undoubtedly entails considerable risk, yet the metal appears to have many friends among international speculators. There is, indeed, some danger that dealings in platinum might develop into a largely speculative market. This tendency is being watched by platinum producers with some concern. The International Nickel Company of Canada, the world's largest producer of platinum metals, has endeavoured for some time to prevent supplies from falling into

the hands of the speculative trade, and at the recent annual meeting of Johannesburg Consolidated (which has large investments in Rustenburg Platinum) the chairman referred to the unpopularity of the price fluctuations amongst industrialists, from whom, he added, a normal and stable demand ultimately stems.

Unfortunately it appears from the latest United States Bureau of Mines statistics, that sales to the chemical and electrical industries, the two largest users of platinum, have already suffered from the exaggerated movements and the high level of prices. Owing to the heavy expansion of world production during the past fifteen years, the platinum industry requires steady expansion in industrial demand. Wartime experience appeared to provide a sound foundation for such an expansion but for the present, at least, there is a threat that buying by speculators may prevent it from being realised.

Central London Assented

A necessarily truncated account of the position of Central London Assented stock, which appeared in a Business Note in last week's issue, appears quite innocently to have caused some confusion. The note attempted to define the limiting cases which might be used in valuing the stock, and it should have included a reference to the understanding which the trustees submitted to the Minister of Transport last year about the future payment of guaranteed interest, which was described in *The Economist* of April 26, 1947. To clear up any uncertainty, it should be recalled that, since the Minister did not dissent from their memorandum, the trustees assume that the Transport Commission will continue to guarantee the full 4 per cent interest on Central London Assented Stock, until Transport Stock itself is repaid—at latest by 1988. The Commission's liability (which has not been formally admitted) will not run beyond that date.

Shorter Notes

The Northern Ireland Road Transport Board have reached agreement with the directors of the Belfast and County Down Railway Company on a proposal for the purchase of the company's undertaking. The acquisition, which is subject to the approval both of shareholders and Parliament, is in pursuance of the White Paper policy to secure the merger of the principal railway undertakings in Northern Ireland with the Board. The agreed consideration will be £485,989 payable in cash. It is intended that a procedure for obtaining the agreement of the shareholders for the distribution of this sum will be written into the Bill to be introduced to Parliament later in the year; in default of agreement being reached a scale of compensation has been fixed for the seven classes of the company's stock ranging from £6½ per cent for the ordinary to £100 per cent for the 3 per cent baronial guaranteed stock.

Coal output for the week ending January 17th was 4,116,000 tons and deep-mined production topped the 4,000,000 ton level for the first time since before Christmas. Among the 20,800 recruited to the industry in the last quarter the proportion of juvenile entrants and ex-servicemen returning decreased while the proportion of new entrants from other industries and from residential training centres was considerably greater than a year ago.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: R. A. Lister; F. W. Woolworth; Raleigh Industries; British American Tobacco; British Tyre and Rubber.

Prices, Jan. 1 to Jan. 21, 1948	Name of Security	Price, Jan. 14, 1948	Price, Jan. 21, 1948	Net Yield, Jan. 21, 1948 (n)	Gross Yield, Jan. 21, 1948 (s. d.)	Prices, Jan. 1 to Jan. 21, 1948 High Low	Last Two Dividends (a) (b) (c)	Name of Security	Price, Jan. 14, 1948	Price, Jan. 21, 1948	Yield, Jan. 21, 1948 (s. d.)
101½	101½	101½	101½	0 9 9	1 11 8	103½	101½	Australia 3½% 1955-59	102	102½	3 2 0
101½	101½	101½	101½	0 13 8	1 8 10	94	93	Birmingham 2½% 1956-71	94	94	2 17 7
100½	100½	100½	100½	0 16 9	2 2 0	101	99½	Argentine 3½%	100	101	3 9 4
102½	101	102½	102½	1 2 9	2 7 4	148/9	143/9	Anglo-American Corp. 10s.	145/6	147/6	3 7 10
101½	100½	101½	101½	1 3 9	2 15 7	190/-	170/-	Anglo-Iranian Oil Co. 10s.	172/6	187/6	3 4 0
103½	102½	103½	103½	1 6 3	2 8 6	76/6	68/6	Assoc. Port. Cem. Ord. Stk. ½	72/6	72/6	4 2 9
101	99½	101	101	1 7 4	2 13 11	84/-	80/3	Austin Motor 'A' Ord. Stk. 5s.	36/10	35/6	5 12 8
101½	100½	101½	101½	1 10 3	2 11 9	206/3	188/9	Barclays Bank Ord. 'B' £1	82/6	81/-	3 9 2
103	100½	103	103	1 7 10	2 15 1	104/9	98/9	British Ratchiff Ord. £1	195/-	203/9	2 9 0
103½	102	103½	103½	1 7 4	2 13 11	46/11	42/9	Courtaulds Ord. £1	100/-	98/9	4 1 3
102½	100½	102½	102½	1 11 0	2 17 8	30/11	28/3	Dorman Long Ord. £1	43/6	44/6	3 8 3
102½	100½	102½	102½	1 10 3	2 13 6	79/4	75/4	Dunlop Rubber Ord. £1	29/-	29/6	5 8 6
102½	100½	102½	102½	1 11 1	2 16 4	53/-	49/3	Imp. Chem. Ind. Ord. Stk. ½	45/9	46/3	3 18 8
102½	100½	102½	102½	1 11 1	2 19 5	48/6	46/3	Lanes. Cotton Ord. Stk. ½	47/6	47/6	4 0 0
102½	100½	102½	102½	1 13 6	2 17 1	56/-	52/3	Lever & Unilever Ord. £1	53/11	54/4	3 13 7
102½	100½	102½	102½	1 13 0	2 19 10	61/3	56/10	London Brick Ord. Stk. £1	57/6	57/6	4 6 11
102½	100½	102½	102½	1 2 10	2 17 0	35/11	34/6	N.-Eastn. Elec. Ord. Stk. ½	35/-	35/-	4 0 0
102½	100½	102½	102½	1 14 3	3 1 1	65/4	60/9	Pichin. Yanson Ord. Stk. 10s.	61/-	61/-	4 0 0
102½	100½	102½	102½	1 14 3	3 2 7	34½	33½	Prudential 'A' £1	34	34	2 3 8
102½	100½	102½	102½	1 17 9	3 5 11	59/3	57/11	Stewarts & Lloyds Def. £1	58/-	57/6	4 6 11
102½	100½	102½	102½	1 14 1	3 1 9	83/9	74/4	"Shell" Transp. Ord. Stk. ½	77/-	77/-	3 10 3
102½	100½	102½	102½	1 14 2	3 2 1	148/11	140/-	Tube Invest. Ord. Stk. ½	142/6	142/6	3 10 3
102½	100½	102½	102½	1 14 5	3 2 1	90/7½	85/11	Turner & Newall Ord. Stk. ½	85/-	84/4	3 11 0
102½	100½	102½	102½	1 11 5	2 18 1	92/9	87/-	Woolworth (F. W.) Ord. 5s.	88/-	89/6	3 18 3

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948. (g) Buying Price.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked out on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent.) (i) To latest redemption date. † Free of tax.

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LORD LINLITHGOW'S REVIEW

The annual general meeting of the Midland Bank Limited will be held, on the 30th inst., at the Head Office, Poultry, London, E.C.

The following is the statement by the chairman, the Most Hon. the Marquess of Linlithgow, K.G., K.T., on the report of the directors and balance sheet for the year to December 31, 1947.

In national affairs, 1947 has been a year of progress in the sense that it has brought a more realistic appreciation of the resources and potentialities of our country. To-day, two-and-a-half years after the end of the fighting, we have clearer insight into the effects of war and the toll it took of our energies and inner resources. We emerged more exhausted than we then knew, and correspondingly more receptive to easy optimism about the immediate future. I believe it will be recorded that the period since then was marked by progressive enlightenment as to the facts of our situation, by the formation of more sober views of the tasks before us, and by the resurgence of a characteristic determination to overcome the difficulties in the way of full economic recovery. We have been living through a phase of readjustment, both material and psychological; and it is because we are seeing our problems more clearly, and showing ourselves readier to take the measure of them, that we can look back upon an eventful year with considered satisfaction, and forward to the promise of better times in years that lie ahead.

The first step towards solving a problem is to see it clearly, to assess its magnitude and to visualise its implications, and here a marked advance can be recorded; for hardly anyone now dissents from the view that the post-war programme of reconstruction and improvement had outrun the nation's resources, human, material and financial. The seemingly almost miraculous achievements of war had led perhaps to over-estimation of the effort that could be sustained when the extremity of peril had been passed. Possibly, moreover, the assistance extended by the United States and Canada—essential to any plan of full economic recovery—had made the task appear less gigantic than in fact it was, having regard to the inroads made by the war upon our physical capacity for production and our external financial assets. However that may be, the facts are no longer in dispute; and they have enforced a review of plans and programmes to bring them within the compass of the nation's powers and assets. Important steps have been taken towards equilibrium between total demands, as expressed in monetary terms and in capital plans, and the physical availability of materials, labour and productive capacity.

THE "CRISES" OF 1947

Let me remind you of events which laid bare the lack of balance in our situation. The record of the year is marked by two "crises" both of which, in their own ways, brought to a focus the stresses in our overstrained economy. The fuel crisis, while it was precipitated largely by an unusual combination of adversity beyond human control, would not have become acute but for deficiencies, thus made uncomfortably manifest, in generating capacity and transport equipment—both due to the postponement during the war of renewals and expansion which ordinarily would have been undertaken year by year. At the same time, the crisis brought home more vividly than had previously been

ground, emphasised the unbalanced deployment of the country's manpower, which in itself was wasteful and diminished the potentiality of "full employment." The facts were not new; but until 1947 they were insufficiently recognised in the shaping of national policy. In some ways, as by the smaller number in the distributive trades than in pre-war times of under-employment, the shift in the distribution of manpower had been favourable in terms of reconstruction needs. In agriculture, moreover, the acuteness of the labour shortage had been hidden by the employment of many thousands of prisoners of war—a labour force now quickly diminishing. On the other hand, the number of men in the forces was, and still is, far greater than before the war; the raising of the school-leaving age has reduced the natural inflow into employment; and the incidence of conscription is psychologically unsettling to many young men at the crucial point of starting out upon their careers. Then again, the enlargement of the social services and the wide range and detailed application of the controls require the continued engagement of far larger numbers of government employees. It must be added that the controls are bound to make larger demands upon clerical and administrative staffs in private business; in our own overseas branch, for example, a net increase of staff over the pre-war number has been unavoidable because of the weight of work resulting from exchange control. Thus the redistribution of manpower has to some extent offset the enlarged capacity of the British people—enlarged, that is to say, by the natural growth of the number within formerly accepted working-age limits—for producing goods and services which can be sold abroad to pay for imports, or applied to restoring their standard of living or to improving their economic and social capital, such as generating stations and houses. The underlying shortage of labour in basic industries, particularly coal, agriculture and textiles, has been a constant drag on recovery efforts in all directions, but how seriously the maldistribution of labour was impeding progress was not widely recognised until the crises yielded knowledge and understanding through actual discomfort or prospective hardship.

Experience and observation have brought home to all of us the simple but easily forgettable fact that our standards of living are in the end governed by our actual productive performance; the one must decline if the other be not raised. It has, further, come to be more widely understood that, somehow or other, unceasing adjustment has to be made of the allocation of the product of industry between current consumption, including exports to pay for imports, and capital renewal and improvement; the two together cannot indefinitely overstep the limits of our productive power. These are the cardinal lessons of the crises, and the facts are worth recounting, not in order to bemoan our hardships or to make any claim to wisdom after the event, but to show how inescapable facts have forced us to take afresh the measure of our resources, and in using them to make a more realistic choice between desirable ends.

This is not the place to record or comment upon the many corrective measures taken, in the light of the crises, with a view to adapting the physical controls to the needs of the situation as seen by His Majesty's Government. Many of them, in the field of rationing for instance, are familiar to every one of us. Many of them, no doubt, are as heartily disliked by those who apply and enforce them as by those who have to put up with their more unpleasant manifestations. To pass on, however, without noticing some recent industrial achievements would be to ignore one of the most encouraging features in our present situation. I have in mind such items as the bigger tonnage of coal output, the enlarged flow of steel from the mills, the recruitment of women in the textile factories, the strenuous effort of transport workers to quicken the turn-round of wagons, and the innumerable adjustments of working conditions to diminish

the peak of demand on electrical capacity. Many other facts could be cited to show how vigorous and sustained effort and ingenuity are putting into the productive system the momentum that is required to carry it through to a high level of continuous activity and smoothly operating efficiency.

FINANCIAL AIDS TO READJUSTMENT

Beyond this reassuring observation, I confine myself to the financial counterpart of the measures taken on the side of production and consumption. Figures indicative of an expanding flow of incomes, and massive totals of capital disbursements, all are illusory if goods and services are not made available in proportion to the effective demands they set up. Remembrance of the disastrous consequences of active monetary deflation after the first world war has made people rightly suspicious of financial proposals which, while presented as measures to combat inflation, might lead on to positive deflation; and thus has generated an understandable reluctance to adopt any measures of financial restraint, even though the widely different basic conditions ruling today might in themselves demand some system of orderly postponement of particular classes of outlay. Moreover, restrictive financial measures are habitually thought of, even now, as being associated with high interest rates, whereas "cheap money" has been insisted upon in order to ease the burden of the enlarged national debt and to aid in financing housing and other necessary capital projects. Too often it is forgotten that, in our modern monetary system, high interest rates are not the only method, nor even an indispensable part of the technique, for restraining the use of purchasing power. Indeed, it has been shown in the past that they are capable of inducing a thoroughly irrational order of priorities among capital projects.

Of the two crises of 1947, the second was financial in its manifestation, but the mere suspension of convertibility and the reimposition of more stringent exchange controls went only a small part of the way towards correcting the underlying lack of balance. May I quote to you a wise observation contained in the report of the Belgo-Luxembourg Exchange Institute: "The relaxation of exchange control," it says, "is possible only in a healthy financial economy in which the equilibrium is established between the monetary level, production, consumption, savings and investment. . . . It would therefore be a dangerous illusion to hold that exchange control can operate to support a currency instead and in place of a rigorous budgetary policy and of a credit policy designed to adjust investment to savings." Happily, here too some progress can be reported, though many people would have wished to see a much more rapid advance towards equilibrium. The urgency of the problem has been heightened by the sharp diversion of the flow of goods from the home market into export trade and by the reduced availability of external credit resources, both of which increase the severity of the measures required to restrain the activity of purchasing power in the home market.

From this point of view it is in some degree reassuring that over the past year the volume of bank deposits, though still expanding, did not grow at the pace recorded in 1946, while the amount of currency in circulation actually declined. It has to be added, however, that there is no sign so far of any diminution in retail spending by the individual consumer; meanwhile prices have been rising, and the volume of new saving out of personal incomes—even if we allow for forms of saving, as through life insurance, not included in the usual figures—has been smaller than had been counted upon earlier in the year as a contribution to financial stability. It is too early to judge the full effectiveness of measures taken since the convertibility crisis, but they are undoubtedly working in the right direction. On the budgetary side, current revenue and expenditure figures have a far healthier appearance

than a year ago, so that anxiety has come to be concentrated upon "below the line" expenditure, or, broadly speaking, the disbursement of capital funds from Government sources. Hence the importance of the cutting down of capital programmes, a process designed on the one hand to bring the quantitative plans within the compass of the available physical resources, and on the other to avoid the dissipation of scarce resources through competitive capital expenditure.

CUTTING DOWN CAPITAL PROGRAMMES

This is a task requiring the utmost objectiveness and wise discretion in deciding which projects shall go forward and which be deferred. Physical controls, like the licensing of building proposals and the adjustment of the programmes of Government departments, local authorities and other public bodies, have their place; but on the financial side, the new principles laid down for the guidance of the Capital Issues Committee will need to be observed with a high sense of responsibility by private industry, on whose appreciation of the national interest the Government explicitly relies. Each of the banks, too, will have a difficult task to perform in deciding, as requested by the Chancellor of the Exchequer, whether in any particular case credit should be withheld on the basis of its interpretation of the Government's statement of policy. Much is gained—and the Government has shown in practice its lively recognition of this fact—both in administrative efficiency and in co-operation between Government and business, by keeping private enterprise informed, in plain and up-to-date terms, on at least the broad lines of official policy in the exercise of its discretionary powers. The rest depends to a large extent on loyal observance of rules laid down in the interests of national recovery.

In these various ways, then, the financial side of the nation's business, both public and private, is being brought into closer conformity with productive realities. The task is rendered the more urgent because of the obstructive secondary effects of some of the very restrictions on capital work which the stringency of our circumstances entails, for example, the deferment of some sorely needed replacements and repairs on the railways. The transfer of resources to the more urgent projects, moreover, can hardly fail to leave some capital works unfinished with resultant deterioration. Hence we come back to the inescapable conclusion that the solution of our difficulties is to be found only to a subsidiary extent in financial measures, important though these in themselves may be. However successfully and speedily the financial elements may be shaped to conform with current stringencies, the triumph over our present troubles still has to be gained through wisdom and enterprise in the management of our industrial affairs, both public and private, and through steadily increasing productivity on the part of the individual worker, stimulated by a clear vision of national necessity in terms of individual welfare, aided by progressively improved equipment, and encouraged by gradually fructifying incentives. There is no other road to prosperity but by way of maximising, in terms of output of goods and services, the product of what has always been our greatest asset—the industry, the sense of responsibility and the inexhaustible resourcefulness of the British people.

THE ULTIMATE DETERMINANTS

Alongside the progress recorded in our domestic arrangements, encouraging signs are visible in the international field—where our problems are of more immediate urgency—inasmuch as plans calculated to support our own efforts are coming into practical operation. Once again, Great Britain has had cause, in her latest emergency, for unmeasured thankfulness for the practical goodwill of British countries overseas; while Britain's determination still to be great, in spite of all difficulties, is demonstrated by the farseeing

projects now launched for economic development and social improvement in colonial territories. Further afield, the assistance of the International Monetary Fund has already been enlisted, while the work of the International Bank has indirectly contributed to expanding possibilities of recovery. The international trade agreement is designed to loosen the restrictions upon commerce, and in particular to give wider opportunities, to countries within the sterling area among others, of enlarging their current earnings of hard currencies. The multiple clearing agreement between important European trading nations is a step towards expanding interchange of goods and services to the common benefit. The fact that the Marshall Plan is steadily taking shape and has come into partial operation presents a magnificent opportunity for a co-operative effort directed to the reinforcement of European economies in general. This last grand concept, however, cannot be fully effective unless the countries receiving help live up to the moral obligations accepted by them in the early stages of drafting the plan.

RECOVERY DEPENDENT ON NATION'S OWN EFFORT

We are thus brought back to the fact, which cannot be too often repeated by ourselves, that our recovery depends finally upon our own efforts. No one can save us if we lack the will to save ourselves. And it is just here that the territory of economics merges into that of human capacity and human behaviour. It has often been noted that the British people are at their best in moments of the gravest emergency. The enemy without is readily identified, and the response to his assaults has never been found wanting. But the enemy within is more subtle and far less readily repulsed. I believe that, however wide may be the issues that divide us in the realm of economic and political controversy, the real and ultimate struggle is on a moral and ethical plane. It is at this level that the decisive issues are raised and settled, and it is because I see behind the recorded events of the past year a trend towards a favourable outcome of this fundamental and never-ending struggle that I am prompted to describe 1947, admitting all its trials and disappointments and with no desire to minimise the difficulties that still confront us, as a year of solid progress. In the end it is character that counts, and the past year has provided cumulative evidence that the British people is once more rising to the occasion, prepared to exert itself yet again, in a thousand ways, to plant its own feet upon firm, unassailable ground and to play its part in aiding others to establish the foundations for a new advance.

THE BANK IN 1947

The data circulated with the annual report call for a few comments, chiefly by way of supplementary information. First as to the profit and loss account, the enlarged resources at our disposal and the increased demand for advances would by themselves have brought about an increase in our net profit. In fact, however, staff and other charges continued to grow, and the amount claimed for the Exchequer was increased by the higher rates of profits tax imposed by the autumn budget. The outcome is a net profit which differs by only a small sum from that for 1946. Out of it we pay the regular dividends and make two appropriations. As to the first of these, much remains to be done, since work is inevitably postponed, to put our premises in good order after the damage and deferred wear-and-tear of the past eight years, and in view of the continued upward trend of building costs we think it advisable to apply something more to the bank premises account. Secondly, although past provisions have been more than ample to cover the amounts of depreciation over the past year in our holdings of various Government securities, it is unquestionably prudent to strengthen the position still further against any future similar movements, or other un-

foreseeable adversity, by making a further addition to the reserve for future contingencies.

A feature of last year's figures, as already recorded, was the rising trend of advances, the great bulk of which consist of accommodation to industry and trade. The increase is well spread both geographically and according to the business of the borrower, and our consistent regard for the needs of the smaller customer is shown by the fact that the number of advances has risen in roughly the same proportion as their total amount. As a comment on official statements regarding the charges for advances to farmers in particular, no one, whether a farmer or anyone else, pays to this bank an interest rate as high as five per cent. on his borrowing.

EXPANSION OF OVERSEAS BUSINESS

In my statement a year ago I described at length the expanding activity of the overseas side of our business. During the past year this development has continued, notwithstanding the upheavals in international financial relations and the sharp contraction in one section—that concerned with foreign travel. Provisions concerning securities in the new Exchange Control Act entailed an exceptionally large volume of work; but, more important in the long run, the disturbances associated with the partial breakdown of "convertibility" of sterling did not check the remarkable post-war growth of world-wide resort to London bankers' credits. Meanwhile our activities in support of export trade have been still further developed. The pre-war shipping department of the Overseas Branch has been reopened and is handling, by special means ensuring utmost promptitude and security, a growing volume of transactions on behalf of customers, such as remittances to foreign ports to cover ships' disbursements, for bunkering, canal and harbour dues and so forth, and the issue of guarantees and bail bonds with regard to collisions and salvage. To the foreign trade information service has been added the availability of specially trained experts who are prepared to visit customers in any part of the country to discuss with them financial problems which they may have encountered in the expansion of their trade with markets abroad. Besides the permanent branches of the bank in Atlantic liners and now at principal airports, we have been represented at various trade exhibitions and fairs by, among others, officials well versed in matters of international trade finance and able to discuss problems with foreign visitors in their own languages. We continue to welcome many bankers and other business men from abroad, particularly at our Overseas Branch, and since the war we have resumed the practice of giving training to students from abroad, who come to us, usually for six months, under nomination from foreign banks. We regard ourselves as privileged in thus having many varied opportunities of making more widely known the services and methods of English banking. We regard it, moreover, as a primary duty to make every possible contribution to the success of the national campaign to put the country's balance of payments on a firm and lasting foundation.

EXECUTOR AND TRUSTEE COMPANY

The expansion of the business of our Executor and Trustee Company, which also I described a year ago, is continuing on a remarkable scale. During the past year a subsidiary company has been established in the Channel Islands to meet the special needs of customers there under the laws of Jersey and Guernsey, and we have ample evidence that this enterprise was warmly welcomed. Further, our affiliated bank in Northern Ireland, the Belfast Banking Company, has established a subsidiary Executor and Trustee Company, so that similar facilities are now available throughout the Midland group, covering all parts of the United Kingdom.

An important development has been the reorganisation of the administrative structure

of the Belfast Banking Company. The composition of the new board of directors, with Lord Alanbrooke as chairman, preserves full local autonomy while incorporating representation from the Midland Bank, and continuity is assured by the appointment of the three former directors as managing directors. Our two Scottish affiliations have gained still further in strength and activity during the past year, and I would like to take the opportunity, based upon my own observation, of congratulating all our affiliated undertakings on the maintenance of a uniformly high standard of service to the public.

TRIBUTE TO STAFF

It remains only for me, in my capacity as a representative of the shareholders, to say a word of appreciation of the fine work of our

staff. Through them the public are given a continuing, highly efficient service. In these matters satisfaction should never allow us to stand still, and it is in accord with our determination to keep up with modern requirements that we shall shortly be opening a new, residential training centre to facilitate the higher instruction of selected young officers of the bank. Our whole staff organisation is designed to ensure that every member of our staff shall be more than competent to discharge the duties which may be laid upon him, and that those with unusual gifts shall be given an opportunity to demonstrate their fitness for positions of higher responsibility. In the knowledge of these objectives and the confidence that they are consistently pursued we have, I am sure, one of the principal guarantees of a happy and enthusiastic staff.

LLOYDS BANK LIMITED

NATION'S ECONOMIC CRISIS

SOUND MONETARY POLICY REQUIRED

THE RT. HON. LORD BALFOUR OF BURLEIGH'S STATEMENT

BALANCE SHEET

Turning to our profit and loss account and to the changes in our balance sheet figures, our profit at £1,635,612 is £52,000 higher than last year. With the increase in loans and advances, to which I will refer later, a greater increase in our profits might have been anticipated; but against those additional earnings we have been faced with very considerable increases in our staff costs and overhead expenses. It was also considered prudent, in view of the instability of the gilt-edge market, to make some addition to our investment reserve account.

Taking the liabilities side of our balance sheet, our current, deposit and other accounts at £1,072 million show a further increase, and are £59 million higher than last year. This large increase materialised in the last two months of the year, and may well be only a temporary addition to our resources.

On the assets side, several important changes have occurred during the year. Money at call has increased by £15 million and our holding of Treasury bills by £27 million, while there has been a welcome reduction of £43 million in Treasury deposit receipts.

We increased our investments by £9 million, and it is gratifying to record the substantial increase of £50 million in our loans and advances.

We are ready and willing lenders to all those customers engaged in production for exports, industries essential to our national economy and to agriculture.

Of our total deposits there is approximately 55 per cent. held in the form of cash, money at call, Treasury bills and Treasury deposit receipts, the average earning on the aggregate of which is below a half of one per cent.

GRAVITY OF EXTERNAL CRISIS

When we met a year ago our economic difficulties were daily becoming clearer. Our adverse balance of trade, particularly with dollar countries, was turning out, for a variety of reasons, to be greater than had been foreseen, and we still had ahead of us the obligation to resume convertibility of currently earned sterling. We could not but feel then that, even with the exercise of considerable austerity, a crisis would arise in our affairs within two years. The twelve months that have passed since then have done nothing either to relieve our austerities or to allay our anxieties. I do not think the grim realities of the situation are understood by the great bulk of our population, and least of all by that large section whose money incomes have kept ahead of the rise in the cost of living.

Our total trading deficit for the first nine months of 1947 was £473 million, compared

with £246 million for the like period of 1946. Instead of diminishing, as we hoped would be the case, our hard currency adverse balance for the nine months increased by £113 million to £447 million, and this, of course, does not indicate the full deterioration in our external position. That is measured by our losses of close on £1,000 million of foreign exchange; and as Sir Stafford Cripps has pointed out, these are not our reserves alone but the ultimate reserves of the whole sterling area. In the first eight months of the year the drafts totalled £761 million, of which £352 million were concentrated in July and August, the period of the "convertibility crisis." In the remaining four months of the year they amounted (including gross sales of gold) to a further £253 million. On January 7th, Sir Stafford Cripps announced that during December the drain had abated to a rate of rather less than \$45 million per week, which is equivalent to about £580 million a year.

In his speeches of October last, Sir Stafford Cripps announced a programme designed to conserve dollars while raising exports to 160 per cent. of their pre-war volume. If these objectives are fully attained, our overall trade should be in balance by the end of 1948, but there will still remain a dollar deficit at the rate of some £250 million a year. Our situation is thus one of grave peril. The stark fact is that within a matter of months, in the absence of some new development, we may not have at our disposal the dollars wherewith to pay for our food and for the raw materials essential to our production for export. More than that, supposing additional dollars to become available by way of a subvention from the U.S.A., unless the balance of our external trade can be restored, the respite will be merely temporary, and short-lived at that.

This formidable situation is one which I believe can only be met if monetary policy is called in aid: for it is vital to realise that our external deficit, like so many of our problems, has been aggravated by inflation. That means an excess of demand in relation to the goods available. It follows that our urgent needs are two-fold: on the one hand increased production, of coal, of food, of manufactures both for export and for home consumption; on the other hand, increased savings.

MONETARY POLICY

Monetary policy rightly applied will do much to help in both these fields. Above all, of course, a large budget surplus is needed to mop up the excess purchasing power, and I would emphasise that any American aid we receive must be reflected in a corresponding addition to the surplus. What is sometimes overlooked, however, is that to cure inflation we must also stimulate the output of goods; and this means that the methods by which the surplus is achieved are no less important than the fact of the surplus itself. A really effective surplus, therefore, must satisfy three conditions:

(1) It must be achieved, as far as possible, by reduced public expenditure, since taxation already absorbs far too high a proportion of the national income.

(2) It must be achieved in spite of some reduction in direct taxation, especially P.A.Y.E., which adversely affects incentive. Hence it should be an object of policy to reduce and ultimately to do away with subsidies other than those which are directed to secure an increased agricultural production. Indirect taxation, on the other hand, should be increased.

(3) The surplus must be a genuine one, which means that it must reflect a curtailment of private spending; in other words, it is essential that the public should meet its tax liabilities by cutting down expenditure on consumption and not by saving less. To promote the necessary saving, I postulate a rate of interest not under three per cent. on long-term securities.

It is not sufficiently realised how largely our present troubles are due to the unhealthy monetary situation. So long as demand is excessive it is, for example, quite impossible

to build up adequate working stocks, whether of finished goods, component parts or raw materials. In particular, stocks of some basic home-produced raw materials have fallen dangerously low. At the end of 1946, stocks of coal dipped below three weeks' supply at the 1946 rate of consumption; the subsequent recovery is to five weeks' supply. An equally serious shortage at the moment is steel, where movements in the stock position have reversed those of coal; from four-and-a-half weeks' supply at the end of 1946 stocks have fallen to little more than three weeks' consumption at the current rate.

This lack of adequate working stocks of all kinds is undoubtedly responsible, as much as any other factor, for the widespread decline in productivity. But suppressed inflation also reduces productivity through its adverse effect on individual effort; for physical shortages and controlled prices, coupled with the expansion in money incomes, mean that the normal incentives to increased earnings are blunted. In short, though they have averted a runaway rise in prices, rationing and controls have not been able to prevent the more insidious but equally dangerous secondary effects of a state of inflation.

It has been made crystal clear that physical controls cannot possibly secure the maximum production, in the right proportions, of the things we need most urgently, particularly when extensive resort cannot be had to that most distasteful of all physical controls, the direction of labour. In wartime it is possible to direct people on a massive scale into employments that are unpleasant or unprofitable, because patriotism is pulling in the same direction and the authorities have formidable sanctions in reserve. In peacetime the sanctions are much weaker and the promptings of patriotism less compelling and more difficult to interpret. I, for one, cannot feel hopeful that we shall in fact bring about the necessary redistribution of our labour force so long as the inflation remains and the normal monetary incentives are either lacking or pulling in the wrong direction. That is one reason why it is essential to put the monetary situation right without delay.

EFFECT OF FOOD SUBSIDIES

This is the more urgent because, as we have seen, the physical controls have not achieved their basic object of holding in check the total demands on our resources, with the result that as a nation we have been consuming far more than we have produced. Excessive capital expenditures by Government and business alike have inflated the demand for imported raw materials while locking up manpower that ought to have been producing exports. On the side of consumption, the pressure of spending has been made still more acute by the cost-of-living subsidies. These have set free a great deal of spending power that cannot be used to buy the durable consumer goods denied to us during the war, because a large part of our manufacturing output has been diverted, quite rightly, to the export market, in the hope of paying for our imports of food. But the export drive has not been accompanied, as it should have been, by an equivalent curtailment of consumer spending; for in the absence of direction of labour it has been easy for the consumer to attract to his service resources that should also have been producing exports. To a large extent, therefore, the reduced food prices have merely deflected spending power from essential to inessential objects; and thus austerity has been largely wasted.

Quite apart, therefore, from the financial saving to be made, there are compelling economic reasons for an immediate reduction in food subsidies and for their ultimate extinction. Inevitably this will cause some initial hardship, which it will be the duty of the Government to mitigate, but if we can restore a healthy monetary situation with all its advantages the gains will soon outweigh the losses. For the wage-earner, in any case, the hardships will be progressively removed by higher real output. It is of far

greater benefit to the wage-earner to give him better value on which to spend his wages than to give him more money which buys progressively less goods. If, moreover, the withdrawal of subsidies were accompanied by some adjustment of P.A.Y.E., and by a concession such as a family allowance for the first child, any necessary upward adjustment of wages could be kept to a minimum.

It will be noted that I have throughout laid emphasis on the curtailment of spending, rather than contraction of the volume of money, as the basic cure for inflation. It goes without saying that our bank is anxious to do anything in its power to help in curbing inflation. In particular, we are in full accord with the Government's desire that our advance facilities should not be utilised for purposes which are considered to be contrary to the interests of our national economy. I would emphasise, too, that while advocating the gradual withdrawal of the consumer subsidies, I would regard the maintenance of the agricultural subsidies as essential in order to save dollars by maximum production of home-grown food.

SAVING

From the point of view of saving, the return of a 3 per cent. rate on long-term Government borrowing is welcome. The course of events during the past year has shown that the gulf between 2½ per cent. and 3 per cent. is much wider than is represented by ½ per cent. per annum. In present conditions, 3 per cent. seems to be a point at which the interests of the Government as a borrower and of the investor as a lender are about balanced, and leaves room for reasonable fluctuation on either side of the figure as events dictate. This is altogether healthier than a lower level at which the risk of capital loss outweighs the jejune attraction of the meagre yield. More particularly, of course, is this the case in combination with the present crushing rate of direct taxation. A genuine budget surplus, by absorbing purchasing power and thereby stabilising prices, will also allow the potential saver to feel that he will be able to spend the money to as good or better advantage in three or four years' time. One of the greatest hindrances to saving is the growing lack of confidence in the future purchasing power of money.

Nor do I believe that the additional burden on the Exchequer of 3 per cent. compared with 2½ per cent. would be serious over and above the extra cost already incurred in compensation under the Transport Act. That, in my opinion, was a mere act of justice. The total interest burden could and should be reduced by a series of budget surpluses.

Today no accumulation of capital by the private individual is possible except through speculation or some even less desirable operation. What I am asking for is a return to conditions in which it would be possible for a man to build up a big business by hard work from small beginnings, and to "make money" in the process. Nothing could be more beneficial either to the individual member of society or to the community as a whole, for nothing would conduce more to the production of real wealth; and it is production of wealth, rather than its redistribution, which now is our most important objective, whatever may have been the position in times past.

CONVERTIBILITY

To return to our external problems: the suspension of convertibility was a grave setback not only for Britain but for the whole attempt to rebuild world trade on a multi-lateral footing. It has compelled us inevitably to revert for the time being to bilateral trading and currency arrangements. That is purely a stopgap measure, as was reaffirmed when the United States placed at our disposal once more the undrawn balance of the loan. Since there are some people who would actually welcome bilateralism as a permanent system of trading, let me emphasise that it was not the policy of restoring convertibility that was wrong. Had the arrangements

worked as was intended, convertibility would have meant simply that this country would be paying in gold or dollars for its current import surplus from the rest of the world. That is not an unreasonable proposition, since no country can expect or desire indefinitely to receive goods on credit. Unfortunately, the drafts on our exchange resources have not been limited to payment for our current import surplus. We have also had to allow other countries to draw heavily on the abnormal sterling balances built up during the war, while in the weeks preceding the convertibility crisis there was an extensive running down of working balances formerly held in sterling. Even now, it is difficult to feel certain that all the loopholes have been closed.

It should be recognised that the dollar deficits of many countries have been aggravated by the prevailing inflationary conditions. But it would be unfair to lay the responsibility for the whole dollar shortage at the door of the deficit countries. The European economy has been devastated by war and cut in two by the "Iron Curtain," and must perforce rely heavily on the American continent for food and raw materials during the reconstruction era. Marshall aid, on whatever scale it may eventually be approved by Congress, will to that extent relieve the resulting scarcity of dollars. This country would thus benefit both directly and indirectly, for a dollar famine rules out any chance of that expanding world economy in which alone we can have any hope of attaining our export targets.

If we regarded it merely as a grant in aid or a temporary alleviation of the dollar problem, however, we should fail to grasp the Marshall conception. For American aid to be truly constructive, the recipient countries must treat it as a spur to greater efforts on their own part, and Europe as a whole must be enabled to stand on its own feet again. This calls for some method of encouraging the fullest trade between countries outside the hard currency area, in particular western Europe, while reducing the demands made by those countries on the American economy. That should not be regarded as in any way opposed to America's interests; it should be welcomed as helping to reduce the inflationary pressure inside the United States. American opinion is increasingly aware of this, and some closer integration of national economies in Europe may well be made a condition of Congress approving Marshall aid at all.

But the European nations should recognise that the objective is an eminently desirable one for its own sake. Indeed, the goal to which we must all direct our efforts is the most efficient use of the economic resources of Europe and the British Commonwealth taken as a whole; and that necessitates a gradual dismantling of trade barriers and some co-ordination of national policies. It remains to be seen whether this implies a full Customs Union for western Europe, or the Commonwealth, or both. Admittedly, that could only come about by slow degrees, but if it were practicable it would be a momentous step towards that freedom of world trade which is the ultimate ideal.

In the meantime, we should all welcome the success of the Geneva tariff negotiations, which was far greater than is generally realised in this country. The agreements made affect no less than two-thirds of the trade of the countries involved, which in 1938 accounted for three-quarters of all international trade. The United States in particular gave undertakings affecting close on four-fifths of their prewar imports, reducing the American tariff almost to its relatively low level of 1913. Since those concessions have immediate effect, whereas countries in balance of payments difficulties are allowed to regulate their imports by quotas, the agreements should afford some appreciable relief to the world dollar problem.

THE FUTURE

To sum up, the immediate future is one of great danger, all the greater for being

either unrealised or unavowed. On the credit side we have the increasing output of coal, the indispensable basis of all other improvement. But having regard to the depletion of our gold reserves and the disastrous consequences which must attend their exhaustion, everything possible must be done in the field of financial policy to diminish the risks that we are forced to run, and to assist in the process of recovery.

First and foremost, we must deal with the suppressed inflation that lies at the root of so many of our troubles, both of an internal and of an external kind. The remedy for inflation, I repeat, is to be found only through a budget surplus achieved by reduction of expenditure, in combination with measures to increase incentive both to production and to saving. A sound monetary policy of this kind would be of far greater ultimate benefit to the wage-earner than a mere continuance of the present wages spiral, and offers at the same time the best prospect of maintaining the competitive position of our export industries.

Difficult and perilous as our position is, if in these ways the price mechanism could be harnessed to work with the physical controls instead of against them, and if the people could be made aware of the dangers in which they stand, I should have no fear for the outcome.

COMPANIES ACT, 1947

We have decided to await the implementation of the Companies Act, 1947, which is to be consolidated with the Companies Act, 1929, before making the comparatively small changes in the form and layout of our balance sheet and profit and loss account that will be required, but next year the accounts will conform to the new legislation which so far as accounts are concerned will come into operation next July.

In welcoming the Act, I give a particularly warm welcome to the decision of the Government to abandon the very complicated proposals originally included in the Bill, designed to secure the disclosure of the beneficial ownership of shareholdings registered in the names of nominees. I offered some criticism of these clauses in my address to you last year, and I take this opportunity of stating my belief that the final decision of the Government in this difficult and controversial matter is a wise one. Other ample measures have been substituted enabling the Board of Trade, if they have good reason to do so, to obtain the information, and under certain conditions shareholders themselves have been granted an unqualified right to require the Board of Trade to set on foot an investigation to secure disclosure. No more was in my view practicable and no less was needed to deal with the situation created by the already wide and growing practice of the use of nominees; the retention of the system is essential to the business community and a great convenience to others.

INDIA, PAKISTAN AND BURMA

Since I last addressed you, momentous events have occurred in India, Pakistan and Burma. The jubilation over the attainment of independence was short-lived; within one month of the partitioning of the Punjab serious disturbances took place and thousands of Moslems and Hindus were massacred, cholera broke out in the refugee camps, and the ripening crops over many thousands of acres seemed likely to go to ruin. In the meantime, the situation in both Hyderabad and Kashmir was moving towards a crisis and the atmosphere between the two Dominions was tense.

Since then the massacres and floods have subsided and the two major Mohammedan and Hindu festivals of the year—usually an occasion and signal for trouble—have passed without incident; cholera has stopped and enough of the crop has been gathered in to keep the majority of the country from famine through the winter. The Hyderabad issue has been composed by a standstill agreement with the Indian Union. On the other hand, the situation in regard to Kashmir gives

cause for anxiety. It is to be hoped a solution will be found before long.

Tragic as these events have been, it must be remembered that the disturbances have not been widespread. I would remind you that the population involved in the massacres only represented some three per cent. of the total population of India and Pakistan; the remainder of the total population of over 400,000,000 have, for the most part, carried on their daily activities under relatively peaceful conditions.

The position of our staff and their families in India, Pakistan and Burma has caused us grave disquiet. It is true that during all the troubles the attitude of all parties towards the British has been extremely friendly. None of our European staff has been molested nor has any of our property suffered damage. This is not to say that the staff have escaped personal danger, and they and their families have endured extreme discomfort in a manner that is worthy of the highest British tradition. I should like to take this opportunity publicly to thank them for the part they have played and for the manner in which they have played it.

It has been difficult for banks to function normally in the disturbed areas but, in spite of a depleted indigenous staff owing to evacuation, service rendered to the public has been almost unbroken. Our main business is, of course, at the ports, where very little has been felt of the disturbances in the north.

In Burma, events have been relatively no less momentous. The new Burma Constitution as enacted by the Constituent Assembly on September 24th is to come into force not later than April 15, 1948. On October 17th a treaty recognising the new independent Republic was signed by the British Prime Minister and under the Burma Independence Bill the complete independence of that country took effect from January 4, 1948. Under the new constitution no security of tenure for British interests in Burma is assured, but the expressions of goodwill towards the British indicate that the Burma Government are desirous of the closest co-operation with Britain. It is to be hoped that nothing will occur to discourage British business interests from continuing their activities in Burma.

EXECUTOR AND TRUSTEE DEPARTMENT

This section of our business continues to expand in a satisfactory manner. Our policy of decentralisation has proved successful and we have now nineteen branches open. Arrangements are well advanced to establish a further four branches. During the year we have established Lloyds Bank Executor and Trustee Company (Channel Islands) Limited in Jersey.

STAFF COLLEGE

The establishment of our training college has been delayed by difficulty in obtaining building licences and other obstacles of a technical kind. Preparations are now well advanced and we confidently expect that the first course will be able to assemble at the beginning of March, and that the College will be in full operation by the summer. We plan to hold five courses, each of two months' duration, in a year, though we shall be ready to modify this plan in the light of experience. We are confident that great benefit will accrue to the bank and to the staff from this new departure.

STAFF

I have already expressed our appreciation of the work of our staff in the East, and I cannot conclude this statement without a word of warmest praise also for the men and women who serve the bank in this country. Our British banking system renders public service of the highest order, and I believe its value to this country is increasingly appreciated. Our thanks are due to all the individuals who by team work, often of a self-sacrificing kind, keep the machine running so smoothly and so efficiently.

MARTINS BANK LIMITED

CRITICAL ISSUES FOR THE NATION

PRODUCTION AND EXPORTS

THE BANK'S SUCCESSFUL YEAR

CHAIRMAN'S SURVEY

The one hundred and seventeenth annual general meeting of members of Martins Bank Limited will be held on Friday, the 30th instant, at head office, Liverpool.

In a statement issued, the new chairman, Mr A. Harold Bibby, D.S.O., D.L., says:—

It is with great regret that I have to record the death of Mr. Alfred Watkin, who, for many years, served both on the general board and on the Manchester board of the bank.

Owing to pressure of other business in London, Sir W. Nicholas Cayzer has found it necessary to retire from the board and we greatly regret the loss of his collaboration. His place has been taken by Major R. H. Thornton, a partner in Messrs. Alfred Holt & Company, whose wide experience in shipping and commercial life will be of great assistance to us. We are pleased also to welcome to our deliberations Mr. Christopher Holland-Martin, a member of a family which has been honourably associated with the bank for many years. Mr. Holland-Martin has occupied a seat on our London board since 1944.

I am happy in submitting the bank's annual report and balance sheet to be able to present a very satisfactory record of the year's trading. For the year ended December, 1946, we had the advantage of a reduction in taxation, whereas the autumn budget, introduced in November last, added substantially to our liability for taxes; also our expenses have increased by a cash payment to our staff which, we believe, is fully justified having regard to the increase in the cost of living. On the other hand, we have had the advantage of dealing with larger resources as increases have occurred in our deposits, advances and other items of our balance sheet.

My predecessor, a year ago, referred to the abnormal increase in deposits during the year 1946, which he deplored in so far as they were based on an unbalanced budget and further Government borrowing from the banks. During the past year, though there has been a substantial rise of £19 million in our deposits, this increase is very moderate in relation to the increase in 1946. In so far as this is due to the checking of inflationary tendencies, it is of course in the national interest. Nevertheless, the inflationary trend has continued.

SACRIFICED MATERIAL HERITAGE

It is now evident that the sacrifices made by this country were so great that the hopes that we could recover our position and rebuild our shattered cities within a short time were unreasonable. Our great buildings and works rose out of savings of the past, and it is only out of the accumulated surplus of the present and the future that our position can be restored, a task which may take a generation to complete. Western Europe,

including these islands, has not had sufficient time nor, in certain cases, sufficient help to retrieve its position. This has been most generously realised in the United States of America, and it now seems probable that additional help will be forthcoming, but that must not lead us to depend on external aid for the full restoration and subsequent maintenance of our economic equilibrium. This country is capable of standing upon its own feet, and it must reconcile itself to the necessity and urgency of so doing. We have sacrificed a great part of our material heritage: we must strenuously preserve the remainder and, in addition, more than make good what has been lost.

As bankers, our experience is that manufacturers, farmers and business men in general are exerting every effort and we, on our part, have been ready to give the necessary financial assistance, as is indicated by the increase of £12 million in our overdrafts and loans, but much remains to be done.

Owing to the lack of foreign exchange, it has been necessary to restrict our imports and to urge a greater effort in exports, but other nations are in precisely the same position and the limitation of our purchasing abroad has caused others to react similarly. Of all countries, we have the most to lose from an all-round contraction of trade, and it is from the loosening of this general constricting that we may derive our greatest benefit from the Marshall Plan and, eventually, from the agreements on tariffs and trade which were negotiated at Geneva and which may be incorporated in the more comprehensive international code to be drafted at Havana.

CRISIS NOT YET APPARENT TO ALL

This has been a year of crisis which is nothing new in the history of this country and, as we know from past records, we have always survived such storms and eventually reached calmer waters after disagreeable buffetings. Consequently, there is no lack of faith in the country that on this occasion of faith in the end our troubles will be successfully surmounted. Possibly this is a justifiable assumption on the part of the people who passed safely through the Battle of Britain when, to foreign eyes, we appeared to be in an impossible position. Unfortunately, however, the seriousness of the present crisis, which in some respects is more menacing than any previously experienced, is not apparent to the generality of the people of these islands. Certain sections of our people find it extremely difficult to appreciate that there is any crisis at all. To some there seems nothing the matter with the economic position of the country as there is still no general difficulty in selling goods or services at home and money is plentiful. By exercising the normal pressures available to them in a state of full employment, others have obtained a five-day week, holidays with pay and better food rations than their fellows.

ECONOMIC LIMITS TO SECTIONAL CLAIMS

It is highly proper that the country should be made to understand the futility of any section of the community seeking to improve its position permanently at the expense of the

rest, without a proportionate increase in production.

The economic limits of such processes are set by the productivity of the 20,000,000 people who constitute the working population of this country. The activities of these workers have to be allotted between defence requirements, the maintenance and expansion of our capital equipment and the output of consumption goods. Defence unfortunately entails a larger call on man-power than before the war. Our capital equipment suffered damage and deterioration during the war and, if we are to rehabilitate ourselves as a leading industrial nation and re-establish the conditions for a rising standard of living, we should devote a larger proportion of our efforts than before the war to the tasks of real capital creation. If adequate provision is made for defence and capital creation, it is only the remaining labour force that is available for the supply of the consumption goods which determine the contemporary standard of living. These three major fields of demand—defence, capital creation, consumption—are competing claims on the national effort and, given no increase in productivity, expansion in one field can only be at the expense of contraction in the other fields. This inexorable fact has manifested itself in the past year and it will manifest itself still more strongly as the aid from abroad, furnished by the loans from the United States and Canada, tapers off to vanishing point. We may mitigate the situation temporarily by sales of gold and purchases of dollars from the International Monetary Fund but these expedients are fleeting in their effect and duration.

DEFLATING DEMAND

I have said that this dilemma manifested itself in the past year and I will quote two outstanding examples. The revised programme of food imports involves a cut of no less than £210 million in a full year from the level of imports envisaged before the convertibility crisis of last August. The revised capital investment programme involves a cut of £280 million from the level anticipated for 1948. There could be no more startling illustration of the exigencies of our situation. In these two fields, nearly £500 million of demand has to be eliminated. Failing an increase in agricultural production at home or additional supplies from the soft currency areas, the food supply of the nation is to be reduced to the extent of 7s. per week per family. We must curtail new house building and industrial building while new commercial building will be almost eliminated. Many other schemes, eminently desirable in themselves, must be shelved, including civil airfield development, major road, bridge and railway construction and sundry desirable social developments. The unquestioned merits of these projects are of no avail against the impossibility of implementing them.

VITAL ROLE OF EXPORTS

It is useful to note the relation between these two items of food supply and capital projects. The cut in food imports is not sufficient in itself to correct our situation. To pay for the remaining imports, we have to devote more resources to exports and it is only by curtailing our activity on capital development that we can obtain the additional resources for the export trade. Let no one think that we are tightening our belts in order to export; we must increase our exports to prevent a further drastic tightening of our belts and to assure ourselves of the diminished food supply of the revised programme. Failure to achieve a sufficient volume of exports would threaten our ability to pay, not only for adequate food stuffs but for the essential raw materials for our industry, thus creating the mass unemployment we are all so anxious to avoid. To export, we must not only produce the goods that our customers wish to buy but produce them at

a price that they are able and willing to pay. Every shilling that raises the selling price of our manufactures, be it owing to out-of-date machinery, excessive overhead charges, heavy national or local taxation, or failure to give increased production directly related to increased wage costs, must curtail our ability to expand our exports.

It can be argued that the curtailment of capital projects has proceeded too far. If new capital creation, apart from repair and maintenance, is to be actually less in volume than in pre-war days, the provision must be regarded as inadequate for our long-term needs, but it must be realised that our short-term needs for consumption, which must be met, are responsible for the deficiency in capital outlay and, until the national output is increased, the unfortunate necessity for the curtailment of that outlay for a limited period must be admitted. Therefore, it is essential that our resources should be deployed in accordance with the prescribed programme and that the Government's financial policy should at all points aid and not hinder that programme, for we live in a monetary economy and the real processes to which I have referred are based on monetary calculations and are directed by, and operated through, the monetary mechanism. Whatever the views about the role and importance of finance, it is indisputable that the financial machine ought to work in complete harmony with the productive machine.

NEED FOR SOUND FINANCE

It was inevitable that the demands pent up during six years of war should outweigh the capacity of contemporary effort to satisfy them. All are aware of the disappointing results of more than two years of peace but, in spite of the many warnings we have received, it is still not sufficiently realised that even the amount of progress we have made has been endangered by inflation, open or suppressed, to a sufficient extent to distort our economy and seriously hamper our productive activities. Therefore, it is still necessary to emphasise that it should be the first task of financial policy to restrain demand within the practicable limits set by current productivity. To fail in that task is not only to retard recovery but to prevent it.

It is, of course, not only in this country that evidences of financial disorder are seen. The strain on national economies due to inflationary pressure is in evidence throughout the world and is seen even in the strongest countries, including the United States of America. This general disequilibrium is admittedly due to excessive demand arising from a relative superfluity of money and other restrictive measures will be of no avail if the financial remedy is not applied. It is significant and encouraging that one of the main lines of action recommended by the Paris Conference in its report on the Marshall offer was the creation of internal financial stability in the countries concerned. It was rightly emphasised that this was a necessary condition for the accomplishment of the other aims set out in the report. Sound finance and sound money are the requisites for a healthy and freer economy at home and also for a restoration of the international trade on which the well-being and prosperity of these islands depend.

LOYAL AND DILIGENT STAFF

To conclude on a more domestic note, during the past year I have received the fullest support from the members of the general board, the district boards and the general management and, in expressing my thanks to those with whom I am in closest contact, I am very conscious of how much the success of our efforts is due to the diligence and loyalty of thousands of our staff, many of whom work untiringly in remote places. To all these, I accord my warmest thanks for their contribution to the satisfactory progress of the bank.

NATIONAL PROVINCIAL BANK LIMITED

AN UNCOMFORTABLE YEAR

DETERIORATION OF INTERNATIONAL RELATIONS

BRITAIN'S STRONG EFFORT

NEED FOR REALISTIC ATTITUDE

CAPTAIN E. C. ERIC SMITH ON THE OUTLOOK

The 115th ordinary general meeting of the National Provincial Bank Limited will be held on the 29th instant at the head office, 15, Bishopsgate, London, E.C.2.

The following is the statement of the chairman, Capt. E. C. Eric Smith, M.C., circulated with the report and accounts for the year to December 31, 1947:—

Board of Directors.—It is with very great regret that I have to record the deaths, during the year, of two members of the Board, Mr James Cadman, D.S.C., D.L., and Col. Bertram Abel Smith, D.S.O., M.C., T.D. Mr Cadman joined the board in 1942, and his well known abilities as an industrialist in many spheres were of great value to the bank. His death was the tragic result of a motor accident. Col. Bertram Abel Smith became a local director for Nottingham and district in 1908, an extraordinary director in 1918, and a director in 1942. His activities in the City in financial and commercial circles were widely recognised and his intimate knowledge of affairs acquired over long years of experience was always at the disposal of the board. We regret also that the Rt. Hon. Lord Pender has had to relinquish his duties as a director of the bank because of ill-health.

On October 22nd we had the pleasure of announcing the election of Mr David John Robarts to a seat on the board. Nephew of our director, Mr John Robarts, our new member bears a name that has been prominently connected with banking for well over a century. He has been a director of Messrs Coutts and Company for some years and we are glad to welcome him as a colleague.

Management and Staff.—During the year Mr W. G. Craddock, one of the joint general managers, retired after 44 years' service, of which ten years had been spent as a joint general manager. Mr H. F. Willmot, formerly manager of our Princes Street office, has been appointed a joint general manager to fill the vacancy. Both management and staff continue to render conspicuously good service. The volume of work and the multiplicity of regulations which concern our day-to-day operations have continued to increase. Notwithstanding this, the high standard of our service to the public is more than maintained.

ASSOCIATED BANKS

Coutts and Company.—The balance sheet of this famous banking house, showing the position as at December 31st last, accompanies our own report and accounts. It is with very great regret that I have to record the death of Mr Frank Chaplin, for many years a director of Messrs Coutts and Company.

Grindlays Bank Limited.—The balance sheet of Grindlays Bank Limited which also accompanies our own, shows the position as at April 30th last. Business is conducted by this bank in London, in India, Pakistan, Ceylon and in Burma. In August, the two Dominions of India and Pakistan were created. It is greatly to be hoped that the immediate difficulties will be quickly resolved, for these two Dominions can make a very great contribution to the solution of world economic problems.

Whilst referring to these two affiliated banks, it is not inappropriate that I should express to you my high appreciation of the services rendered to us in the control of these two institutions by the chairmen, Sir Jasper

Ridley and Sir Trevor Matthews respectively, and by the directors, managers and staffs of these two progressive banks, each of which, in its own sphere, occupies a unique position.

STATEMENT OF ACCOUNTS

During the year just ended the principal item in our balance sheet, the liability on current and deposit accounts, has grown from £726 million to £754 million. The increase of £28 million is much less than the growth during 1946, and this is reflective in considerable measure of the monetary policy of the Government. On the assets side of the balance sheet before you, the more liquid assets comprising cash, discount market loans and bills (the latter principally Treasury bills) amount to £257 million, representing 34 per cent. of the deposit liabilities. Treasury deposit receipts stand at £166 million, or 22 per cent. of deposits, as against £206 million a year ago.

Investments are set out somewhat differently from the manner of last year, so that on this occasion they will be more in line with the requirements of the 1947 Companies Act when the relative sections of that Act come into force. The entries under the major heading of trade investments contain our holdings in subsidiary and associated institutions and certain miscellaneous items. The total holding of investments in our portfolio is £160 million as against £162 million at December 31, 1946.

There has been a considerable increase during the year in advances to customers and other accounts and the figure at the close of business on December 31st last was £185 million, equal to 24.5 per cent. of our deposits.

FACTORS AFFECTING PROFITS

Profit and Loss Account.—Many factors affect profit-earning capacity. Most important is the volume of resources employed; and next the margin between allowance rates and the rate of return on the money employed and the manner in which distribution of this money is spread amongst the various assets. Of these assets cash earns nothing but is a source of very considerable expense, and other large items earn one half of one per cent., or only a fraction more. A factor which can be of importance is the prudent setting aside of earnings where there is any doubt regarding the value of the principal sum involved. A much more important feature is the expenditure that is entailed in operating our business. Salaries and pensions have accounted for a very substantial increase over the charge for 1946. Rates, lighting and heating, stationery, printing and the varied miscellaneous expenditure involved in providing all the necessary elements for the efficient conduct of our business have all cost more. Last, but by no means least, the increase imposed last year in taxation of profits, both retained and distributed, has had an adverse effect upon our net trading results. In addition, no doubt should exist about the wisdom of providing now, to the best of our ability, against the hazards and vicissitudes which the future may hold.

The net profit for the year 1947 amounts to £1,347,929, which compares with £1,331,071 for the previous year. The amount brought forward from 1946 is £863,417, so making a disposable balance of

£2,211,346. In July an interim dividend of 7½ per cent. was paid, less tax, at a cost of £391,026, and it is proposed that a further payment at a similar rate should be made. In addition the following appropriations are recommended: to contingencies account, £300,000; to pension fund, £250,000, and if these proposals are accepted by you there will be a sum of £879,294 to carry into the accounts for 1948.

TRADE AGREEMENT WITH RUSSIA

The past year has been an uncomfortable one, mentally as well as physically. International relations which, even in January, 1947, could not be regarded with any degree of optimism, have steadily deteriorated. A consistent stream of vituperation and misrepresentation has flowed from Moscow and its representatives, and the satellite countries have indulged in a series of travesties of justice, culminating in some cases in judicial murder. The birth of the Cominform has been followed by inspired industrial troubles in France and Italy, accurately timed to synchronise with the ill-fated meeting of the Foreign Ministers in London. European convalescence is certainly not conspicuous. It would require a curious mentality to look back on 1947 as a year of diplomatic successes. In December a trade agreement was concluded between the United Kingdom and the Soviet Republics. It is to be hoped that the terms of this agreement will be carried out and that it will be the forerunner of further similar arrangements. Perhaps this commercial rapprochement may ultimately lead to improved political relations between the two countries, an end which is not only desirable, but vitally important.

THE CRISIS

In this country an unusually cold winter precipitated a crisis which those in possession of the facts must obviously have known was coming, although its impending arrival was screened from the public until it had virtually arrived. There followed a period of dislocation of industry, unemployment and discomfort, the full effect and cost of which has yet to be assessed. Much ingenuity was employed in minimising this trifling interruption of the nation's activities, and in May the five-day week was introduced in the British Mining Industry. On July 15, in accordance with the conditions of the American Loan, convertibility of sterling came into operation. In certain quarters it had been suggested, with some diffidence, that the country's trading position and dollar requirements were such that this step possessed considerable elements of danger. Assurances from the highest quarter were, however, forthcoming to the effect that every necessary precaution had been taken to safeguard our position and that risks existed only in the minds of the craven hearted. Thereupon began a drain on our dollars on a truly magnificent scale.

SUSPENSION OF CONVERTIBILITY

On August 21, by arrangement with the United States the convertibility of sterling was suspended and the balance of the American Loan became temporarily blocked until December. This minor error of judgment entailed considerable explanations, but an unkind fate and unforeseeable circumstances eventually shouldered the burden between them. The incident was washed away in a spate of printer's ink in time to make way for a fortified export programme and some further austerity.

The Autumn was crowded with unwelcome events. The Control of Motor Fuel Order came into force and the basic petrol ration perished miserably and extremely vocally. The Control of Engagements Order reared its contentious head, and the potato assumed a humble position on the list of rationed foods. This last, an event which was, of course, wholly unpredictable! The period was punctuated by sales of gold to meet our dollar

requirements. Let us, therefore, congratulate ourselves that 1947 is over.

CHANGE TO 3 PER CENT. BASIS

At the end of 1946 and the beginning of 1947 the cheap money policy culminated in the issue at par of 2½ per cent. Treasury stock 1975, but the necessary support to maintain the gilt-edged market on this basis was not forthcoming. During the year the market gradually relapsed until in December it had assumed a 3 per cent. complexion for long-dated stocks. The decline was accelerated by the uncertainty which overhung the terms of the Government Stock to be issued to the dispossessed railway stockholders. There can be little doubt that the position is healthier for this change. A 3 per cent. basis which is realistic is infinitely preferable to a 2½ per cent. basis which can be only precariously maintained by unpredictable manoeuvres. The process of passing from a 2½ per cent. to a 3 per cent. basis must, of necessity, be painful for institutions whose business compels them to be consistent purchasers of gilt-edged securities.

The growth of bank deposits has been on a much reduced scale, and this also is a satisfactory feature. Increased deposits which have increased wealth behind them are entirely respectable, but increased deposits which merely reflect the writing up of existing assets are poison in the body economic, and there can be little argument but that much of the increase in 1946 came into this latter category.

EXPANDING PRODUCTION

Increased advances and overseas credits have been a welcome sign of expanding production and trade, and it can never be repeated too often that without such expansion the country will be unable to maintain a reasonable standard of living. Such advances and credits are now carefully shepherded to where they can assist directly or indirectly the export industries of the country or necessary internal trade. This action is a corollary of the cut in capital expenditure and is of equal importance in concentrating available resources and labour on essentials.

Much has been written on the balance of trade, or the unbalance thereof. It is a problem we have to live with and manifestations of its unpleasant effects are repeatedly and forcibly brought to the notice of all of us. Herculean efforts have been and are being made to reduce the unbalance in the position, but unfortunately many of the most hopeful of these are long-term projects, benefit from which must lie in the future. The development of our own agriculture will ultimately make some contribution, but its fulfilment is largely dependent on an adequate labour force, which, again, is inextricably involved with rural housing, and the difficulties are aggravated by the progressive repatriation of prisoners of war. The creation of new sources of supply of commodities hitherto emanating from hard currency countries is a sound and reasonable proposition, but relief on any scale from such projects cannot be looked for immediately.

OVERSEAS MARKETS

The export of our manufactures has been vigorously pressed and the most conscientious efforts have been made to expand existing markets and develop new ones. Close study of the requirements of potential customers is being maintained and new entrants into the export trade are encouraged in every way. It can be said that the nation's effort has been commendably strong, and, up to a point, successful, but the adverse balance is still present, as our sales of gold and purchases of dollars from the International Monetary Fund emphasise.

Events have not been helpful. Recovery throughout the bulk of the world has been painfully slow. The prosperity of the United

States of America has served to put up the prices of our imports of food and raw materials, and in other places Government selling agencies, remote from the primary producer, have not been free from rapacity. It is doubtful whether bulk buying serves us most economically. Politics inevitably creep into inter-Governmental trading transactions, which should be matters of business pure and simple. In this country for too long our efforts were dissipated on possibly desirable developments we could not afford, when concentration on our very existence was essential.

REFUSAL TO FACE FACTS

We have suffered from a serious onset of appeasement. Refusal to face facts has been predominant and the greatest energy has been employed in inducing people to believe they are much better off than is really the case. Every shock suffered last year was sprung on the country at the last moment, when concealment was no longer possible, and was accompanied by explanations that the causes were unforeseen occurrences for which no one was to blame. Considerable progress has now been made in the descent to earth. Efforts are being made to point out, in words of few syllables, the precarious position in which the country stands, and some of the promised prizes have been postponed. The haze of make-believe has not, however, been entirely dispelled, and much effort is still directed towards shielding certain strata of the population from the effects of increased austerity. We are, in fact, still appeasing.

The autumn Budget provides an admirable example. After the big words that preceded it, it was almost farcical; a mere face-saving gesture to show that something had been done and that no one who mattered had been hurt. Fear rules our rulers. Fear of the trades unions, fear of increased wages, fear of stopping wage increases, fear of the electorate, fear to face any unpleasant situation.

NEED FOR REALISTIC VIEW

It is time every individual in the country realised his true position. No decent active man should tolerate the idea that he exists to some extent on charity, and yet for example the man who enjoys better food in a works canteen is accepting material charity from those not so favourably placed. The subsidies which keep down the price of food are in part provided by the beneficiary himself, and for the rest paid for by his fellow citizens. Let the man in the street realise that when he says "the State pays" it means that he himself is paying, and if he is not contributing his full share the balance is charity from another such as he.

The country has a long way to go before it achieves solvency. It will, in due course, arrive, but the longer the people remain drugged with the narcotics of make-believe the longer will be the journey.

THE MARSHALL PLAN

Before concluding this altogether unpleasant summary, mention must be made of the so-called Marshall Plan. The acceptance of the idea by the Senate and Congress of the United States is an act of the greatest realism—as realistic as Russia's bitter opposition to the Plan. But it is not the realism which calls for comment, it is the unprecedented generosity and its enormous scale. Never in the history of the world has there been such a gesture. With this example before us there are grounds to question the cynics' doubts as to the survival of human virtue.

As to the operation and result of the Plan, we all pray for its success, but its magnitude is such that there may prove to be, not a shortage of dollars, but a shortage of the material things those dollars are intended to provide. May these fears prove to be unfounded.

DISTRICT BANK LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

NATION'S ECONOMIC PROBLEMS

STATEMENT BY THE CHAIRMAN, SIR THOMAS D. BARLOW, G.B.E.

The chairman, Sir Thomas D. Barlow, G.B.E., has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the 118th annual meeting to be held on 30th instant, at the Head Office, Spring Gardens, Manchester:—

Before dealing with more general matters I should like to pay tribute to the work of my predecessor, Sir R. Noton Barclay, who last January made known his intention to retire from the chairmanship of the bank. Sir Noton is our senior director and has occupied the chair with distinction for the past ten years. During his term of office the bank has not only consolidated its position but has also extended its activities to a much wider field. That Sir Noton has agreed to remain a member of the board is something which gives me great satisfaction, and my feelings are shared by my colleagues as his wide knowledge and long experience will still be available to us.

As your new chairman I am mindful of the responsibilities which are attached to the office, and I particularly regret that I shall be unable to preside at the first annual meeting since my appointment, as I shall be sailing for South Africa early in the New Year.

I am indeed pleased to have the help of Sir Robert Burrows, who has recently been elected a deputy chairman, and I am glad to say that Sir Samuel Turner will also continue to serve in that capacity. This further assistance is very valuable following the establishment of a London Committee responsible for the direction of the affairs of the bank in the London area and the South, where we now have a number of offices with steadily increasing business. Recently we have opened at Christchurch, whilst Hounslow will be ready shortly. These developments do not imply that our policy of expansion is limited only to that part of the country. Over the last twelve months we have opened at Huddersfield and Prestatyn and we have plans under way for new branches in other areas.

MANAGEMENT AND STAFF

Among the higher officials of the bank there are some changes to report. Mr William Cunliffe, who has been Joint General Manager since 1932, has retired on pension. Mr Cunliffe has been with the bank nearly forty-three years and on your behalf I would not only like to express appreciation of his long and valued service but also to extend to him our best wishes for the future. Mr Donald Farnham Pollard, manager of head office, has been appointed a joint general manager and Mr William Mitchell, previously sub-manager, becomes head office manager.

The task of fitting the members of the staff who have returned from the Forces into positions worthy of their abilities and service experience is proceeding. Much care is being given to training and as a result we

have at our disposal an increasing number of men suitable for positions which carry greater responsibilities.

Plans have been put in hand for a memorial to those members of the staff who lost their lives on National Service and the form this will take is being discussed with the staff association. In a spontaneous and voluntary desire to honour their fallen colleagues the staff themselves established a memorial fund. So generous was the response, in which the directors also participated, that the fund reached the total required to carry out its aims, which were to make an annual payment to each orphaned child until he or she reached the age of sixteen.

During the past year the bank has played its part in the task of reconversion and I wish to express very full appreciation of all that has been done by the management and staff. In particular I should like to mention the work of the staff association which deserves special acknowledgment.

THE ACCOUNTS

On reference to the balance sheet you will see that there is a slight increase in current, deposit and other accounts. But whilst these figures and the volume of our resources show only a small variation as compared with the figures for the previous year, important changes have occurred in the composition of our assets. Here the outstanding movement is the fall of £13,500,000 in treasury deposit receipts which during 1946 were increased by the intensive inflationary pressure exerted in support of the cheap money drive. It was only to be expected that this pressure would bring instability by adding to the weight of money, thus promoting rising wages, costs and prices.

Of the funds which we have had released from Treasury deposit receipts over £4,000,000 have gone into call money and bills of exchange (which in the main are Treasury bills), thereby increasing our liquidity, and more than £3,000,000 have been added to investments. These are mainly repayable at fixed dates and appear in the balance sheet at considerably less than their market value, despite the marked depreciation of gilt-edged securities during the year. The remainder of the sum made available from Treasury deposit receipts is reflected in the higher figure for advances. This item shows an increase of nearly £8,000,000, but the upward trend of lendings will probably be curbed by the Government's far-reaching plans to improve the country's international trading position.

It is satisfactory to know from the analysis which we periodically make of our advances that they are well spread over a wide range of industries and, I might add, all propositions coming before us, whether large or small, receive the most careful consideration. Here I would like to refer to the Finance Corporation for Industry Limited and the Industrial and Commercial Finance Corporation Limited, which, in providing long-term finance of a capital nature outside the scope of the joint stock banks, have in our experience rendered valuable service.

Closely associated with the higher figure for advances is the welcome increase of nearly £1,600,000 in liabilities of customers for acceptances, confirmed credits and other obligations which now stand at £6,472,079. This figure is particularly encouraging because it is largely attributable to the

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increased activities of customers concerned with overseas trade.

PROFIT AND ALLOCATIONS

From this résumé of our principal asset items it will be seen that, as regards earnings, the most favourable factors are the increases in advances and investments. But on the other side there have been much heavier payments for salaries, due to the return of staff from the Forces and to a higher level of remuneration, and there has also been a general unavoidable increase in other expenses. After making full provision for bad and doubtful debts, taxation and contingencies, we show a net profit for the year of £503,796 which compares with £487,276 for the previous twelve months. Bringing in £399,640 from our 1946 accounts we have for disposal £903,436. Of this we propose to apply £120,000, the same amount as last year, to pensions and annuities fund and to allocate £100,000 to contingencies account against £75,000 last year. This we consider to be prudent in view of the uncertainty of the general business outlook. We also propose to transfer £23,572 to reserve fund to round that item off at £3,000,000. After allowing for these dispositions and providing for the dividend at the same rate as last year, there remains a sum of £374,224 to be carried to the next account.

During the year we have purchased the property in Spring Gardens adjoining head office with a view to facilitating future extensions as and when they become necessary. Other than this, few additions to property account have been made for some years, since there has been little opportunity for capital expenditure on existing premises or on prospective new branches. Because our properties stand at a figure well below their real value, further provision for depreciation at this time is not considered necessary.

SPECIALIST DEPARTMENTS

Whilst the profit and loss statement and balance sheet give a broad outline of our experience throughout the trading period, there are certain activities all-important to the bank's progress which call for separate comment. First I would refer to the greater volume of work which has devolved upon the foreign department. This, of course, was to have been expected in view of the larger responsibilities which have arisen in connection with Exchange Control, the critical and ever-changing foreign conditions and the strenuous endeavours to increase exports. In such circumstances it is not surprising that the enquiries from customers experienced in foreign trade have been both numerous and varied. But beyond these are the particular problems of the many firms who have had to send their products to overseas markets for the first time. Here so numerous are the difficulties presented that, in order to give the maximum help, we have inaugurated an exports information service which is designed to give practical guidance to all who need such assistance. In addition to supplying information on all matters of finance, this service aims at providing technical advice on the potentialities of overseas markets, on the specialised requirements of various countries and on the manifold intricacies involved in the shipment and distribution of goods abroad. During the year our representatives have renewed old connections by visiting a number of European countries as well as making an extensive tour of Canada and the United States from the Atlantic to the Pacific. The interchange of views and the discussions regarding potential markets for British goods have been of very great value.

The steady growth of our trustee business continues and the department's services have during the past year been in constant and increasing demand.

The nationalisation of the railways, which has been effective since January 1st, has further reduced the choice of investments authorised by the Trustee Act, 1925, while the pending liquidation of the Argentine

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Railways and other nationalisation schemes in this country are increasing the flow of trustee funds seeking reinvestment. These factors alone make more pressing the case for an extension of the lists of authorised trustee investments.

OTHER ACTIVITIES

In a time of economic stress like the present we might well reflect on the stability of the banking position in this country and feel reassured by its great strength. But if in good times, because of the pressure of business, the banks are called upon to widen the scope of their services, even more is required of them in times of difficulty. Not only do they accept the duties demanded by emergency legislation, but voluntarily undertake additional responsibilities as their contribution to the national effort. So throughout the war and postwar years full support has been given to the Savings Movement. This year, however, the drive for savings has of necessity been intensified and all the banks are supporting the new campaign "Save the Bank Way." It is too early to say how successful this appeal will be, but, because saving is vital to the country's well-being, we gladly play our part.

Quite a different service, and one which is proving increasingly popular, is that provided by the District Bank Review. This not only makes a contribution to economic and financial discussion, but also brings to light the practical problems of industry, a side of national life with which this bank has been particularly closely associated for well over a century. Opinions expressed in the Review are not necessarily orthodox, and may even be controversial, since they are intended to stimulate constructive thought.

ECONOMIC DISORDERS AND REMEDIES

The predictions made last year by my predecessor have unhappily been more than justified by events, and it is perhaps permissible to set down some of the salient features of the situation in which the country now finds itself. Such analysis cannot be other than controversial. Although nobody can deny the gravity of our economic position, we are perhaps too near current events to assess them dispassionately. I do not think, however, that the present state of affairs can be viewed in proper perspective except as a logical consequence of developments operating over a long period. Man-made, having applied science to industry and thereby created the industrial revolution, was insufficiently conscious of its social consequences.

Yet, although we can clearly see the sequence of past events, do we realise the economic consequences of our recent actions? When it was imperative that the country should increase its output in order to redress its international trading position and also its domestic shortages, and when, because of this, there was full employment and full order books, we introduced the shorter working week. What could have been better calculated to produce an atmosphere of false prosperity, and what could have made it more difficult for others than the well informed to realise the critical situation confronting the nation? Indeed, one cannot but consider whether it was wise, when the country was exhausted by a terrible and prolonged war, to embark upon far-reaching schemes of a difficult and complex character when even their protagonists could only claim that the benefits were of a long-term nature. All are agreed that social security and full employment are desirable objectives, but can these be achieved except under an authoritarian system of direction? An optimistic view is perhaps permissible, but the difficulties and dangers cannot be ignored.

Leaving aside these aspects, there has recently been sent out a realistic directive to industry. This shows that it has been recognised, if all too tardily, how parlous the posi-

tion is. The Marshall Plan may give us some help, but even if we get this assistance it is the duty of everybody to give full support to all remedial measures, however vigorously applied and however unpleasant they be.

Unless a reasonable degree of confidence is engendered, capital will not seek employment at home, nor shall we be able to enlist aid from abroad. Admittedly it is not easy for us, so long accustomed to the role of creditor, to assume that of debtor. On the other hand, our long experience as an international lender should certainly make us appreciative of the need for creditworthiness. Many hard words have been uttered in the United States as to how we conduct our affairs. Can we maintain that these criticisms are without justification?

Whether they are or not, there remains the necessity for a keen analysis of economic problems and for more co-ordinated action in dealing with them. Indeed, our greatest danger is that we tackle separate and contradictory difficulties in the belief or hope that their disposal will rectify a whole range of fundamental disorders. To expand the volume of exports at the expense of domestic consumption is, however unpalatable, an essential policy. But in arresting the deterioration in our balance of payments position it is so easy to concentrate on an overall cut in imports and by so doing starve industry of vital materials. Similarly, record figures for exports can in the long run be a loss rather than a gain if in their attainment we pay inadequate regard to the type of export, and part with goods having little sterling content of labour or those which are needed for the production of other important exports.

FINANCIAL MEASURES

To take the matter further, corrective action is inconclusive which seeks to redress our balance of payments by cutting imports and by switching home trade production to exports regardless of the over-riding consideration of domestic inflation. Whether an increase in money is due to Budget deficits or increased wages, the effect, in the absence of goods, intensifies the demand for imports and retards exports, thus widening rather than narrowing the gap. So, lacking a comprehensive policy which recognises the interdependence of economics and finance, we couple more physical controls with exhortations, while we avoid both cuts in Government expenditure and harder work with longer hours—the real way of overcoming our payments difficulties.

It is undoubtedly a great misfortune that surplus money should continue to chase too few commodities and its reduction is an imperative necessity. Certainly the remedy is not to increase the volume of consumer goods in the home market if their presence results in inadequate food supplies, but to reduce premature and unessential capital expenditure and to stimulate savings. Capital expenditure should be primarily regarded as legitimate only if it spurs on exports or curtails imports. As regards savings, or even increased taxation, these can only assist in curbing inflation if the Government employs such receipts as far as possible in the retirement of National Debt.

In a well-balanced financial policy we have then the best medium for adjusting public and private expenditure to the volume of our productivity. But a proper use of the public purse should in addition permit a reduction in taxation, since this at its present level hampers enterprise. It should also permit a simplification of controls so expensive in manpower both to the Government and to all branches of industry.

THE EXPORT DRIVE

At present the outstanding difficulties of exporters are to obtain raw materials and components and to comply with innumerable

regulations and directional controls which make efficient production extremely difficult. Summed up, this points to the necessity for appropriate financial action to relieve the pressure on physical controls. But even assuming that more goods are made available for export, we cannot but regard the prospects of our overseas trade with apprehension. Our production costs are heavily swollen by increased charges for transport, fuel and wages. But we should not allow ourselves to become accustomed to a steady upward movement which has no relation to straitened economic circumstances. It is a commonplace to say that only a concurrent increase in the volume of production can justify an ever-ascending level of cost. Yet how unwise it is to ignore this in the knowledge that the sellers' market will not continue indefinitely. It would be a mistake to assume that other countries are open to receive British products whether they be good, bad or indifferent. On the contrary, markets will become more and more selective. Indeed, are there not already signs that, for non-essential goods, they are beginning to disappear? It is therefore necessary not only to ship the right sort of goods, but to do so at competitive prices, and this demands close attention to scientific technology, design and quality.

TEXTILES

Despite all the difficulties which attach to foreign trade the world demand for textiles is still substantial and will, we hope, continue; but remembering, as we do, the devastating consequences of Japanese competition in the prewar years, we must devoutly hope that some control will be imposed in the Peace Treaty upon the volume and price of Japanese production. Subject to this there is a real future for the industry, if it can grasp the opportunity which lies before it.

The disappearance of the Liverpool cotton market is a heavy war casualty. A complex and highly skilful organism built up by long experience, it made a valuable contribution to the country's external trade position: it also brought cotton to Liverpool in greater variety than was to be found in any other market. This varied stock is not now available to the same degree and the range of selection is much diminished. The Cotton Purchasing Commission, however, has hardly been in existence long enough to get into its stride and we must hope that it will be able to build up an organisation which will secure for the industry the cotton which it requires.

Many circumstances over which the cotton trade has had no control have militated against doing all that it would have wished in the way of re-equipment and reorganisation and, in so far as these have delayed progress, the industry has no need for self-reproach. None the less it is of the utmost importance that the trade should press on with schemes for readjustment and for the introduction of those modifications of existing machinery which can be made without insuperable difficulty or exorbitant cost at the present time.

AGRICULTURE

In the support which agriculture affords sterling and the contribution it makes towards an improved standard of living, as well as towards a better distribution of population in this country, it plays a role no less important than that of the export industries. In addition, our changed circumstances render it essential that agriculture should be permanently strengthened. With these points in mind it is satisfactory to know that agriculture will now have its fair share of support with due priorities as regards machinery and raw materials. We may, therefore, legitimately hope that the Government's Four-Year Plan will not only help to expand and modernise the industry, but also increase its productivity.

CROMPTON PARKINSON LIMITED

SATISFACTORY RESULTS

STEADY GROWTH OF EARNINGS

The 34th annual general meeting of this company was held on the 16th January, 1948, in London.

The chairman, Mr. Albert Parkinson, M.B.E., in the course of his speech, said:—

The year that has passed since last we met has been remarkable mainly for the growing national realisation of the difficult economic state of the country. The fuel crisis in the early part of the year underlined and accentuated the unbalanced industrial economy and created new and difficult problems of management, the effects of which are still with us and the total result of which can never be measured.

In a year of efforts increased by national difficulties, the continued shortages of materials and manpower and including the completion of our reconversion plans, I feel you would wish to join with your Board in expressing a full appreciation of the skill, energy and initiative with which the executives, staff and all workers throughout our organisation have met and solved their many problems with such commendable results.

THE YEAR'S ACCOUNTS

Your directors take pride in being able to present accounts showing results of the year's operations of your Company that continue still further the steady growth of earnings evident in recent years.

At this point I would mention the complications of company taxation during the year covered by your company's operations. The cessation of Excess Profits Tax, the introduction of an additional Profits Tax on distributed profits and the subsequent doubling, retrospectively, in the autumn Budget of the Profits Tax have created complexities of computation which are particularly involved in a company having worldwide ramifications and many subsidiary companies, whose financial periods do not coincide with that of the parent company. In completing the year's accounts we have followed our established practice of making full provision for all taxation liabilities on the profits earned.

The balance sheet shows clearly the changes that have taken place in the year, and it will be noted that further expenditure has been made on Fixed Assets. This represents a continuance of the policy of expansion and modernisation to which I referred last year. In the furtherance of this policy additional expenditure on Fixed Assets is likely to continue for several years.

AUSTIN-CROMPTON PARKINSON ELECTRIC VEHICLES, LIMITED

The partnership with the Austin Motor Company, Limited, to which I referred last year has been effected by the sale to that company of half the issued capital of what was one of our subsidiary companies and is now called "Austin-Crompton Parkinson Electric Vehicles, Limited." It now becomes an associated company, and this change is partly the cause of the reduction in the figure of shares in subsidiary companies and the increase in the figure of shares in associated companies. The excess of the price received over the value at which the shares stood in the balance sheet at September 30, 1946, has been used to write down the value of shares held by the company in other subsidiary companies.

CROMPTON ENGINEERING COMPANY (MADRAS), LIMITED

During the year your Company has acquired a half interest in Crompton Engineering Company (Madras), Limited, which has been our agent for many years in Southern India for the distribution of the products of our home and Indian factories

and which also carries on an extensive business as agents for other engineering products and as contractors for large power schemes in that territory. The partnership thus formed cements the friendly relationship which has always existed with our agents and affords us an opportunity to expand our interests in Southern India. The Madras Company thus becomes an associated company.

The increase in net liquid assets is largely due to the settlement, during the year, of outstanding claims in respect of work done by subsidiary companies for Government departments, which also accounts for the considerable reduction of the item of Subsidiary and Associated Companies and Trade Investments.

CONSOLIDATED ACCOUNTS

There are many difficulties inherent in the preparation of Consolidated Accounts for a group comprising a number of subsidiary and sub-subsidiary companies in many parts of the world, but nevertheless your Board has arranged to include with the published accounts this year and in the future, a consolidated statement of assets and liabilities and a consolidated profit and loss account which we believe will assist you in an understanding and an appreciation of the sound position of your Company. These consolidated accounts have been presented in the same form we have adopted for the parent company's accounts since 1935 in order to assist the comparisons you will, no doubt, wish to make. Such comparisons will reveal that, apart from the division into their component parts of the assets and liabilities of the subsidiary and sub-subsidiary companies, the consolidated accounts show a position which is very little different from that shown in the balance sheet and profit and loss account of the parent company.

The amount of £281,366 for goodwill arises incidentally from the purchase of shares in subsidiary companies at prices which exceeded in the aggregate the book value of their net assets at the respective dates of acquisition of such shares. The amount of this item in the consolidated accounts will change from time to time as your Company's investment in subsidiary companies increases or decreases. The decrease shown to have taken place in the year ended September 30, 1947, is mainly caused by the sale of shares in the electric vehicle and truck business to which I have already referred in these remarks.

In regard to the consolidated profit and loss account, I have no comments to make. The small excess which the group earnings show over the earnings of the parent company is, in the opinion of your Board, insufficient to warrant a change from the conservative policy out of which such excess arises.

OVERSEAS

Throughout the whole of its long history your Company has been imbued with the importance of overseas business and has been in the forefront of the development not only of the export of the products of the home factories, but also of the use of local resources for the generation and distribution of electricity and for the manufacture of electrical products similar to those made at home.

In the field of exports the national economic difficulties have emphasised the wisdom of our policy and we are now engaged on the task of expanding our overseas sales from the home factories. The nature of many of our products is such that a considerable proportion must remain in this country to meet the needs of our basic industries and to provide capital equipment for our exporting industries. Also, as I pointed out last year,

much of our output sold to home customers is later sent abroad as part of a larger unit (e.g., machine tool, refrigerator, pump, etc.) and thus contributes to the solution of the problem of our adverse balance of trade with other nations.

To make our maximum contribution to national recovery we are, firstly, working to obtain an increased output by every means in our power and secondly reorganising and strengthening our overseas sales forces so that the full effort of our senior executives is bent to this all-important task. Every potential market of the world has been brought under careful review to ensure, as far as possible, an adequate outlet for such of our available output as can be exported, whilst still meeting the priority needs of the home market. From time to time we are reminded that other countries of the world also have their economic and political problems. Such reminders take the form of high tariffs, import restrictions (and even embargoes) currency regulations and the like. The removal of such barriers to our export trade is a matter that can only be dealt with on a national level.

Throughout the year our overseas factories have continued to justify the initiative with which they were conceived and the energy with which they have been, and continue to be developed and run. I cannot praise too highly the devotion to their task which is displayed by the men who are charged with the difficult tasks of management in our factories in India, Australia and New Zealand.

TRAINING BURSARIES

For nearly seventy years the works, the offices and the research establishments of the company have been the training ground for three generations of engineers. The pioneering skill and enterprise which are the very foundations of your Company were provided in the beginning by Colonel R. E. Crompton and subsequently by our late chairman, Mr. Frank Parkinson.

What could be a more fitting memorial to these two illustrious names than that they should be allied to a means whereby the torch they lit and held so high may be passed on and on.

Your Board has inaugurated two new bursary schemes for this purpose.

The Colonel Crompton Bursaries will be awarded to enable suitable present employees of the company in Great Britain to gain knowledge or experience in universities, colleges, industry or elsewhere in any part of the world, and thus to fit themselves for wider responsibilities by the development of their powers.

Frank Parkinson Empire Bursaries will enable selected candidates from the Dominions and Empire to come to Britain and receive technical and practical training. Our late chairman held a strong belief in the value of the link between the Mother Country and the Empire and we believe each bursary-holder will add strength to that link.

The two new bursary schemes come into operation at once and your directors will watch with interest and with confidence the progress of those who are selected for training in the names of their past leaders.

DIVIDEND POLICY

Once again you are asked to approve the distribution by way of dividend and special cash bonus of 15 per cent. on the ordinary and "A" ordinary stocks, making, with the interim dividend already declared and paid, a total distribution of 22½ per cent. You are also asked to sanction the usual dividends on the preference stocks. Your directors have made these recommendations with the conviction that a maintenance of the policy of past years of retaining a considerable portion of the profits, is in the best interests of the company, enabling your Board to finance, out of the company's resources, the normal development of the business.

For reasons which have already been circulated to each stockholder of the com-

pany, it is necessary to defer the payment of these dividends and special cash bonus until seven days after the holding of the adjourned Annual General Meeting.

The Central Benevolent Fund continues to do excellent work and well merits the addition of a further sum of £5,000 which your directors have again allocated to it.

GENERAL OUTLOOK

Amid the vast uncertainties of this post-war world with political and economic winds of varying strength and temperature blowing across the four corners of the earth, prophecy is more than usually futile. I can say, however, with full confidence that your Company is well founded. It has diversity of products and a full order book; it has up-to-date works in many parts of the world; it has a reputation for the quality of its goods and the integrity of its dealings, and above all it has a team of workers in all branches of the organisation ready and able to cope with the many problems that arise in the changing times in which we live.

ALEXANDERS DISCOUNT COMPANY, LIMITED

MONEY MARKET CONDITIONS

The eightieth ordinary general meeting of this Company will be held at 24, Lombard Street, London, E.C., on the 28th instant.

The following is an extract from the statement of the chairman, The Rt. Hon. Lord Colgrain, circulated with the report and accounts for the year ended December 31, 1947:—

In reporting to the shareholders some account of the work of the company in 1947, as against 1946, the main feature lies in the great difference in conditions in the money market during 1947, compared with those of the two preceding years. During those two years we witnessed the gradual unfolding of the policy of the Chancellor of the Exchequer to establish 2½ per cent. as the effective rate of interest for Government securities in this country.

Early in 1947, however, doubts began to be expressed as to whether the public would be content to receive so moderate a return on their capital as 2½ per cent. for any prolonged period, and this doubt resulted in a gradual fall of prices which gathered momentum this year and resulted in 3 per cent. rather than 2½ per cent. being considered the effective rate for long-dated Government securities. This naturally had an effect on the values of the Government stocks, and the resulting depreciation on the securities held by us at the date of the balance sheet has been provided out of contingency account. This depreciation is not a cash loss as we continue to hold the securities. The large transfers to the inner reserves which we made during recent years have more than sufficed to provide for this depreciation, while the present margin of profit has been increased proportionately.

The turnover in Treasury bills was again very large, and in as much as little risk is involved in dealing with them, the profit is correspondingly small. Rates week by week varied by only a few pence while the rate for money continued unchanged at ½ per cent. throughout the year. There has been an increasing volume of commercial paper of which we have taken our full share.

The balance carried down to the balance sheet is £327,336 as against £376,985 a year ago and £219,949 two years ago. The dividends paid to the shareholders are at the same rates as in previous years. It would be foolish to attempt any forecast as to the money market during the year that has now begun, but we can say with all assurance that the company is well equipped to meet such changes as may arise from time to time.

CHARTERHOUSE INVESTMENT TRUST, LIMITED

POSITION NEVER STRONGER

The twenty-third annual general meeting of The Charterhouse Investment Trust, Limited, will be held at Winchester House, Old Broad Street, London, E.C., on the 28th instant.

The following is an extract from the review of the deputy chairman, Mr. C. M. Rait, M.C., T.D., circulated with the report and accounts for the year to November 11, 1947:

Without drawing on the Charterhouse Finance Corporation for any larger dividend than in the previous year, we are able to report a net profit of £120,061, against £115,965 last time. Most of our income is what the Finance Act describes as "franked investment income" and is therefore free from profits tax in our hands, but it is derived from companies themselves liable to the higher profits tax now in force and may therefore diminish in our current financial year; moreover, the activity of the Finance Corporation for the first eight months of its last year until the middle of July may not be repeated this year and, as our stockholders already know, profits from this source are liable to fluctuate considerably. Accordingly we do not think this is the occasion to increase our dividend beyond the 8 per cent. paid last year. A dividend of 8 per cent. represents a return of less than 5 per cent. on the equity capital actually employed in the company.

Our target is that the income from general investments together with the dividend from the Industrial Development Company shall provide the Trust's preference dividend and an adequate dividend on its ordinary stock. Last year's results achieve this objective to the extent of the preference dividend and 5½ per cent. on the ordinary stock, but if taxation remains at its present level it will obviously be some years before we can achieve our aim in full.

PUBLIC ISSUES SPONSORED

During its financial year the Finance Corporation sponsored 17 public issues, involving an aggregate of about £11,400,000. The proportion of issues representing new money for industrial expansion and development is increasing, although we must expect that liquidation of private investments in medium and large-sized industrial undertakings will for some years continue to constitute a substantial proportion of new issue business.

It is now ten years since management in industry has had to meet the full force of competition. Production for rearmament, which began actively in 1936, was followed first by war production itself, and then by the strong postwar sellers' market. This has really meant that during all this time the profit-earning capacity of industrial management, judged by the standards of, say, 1923-35, has not been under test.

MANAGEMENT INTEGRITY

When an issuing house is considering whether or not to sponsor an issue, the matter upon which it must chiefly concentrate is the integrity and skill of the management, and the period of ten years during which profits were able to be earned comparatively easily may be an unreliable guide to future profit-earning capacity and therefore to the efficiency of the business. If indeed the profits of those years were earned by a management which is not continuing, their use may be positively misleading. The public's assessment of the worth of an issue is often based on the short rather than the long view and for that reason they are apt to be influenced by the trading results of the then current year. We believe that the investor is entitled to a considered view of trading results over a much longer term and if the management's

belief is that profits will or may move to a lower level that fact should be stated.

Any issuing house is dependent for its goodwill on selling stocks and shares which will continue to yield satisfactory returns and in comparable market conditions will at least maintain their capital value. It is, of course, the endeavour of every reputable issuing house to sponsor only such issues, but the times through which we are passing make it extremely difficult even for them with all their facilities for investigation to be satisfied on this point. The ordinary investor who has not the same facilities for investigation is really left with little alternative but to select those issuing houses whom he can trust and to follow their judgment. In this context it is the genuine investor as distinct from the speculator to whom reference is intended.

THE DEVELOPMENT COMPANY

Charterhouse Industrial Development Company, Limited, was formed in 1934 as an experiment in which your directors believed and today that belief has been fully justified by the results. The company has a large volume of business constantly under investigation and as the result of many years' experience and thanks to the skill and loyalty of its managers and staff, it has built up the sound position disclosed by its balance-sheet and numbers among its holdings several which are worth considerably more than the figure at which they stand in the books.

During the year the capital resources of the Industrial Development Company have been enlarged by an issue of 500,000 shares at 30s per share, subscribed in proportion by the existing shareholders.

WIDENING SCOPE OF BUSINESS

Your directors believe that there will be substantial development throughout the British Commonwealth during the next several decades, and for that reason the company in South Africa which we have jointly owned with Messrs. Robert Benson Lonsdale and Company, Limited, since 1936 has recently been enlarged. This company will continue to do business as an issuing house in the African continent and also undertake finance of the kind conducted by our industrial development company. Our chairman is at present on a visit to Australia and New Zealand with the intention of similarly developing our business in that part of the world. We have also formed associations designed to produce business for our group in India and Pakistan and other parts of the British Commonwealth. We have recently opened an office in Belfast to deal with business which we believe to be available in Ulster and possibly in Eire.

This review will, we hope, show you that we are cautiously pushing out the tentacles of Charterhouse wherever we think sound business is to be found; but we are also mindful of the fact that many difficulties lie ahead and that while it is quite easy to add to the overhead charges it is far less easy to reduce them. It is still very difficult to visualise future conditions. On the one hand we see a world with huge arrears of demand for all kinds of goods to be overtaken and in which a conscious effort is being made by more people than ever before to enjoy a higher standard of living. It should be the manufacturer's and the salesman's paradise. But, on the other hand, the problems of co-ordinating the supplies of raw materials, transport, capital equipment, finance and foreign exchange have so far remained largely unsolved.

FUTURE PROBLEMS

It is unthinkable that trade between nations cannot be made to flow more freely

once the prejudices and disequilibrium resulting from the war have been overcome, but until that happens the responsibility which lies upon those engaged in the management of productive enterprise was never greater or more complex. Some measure of Government participation in trade and industry has come to stay, and a corresponding measure of co-operation by industry with Government will probably prove best for both in the long run. Organised labour can, we believe, be brought to understand that the so-called capitalist is essential to its own well-being and that by team work everyone can benefit. The attempt to bring down prices by increased mechanisation and production per man-hour is not some wicked plot to enrich proprietors but a vital necessity if we are to retain even our present standard of life, to say nothing of increasing it.

Experiments in ideology are giving way to a more realistic approach to the great problem of balancing production with consumption and to those other fundamental matters already mentioned above.

NEED FOR RESERVES

Applying all these thoughts to our own group of companies we feel that, while the desire to grow and develop within the limits we have set ourselves must always be before us, we must at the same time buttress that growth with adequate capital and reserves. It is difficult to forecast what the current year has in store for us in the way of finance profits, but we have much sound business in hand and today enjoy a wider circle than ever before of friends who are a potential source of business.

Our group of companies was never in a stronger or more healthy state, and it is your directors' sincere hope that they will be able to make you a satisfactory report at this time next year.

NATIONAL DISCOUNT COMPANY, LIMITED

GREATER ACTIVITY

The annual general meeting of the National Discount Company, Limited, will be held at 33, Cornhill, London, E.C., on the 28th instant.

The following is an extract from the statement by the chairman, Sir Charles D. Seligman, circulated with the report and accounts:

1947 from the point of view of the discounting of bills has run along on a more or less even keel. Partly owing to the substantial reduction in T.D.R.s, the banks were larger buyers of bills during the year, as a result of which the increased amount of the weekly tender for Treasury bills has been dealt with without undue strain.

We note with pleasure the gradual return to favour of the commercial bill on London, the volume of which has shown a gratifying increase during the year.

The past year has shown a further increase in our activities and the balance-sheet total amounts to £133 million, an increase of £14 million. Deposits have increased by £12 million and now total £123 million. Bills and short-dated securities have increased by £13 million to £115 million. Although the greater portion of our bills are Treasury bills, commercial and bank bills rediscounted have risen from £5,886,000 to £9,611,000, reflecting the gradual return of the bill on London.

The gross profits at £328,931 are greater by £25,063. There remains a net profit of £261,768 and it will be proposed at the meeting to pay dividends of 5 per cent., less tax, on the "A" stock, making 10 per cent. for the year, and 5 per cent., less tax, on the "B" stock, making 10 per cent. for the year, on the increased amount of this stock.

GLAXO LABORATORIES, LIMITED

STEADY EXPANSION

The thirteenth ordinary general meeting of Glaxo Laboratories, Limited, was held, on the 22nd instant, in London, Sir Harry Jephcott, M.Sc., F.R.I.C., Ph.C., chairman and managing director, presiding.

The following is an extract from his circulated statement for the year to September 30, 1947:—

The accounts show the effect of the decisions taken at the extra-ordinary general meeting of stockholders held in January last. It will be recalled that the issued capital of Glaxo Laboratories, Limited, was made identical with that of Joseph Nathan and Company, Limited, by the acquisition of the assets of that company (other than the shareholding in Glaxo) in consideration of the issue of ordinary stock to the nominal value of £29,635. In consequence, there has arisen a share premium to the extent to which the book value of these assets exceeds the nominal value of the stock issued. This share premium account amounts to £274,978.

The company's general reserve has been substantially increased from £250,000 to £544,695. This arises in part by appropriation of £100,000 from the current year's profits, but more considerably from the capitalisation by subsidiary companies of a proportion of their accumulated profits. These accumulated profits were required for the financing of the subsidiary companies' increased business.

INCREASED EXPORT BUSINESS

The provision against unsold stocks has been increased by £50,000 and fully covers the profits arising in this company's accounts from unsold stocks in the hands of subsidiary companies. Its increase reflects an increasing volume of export business, to which further reference will later be made.

Provision for income tax has been made upon a "pay as you earn" basis to the full extent of the estimated liability.

Fixed assets have increased by some £263,000 and will be further augmented as additional production facilities, at present in hand, are completed.

Investments in subsidiary companies have increased as a result of the matters to which reference has been made above, and the further investment of £153,000 by the parent company.

Dividends from subsidiary companies are a satisfactory return upon our investment.

In these days of uncertain exchange it is felt that all the assets of subsidiary companies should be converted for consolidation purposes at the rates of exchange ruling at the end of the company's financial year. Accordingly, we have written off £26,517 from our shareholding in order to achieve this purpose.

PLANT AND BUILDINGS—TODAY'S CONSIDERATIONS

The company's operations during the year under review have been most satisfactory, but there are features to which I feel I must especially direct your attention.

In the long-term interests of the business your directors cannot be content with such provision as can properly be made by way of depreciation upon existing book values, especially of plant and machinery. To do so would not be good husbandry. Plant acquired in pre-war days, much of it long before the war, will sooner or later need replacement. There is little likelihood that replacement can be made at less than twice the original cost, or many times the present book value.

In addition, the plant and buildings, which

are now being provided to meet the needs of the company's steadily expanding business are costing far more than is judged to be their true economic worth. Further, it must not be overlooked that the company has now a very substantial and increasing investment in the new field of antibiotics. This is a new industry and we must anticipate that new techniques will be developed resulting in changes of process—it may be unexpected and dramatic changes—with consequent obsolescence of plant.

For all these reasons the directors are of opinion that there is a considerable contingent liability of this nature for which provision should be made, especially in favourable trading years. This year they have allocated £200,000 as a provision for obsolescence. It will be desirable to add to this provision in future years.

PROGRESS IN DEVELOPMENT PROJECTS

The severe damage at Greenford from enemy action has been a very great inconvenience, but at long last we are in sight of the reinstatement of our packing facilities.

A price for the acquisition of the Ministry's assets in the penicillin factory at Barnard Castle has now been agreed and the factory will become the freehold property of the company. Further buildings and plant to meet the needs of increasing output will be completed early in 1948.

Development of the site at Ulverston steadily proceeds. The present scheme will cost about £700,000 and provide a considerable increase in facilities for the production of antibiotics. It is hoped that the first fermentation unit will come into production about the end of March, 1948.

Overseas, schemes for development to add to local production facilities are in progress in India, New Zealand, and Italy. Similar steps in other countries will follow.

It is expected that the company's financial resources will be adequate for all these projects.

EXPORT TARGET EXCEEDED

Turnover continues to increase, both in the home and export markets, and export sales, at 475 per cent. of 1938, have already reached the official target for the end of 1948. We appreciate that those who, like ourselves, are widely established in export markets have a duty to exceed, if possible greatly, the "industry target." Our present measure of success encourages us to hopes of still higher figures in this current year.

It is almost impossible to over-estimate the importance of research, particularly in the chemical and biological fields; it is fundamental to our progress. Excellent work continues in the company's laboratories to the limit of the physical space available. We are prepared to expend much larger sums than at present upon research and process development, but with the Government restriction upon capital expenditure there appears to be no prospect of extending our facilities for work of this nature for some time to come.

The excellent results are largely the product of the good relations between management and staff.

As to future prospects, the volume of business to date has been equal to that of the corresponding period in the last financial year. Schemes for social betterment, especially nutrition and medical services, should provide ever increasing opportunity for expansion of the company's business, if we accept fully that obligations for service rest upon us.

The report was adopted.

GOVERNMENT RETURNS

For the week ended January 17, 1948, the ordinary revenue was £125,180,000 and ordinary expenditure of £61,968,000, leaving a surplus of £63,212,000. Thus, issues to sinking funds £210,000. The surplus of £63,212,000 against a deficit of £373,887,000 against a deficit of £3,457,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to Jan. 18, 1947	April 1 to Jan. 17, 1948	Week ended Jan. 18, 1947	Week ended Jan. 17, 1948
ORDINARY REVENUE					
Income Tax	108,600	669,647	672,148	69,962	73,937
Excise	80,000	35,542	42,555	5,810	7,000
Stamps	155,000	114,484	131,129	3,260	2,700
Grants, etc., Duties	57,000	27,654	41,780	500	1,100
Other	206,000	277,796	206,018	4,215	4,500
Total	1,000	233	215	45	40
Inland Revenue	158,500	1,156,628	1,120,815	74,397	90,277
Other	742,460	489,306	627,534	13,880	15,384
Total	668,540	438,700	437,800	5,700	6,900
Customs & Excise	141,100	928,006	1,085,334	19,580	22,284
Other	50,000	29,414	29,535	3,757	3,642
War Stores	95,000	102,534	137,418	530	3,777
Other Receipts	55,000	40,000	79,175	...	3,000
Office (Net Receipts)	11,000	6,380	7,450	...	...
Other	1,000	680	690	...	...
Receipts from	21,000	22,828	21,105	...	1,475
Other	270,000	33,214	198,685	486	725
Total	349,900	231,864	268,027	98,750	125,180
SELF-BALANCING					
Office	144,230	101,700	110,530	1,900	2,100
Income Tax on	49,000	138,750	18,357	1,329	171
Total	369,220	255,914	280,904	101,979	127,451

Expenditure	Estimate, 1947-48	April 1 to Jan. 18, 1947	April 1 to Jan. 17, 1948	Week ended Jan. 18, 1947	Week ended Jan. 17, 1948
ORDINARY EXPENDITURE					
Man. of Nat. Debt	525,000	370,153	379,611	5,778	5,923
Man. of Nat. Debt	23,000	13,379	16,269	...	...
Man. of Nat. Debt	...	50,000	...	...	...
Man. of Nat. Debt	8,000	7,002	6,847	232	239
Total	556,000	440,534	402,728	6,010	6,168
Other	263,514	239,952	189,525	53,200	55,800
Total	319,114	283,016	229,423	59,210	61,968

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Statistical Summary

CHANGES IN DEBT (£ thousand)			
NET RECEIPTS		NET REPAYMENTS	
Nat. Savings	3,050	Treasury Bills	51,971
2½% Def. Bonds	842	3% Def. Bonds	2,755
Other Debt:—		Tax Reserve Certs.	12,505
External	1,066	Treasury Deposits	58,500
Ways & Means Advances	56,505		

* Including £2,235,000 paid off on maturity.

FLOATING DEBT

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
Jan. 18	2150-0	2457-2	412-2	...	1681-0	6700-4
Oct. 4	2200-0	2534-8	563-9	19-8	1287-0	6385-4
" 11	2220-0	2561-7	343-2	20-3	1253-5	6398-6
" 18	2230-0	2584-7	362-8	2-0	1253-0	6432-5
" 25	2230-0	2581-5	332-6	...	1252-5	6376-6
Nov. 1	2240-0	2543-4	354-8	1-75	1252-5	6392-5
" 8	2250-0	2529-3	337-7	...	1252-5	6379-4
" 15	2250-0	2527-7	346-7	13-5	1292-5	6470-2
" 22	2250-0	2519-7	339-1	6-8	1317-5	6493-1
" 29	2250-0	2561-0	338-6	...	1327-5	6487-1
Dec. 6	2250-0	2582-2	340-3	...	1372-5	6545-0
" 13	2250-0	2569-5	325-1	...	1367-5	6512-1
" 20	2250-0	2605-4	306-6	6-3	1377-0	6545-2
" 31	2250-0	2550-7	305-6	...	1402-5	6508-8
1948						
Jan. 10	2220-0	2516-3	317-2	...	1374-0	6427-7
" 17	2240-0	2514-3	324-2	...	1335-5	6393-3

subsidies), a smaller reduction in taxes and therefore an increase in the surplus, and a check to the rise in wages—in such a rounded policy, measures to reduce other forms of unnecessary spending should certainly find a place. So far the argument is easy; the problem is, what measures?

The favourite weapon of the Left is a capital levy. It appeals to all their instincts; and it has, indeed, a respectable lineage of support outside the circles of the Left, narrowly so-called. But for achieving the purposes that are now needed, it is a very blunt instrument indeed. It is not fashionable to inquire whether a levy on capital, which has suffered from the war and its attendant circumstances, while wage incomes have gained, would be just. There might be some justification for a levy on all those holdings of capital that have increased since 1939—certainly on those that have increased by more than the rise in the general price level. But there is no way of identifying them now, since there is no record of capital holdings before the war. The only practicable form of capital levy would be one that penalised all capital, whether it has risen or fallen, whether or not it is being drawn upon to sustain an excessive flow of spending. Any such project, apart from its questionable justice, would give rise to endless anomalies. If there were no exemption limit, administration would be difficult; and if there were a limit, the levy would lose still more of its justification and of its efficacy. How would it be proposed to treat the hundreds of thousands of persons whose entire capital is locked up in the houses they live in? Would they be compelled to seek additional mortgages, at a time when mortgages were also compelled to seek ready cash? And what about people whose whole capital is actively employed in their business? These difficulties are not perhaps insuperable, and the effort to overcome them would be worth while if the capital levy were likely to be supremely effective. But is it? It has long been recognised that in these days of heavy progressive taxation, a capital levy, the proceeds of which were used to redeem debt, would bring only negligible benefits on balance to the Budget owing to the loss of income tax revenue that it would involve. But if the net benefit to the state's income is small, surely it follows that the net loss to private incomes would also be small? And as for the capital levy's effect on spending out of capital, is it not as likely to be bad as good? Is not the average capitalist likely to conclude that he had better make haste to spend his capital before the levy is re-

peated? And whether or not this is so, it is virtually certain that a capital levy would discourage savings.

Another possible device would be a blocking operation, such as that by which M. Gutt won fame in Belgium. This is theoretically much more attractive than a capital levy. It applies only to those forms of capital that are likely to give rise to excessive spending—that is, to the more liquid forms. Moreover, it is not a permanent confiscation so much as a temporary forced loan, and the unblocking might at a later stage serve as useful a purpose of economic policy as the blocking would now. But a blocking operation is nevertheless a very difficult matter to carry through, and likely to be particularly difficult in Great Britain, where banking and credit trading are both much more developed than in Continental countries. It would give rise to many of the anomalies of a capital levy, and to a host of hard cases which could neither be ignored nor be dealt with except at the cost of a formidable administrative apparatus. It would not be impossible to carry out, and it would be likely to be fairly effective for its purpose. But it should certainly not be lightly embarked upon.

Must it therefore be concluded that there is no comparatively simple and certainly effective method by which capital can play its part in a disinflationary policy? That would be a most unfortunate conclusion. There is unfortunately little enough likelihood of a Labour Government taking the need for disinflation seriously, and the prospect would disappear completely if capital had to be left out of the programme. It happens that there is a method, which is likely to be effective, which requires no administrative apparatus, which will encourage thrift and discourage capital expenditure, which will lower the market value of all forms of capital and therefore discourage realisations of capital to finance current expenditure, which will equally discourage all forms of extension of credit for trading purposes. This is, of course, the old-fashioned remedy of a sharp temporary rise in interest rates. But unfortunately, as everybody knows, higher rates of interest are a reactionary device of baleful Bourbons. By a strange twist of logic, the classical device for whipping capital into line has come to be regarded as a concession to the very capitalists who would be constrained by it. But if the Chancellor of the Exchequer wishes to make sure that capital plays its part in a disinflationary policy, this is obviously the way to do it.

Refugees without Refuge

NIGHT by night new refugees are still crossing frontiers and throwing themselves on other people's charity. Those in Europe, most of whom pass their last sentry somewhere in Austria, present themselves at the care and maintenance centres run by the Preparatory Commission for the International Refugee Organisation—PCIRO. The governments which compose this organisation are due to hold another "preparatory" meeting on January 20th. At it they will learn some disagreeable facts. One is that their organisation cannot come of age until March at the earliest. Of the fifteen ratified signatures required, only twelve have been deposited. (The twelfth ratification—that of France—was received only this week.) Another concerns finance. The contributions due from the twenty states which have signed the instrument constituting IRO should total \$122,347,049 for the financial year July, 1947, to June, 1948. Of this sum the Organisation had on November 30th last received only \$38,239,838. A third is that this lack of funds, combined with the influx of new refugees, has forced the PCIRO administration to restrict admissions to its camps in a way that was not foreseen in its constitution.

Next week's commission must therefore reach a conclusion on a point which it passed over when it met in October. Is the

money that is available to be used for a job of quality on a limited number of refugees, or on a job of quantity and duration unspecified? Is it a fund contributed to solve a wartime problem, or is it the start of a foundation for helping the refugees of all time? To judge by the IRO's constitution it is simply the former. The preamble to that document specifically mentions a "non-permanent organisation." Ought the constitution to be amended, and, if not, where and when is the organisation to draw the line?

That a line must be drawn, and drawn soon, is the lesson of all the experience accumulated since PCIRO took over from Unrra last July. For one thing, the western taxpayer, who is the chief contributor to the funds available, is clearly paying for what he believes to be the clearing-up of a wartime tragedy. He will be dismayed to learn that almost as fast as his money empties the refugee camps through one door, they fill up through another. By the end of October—that is, at the end of four months' work under PCIRO—the organisation had settled or repatriated 76,000 refugees out of a total of some 700,000 originally placed in its care. But in the same period the number of persons receiving its care and maintenance decreased by only 32,353. And even this decrease does not reflect the scale on

which new applicants are seeking admission, for the administration, obliged through lack of funds to place its own interpretation on the IRO constitution, turned many refugees away. What else was it to do? The IRO constitution is lamentably loose. It defines "refugees" in terms that would fit anyone from a genuine seeker of sanctuary to a disgruntled crank. It covers all who are "unable or unwilling" to return to their country of nationality or former nationality. The administration was forced to stem the rising tide before the camps were swamped. It therefore halted new admissions, except in cases considered to be of real hardship. Had it not taken this arbitrary but unavoidable decision, the results achieved through repatriation and resettlement would have been cancelled out.

There is more than one possible remedy to this state of affairs. The ideal is, of course, a stoppage of the flow by the creation of better world conditions. But these are beyond the Organisation's powers to produce. And there are no signs that they are coming about by other means. Indeed not only in Europe but in Asia the number of refugees is increasing; the latter contingent now includes not only Europeans awaiting repatriation and Chinese outside China but also the new homeless of India and Pakistan, while in Europe a flow, chiefly of *Volksdeutsche* and Jews from east to west, continues steadily. Another remedy would be the provision of additional funds. But is it desirable to offer unlimited protection? It is extremely difficult to distinguish those whose movement from their homelands was spontaneous and individual from those whose refugee status was in whole or in part an organised movement. It is also difficult to tell those whose departure was justified from those who left in pique. To say this is not to suggest that all postwar refugees are less genuine cases than those who began their trek in the war years. But it is now clear that unless the problem is reduced to the dimensions of one created by the last war, there is no special reason why the present contributors should be the only states to pay for it.

The one manageable way out of the present impasse is for the governments attending the forthcoming meeting to steel their hearts and to make an arrangement whereby IRO can, at a moment of its members' choice, turn off the tap. It must fix, at a minimum of public notice, a date line after which no new refugees can be admitted under present arrangements. To do this is at least to define the problem. But it can only be solved if governments are ready to make a much brisker contribution than hitherto to the problem of resettling refugees.

The immigrant-receiving nations must make a fresh effort, and each accept a share of the 800,000 to one million persons who have refused to be repatriated and who cannot find permanent homes in their present countries of refuge, which are principally Germany, Austria and Italy.

Who are the immigrant-receiving nations? The total figures are misleading, since so many countries show an unfortunate though understandable readiness to take only the young, the able bodied and the skilled, and to leave their dependants behind. This is revealed as soon as the figures are even slightly broken down:—

REFUGEES DEPARTED FOR RESETTLEMENT UNDER PCIRO AUSPICES.			
Country of Destination		Country of Destination	
Belgium		Canada	
Individual	30	Individual	35
Minors	3,012	Lumbermen	766
Individual	58	Close Relatives	136
United Kingdom		Domestic Servants	152
Westward Ho Scheme	3,026	Unspecified	98
France	2,045	Venezuela	718
USA	1,707	Netherlands	439
Italy	158	Argentina	173
Palestine	130	Switzerland	114

There are often good, if temporary reasons, for this predilection. The United Kingdom and Holland, for instance, at present prefer the single worker to the family man on account of their housing crisis. France, always conscious of the problem of its birthrate, is ready to make every effort to take couples of

an age to breed children. For instance, the French offer a free home to the miner and his family, and a free gift of coal ranging from three to six tons per annum according to the size of that family. Australia, also, offers attractive endowments to child-bearers. Some areas in South America provide opportunities for a pioneering existence which suit only the young and able-bodied. It follows that if national selection missions continue to skim off the young, the physically fit and, in particular, the single men, there will remain, for long years, as a charge on the present member governments, a hard core of stateless people composed entirely of those who are not thought to be a good economic risk. The proportion of such risks is in fact small. The old and infirm for whom permanent international care would have to be arranged are relatively few. For, on the whole, the aged have not survived the hardships of recent years. The inmates enjoy some of the best health care in the world, thanks to the provision of one doctor to every 700 patients. The tuberculosis rate among them is only slightly above that shown for the Royal Navy in the last decade. An excess of births over deaths is being registered at a rate of 20,000 per annum. Physically, their state is good; only the psychological climate disturbs it.

There is only one way to avoid a permanent rump of vigorous but unwanted refugees and that is a share-out, by agreement between the receiving states, of all the elements in the total number of people to be resettled. Any such agreement must of course be subject to a standard process of sifting whereby the small percentage of thoroughly undesirable people can be eliminated. It is plain that unless governments will take the rough with the smooth—the dependants with the workers—they will be left with about half the present inmates of the camps on their joint hands as international guardians of these people. If they agree now to take a share of all the elements in the total number of people to be resettled, less than 100,000 refugees will remain—and that largely composed of people who would qualify for care under existing charitable foundations.

Here, then, is a two-fold programme for the forthcoming meeting—the fixing of a date line, plus the acceptance by states members and by others in need of immigrants of a rule whereby the picked men and women do not arrive alone. This suggestion is bound to meet with some opposition. It is likely to be encouraged by the principal payers for the present arrangement—the Americans, the British, the Canadians. (Of the \$38 million so far paid into PCIRO's coffers, 77.4 per cent was subscribed by the United States, 7.5 per cent by the United Kingdom and 12 per cent by other members.) It is likely to be opposed by some countries who have a strong feeling of humanitarianism but lack the will or the means to pay for unlimited refugees, by others whose tradition in the field of social work causes them to wish for a long period of re-education before they will accept immigrants, and by still others who see in the present dollar financing of resettlement a small but useful source of hard currency. No doubt the critics will contend that those at present paying can well afford to go on doing so, or that the organisation could perhaps be run more cheaply. In fact, it spends on administration at the rate of only \$16,500,000 per annum out of its budget of \$122 million—a sum which is small in view of the number of offices it is obliged to maintain all over the world. There is no doubt that if it were richer or knew more about its future it could do better. No staff can maintain its calibre in an atmosphere of uncertainty, and many good men have left. By setting a determined course for the future, the governments concerned could help everybody—from high administrator to old-timer refugee—to play a better role in the organisation while it continues. This last participant in the scene is mentioned with a purpose, for he is the man who, perhaps, merits the greatest consideration of all. Unless the stream of newcomers applying for the present funds is cut short, the older inhabitants are doomed to a life of hoping for a settlement that is permanently deferred.

would be invited to enter into treaties similar to the Treaty of Dunkirk between Britain and France was only part of the short-term policy; and the promise to relax the ban on travel had an odd prominence in a speech of this stature.

Mr Bevin said he thought western Europe was "ripe for consolidation." To appreciate the gap between the principle and its execution, it is salutary to recall what has been done in eastern Europe. In that region, where the Molotov Plan has got well ahead of the Marshall Plan, consolidation has advanced rapidly in two years, with the intervention of a dominant Great Power and under the direction of a single political party, ubiquitous and ruthless. Economic and social reforms have had behind them—with a few exceptions—the sanctions of the police state; military and economic arrangements between the seven states follow a uniform pattern. All preparations are being made for turning what was to have been a sphere of influence into a bloc which, should Russian policy require it, could become in a few years a self-sufficient political and economic federation. Already it can show an example of co-ordinated national production plans—between Poland and Czechoslovakia; already it has on the stocks a customs union—between Bulgaria and Yugoslavia; already it has great national industries in Hungary and Rumania, working to the requirements of the master Power.

Obviously, Mr Bevin has no closely formulated pattern in mind, much less a precise counterpart of the eastern bloc. This has to be said, not to disparage the new hopes and prospects that Mr Bevin has offered, but to emphasise the differences that must distinguish a western union from the eastern bloc, and to moderate some of the expectations that have been aroused in the United States. Senator Vandenberg has called the Foreign Secretary's speech "terrific"; it was indeed terrific, but precisely because of the prospect which it presented of long and intricate negotiations, painstaking study and unsensational discussion in committee. To achieve anything like western union in reasonable form and time will demand from the British and other governments creative energy and planning skill of the kind which defeated Germany. The effort will have to be made against a background of international tension, active Communist opposition and low standards of living.

For the immediate future, the task of the British Government is, clearly, to formulate and declare the priorities which this new stage of foreign policy will demand. They are not difficult to list: preparation for executing the European Recovery Plan when Congress has approved it; the closest political and economic collaboration with France, on a basis that will assist moderate government there; practical proposals for the association of western Germany with the European Recovery Programme; full consultation with the Dominions on the implications of this new direction in British policy; exhaustive study with them, and with the western governments, of the possibilities of eventual customs union, and of its effects on Commonwealth ideas of preference and economic collaboration.

With so much depending on Anglo-French co-operation, it was unfortunate that the French decision to create a free market for the franc had to be taken on the very morrow of Mr Bevin's speech and only three weeks after the French had been seriously irritated by the latest Anglo-American proposals for the administration of western Germany. The difference of view on the franc (which is discussed fully on page 191) will, it is hoped, prove only a temporary source of difficulty, and stability in the European exchanges should be attainable once Marshall aid begins to flow. But the incident underlines the need to place such practical matters as currency reform at the head of Mr Bevin's programme, and to press on with the work delegated to the committees of the Paris Conference, among them the committee on currency stabilisation.

The other issue which divides Paris and London—the future of Germany—is political and more fundamental. It is seldom

realised how far the French have moved from their earlier, short-sighted policy of security at all costs towards an acknowledgment of the part that western Germany must play in European recovery. Political conditions in France have compelled M. Bidault to move very slowly, under cover of Mr Molotov's bombardments, towards a less narrow view. But there has been no corresponding move by the British and Americans towards a policy for future control of the Ruhr. Without guarantees in this matter, no democratic French Government can possibly co-operate in the political and industrial development of western Germany, and survive. Talks on Germany are to be held in a few weeks' time; but unless the preparations for them provide adequately for French views and fears, Mr Bevin must not expect that M. Bidault will take up the cry of western union with any conviction.

Next on the list of priorities comes the study of customs union possibilities and consultation with the Dominions. The two tasks are inseparable, because ways have to be found of reconciling a free trade area in western Europe with Britain's system of imperial preferences. Mr Bevin has, rightly, refused—and this should be noted in the United States—to accept the "either-or" of western union or Commonwealth association. He believes that the systems could be made to interlock; but how to do so is far from clear. This is not the only question raised by the proposal for customs union—as the Benelux governments have discovered in five years of negotiation. Some way has to be found of reconciling the nineteenth-century technique of customs union with such innovations as government planning of full employment, bulk buying, and intervention to defend standards of living—policies which are far from uniform in the countries likely to be interested in western union. If these problems are not tackled, as they have been by France and Italy, the whole project of a customs union is likely to be still-born.

It is still difficult to foresee exactly what openings for close co-operation and integration the execution of the Marshall programme may offer. But there is everything to be said for setting up now in western Europe an executive agency, capable of seizing and developing opportunities as they occur. Since the postponement of any further meeting of the Sixteen, there has been a tendency to push aside the question whether they should eventually discuss the establishment of a joint secretarial or administrative body. Yet it is impossible to see how the bases of western union could be laid when aid begins to flow, unless there were some multinational agency in action, providing the atmosphere and studying the problems which alone can train officials and experts in habits of co-operation. Such an agency would provide the test of Mr Bevin's doctrine, and leadership; it would reveal whether governments are ready for sacrifices of sovereignty and for adjustments of conflicting economic interest.

Mr Bevin has a great gift for expressing—in homespun and sometimes stumbling phrases—the mood and hope of ordinary men and women in Europe. After six years of war and two years of "phony peace," their desire for stability and friendliness is very strong—strong enough, indeed, to resist the bitterness and guile of the Communist "cold war" if an objective can be offered them worth working for. For this reason, and because the announcement that the basis of British postwar policy had collapsed could not be made in cold blood—Mr Bevin was right to speak in warm and visionary terms. But it is still too soon for any hosannas. The policy he has offered calls for mind as well as heart, for hard work and will-power as well as good-will and eloquence. The practical problems involved in achieving union stretch far into the years ahead. But there are jobs to be done now in which the foundations of union can be laid. Mr Bevin should lose no time in stating what they are, and how Britain will contribute towards them. Until he does so, only a faint echo of his call for unity will be heard from western Europe—and the Bevin offer will not become the Bevin Plan.

Industrial Democracy

INDUSTRIAL democracy is a subject which will figure in the Party's election programme." These words introduce the first of a series of pamphlets intended for discussion within the Labour Party. They suggest that "industrial democracy" should be taken seriously as one of the issues which the electorate may have to judge by 1950. Rather coyly, the Party does not accept responsibility for the views expressed in the pamphlet, and it is difficult, therefore, to judge how far its arguments, which are expressed with clarity and persuasiveness, will obtain official party support. But there is no doubt that a new ferment of ideas on workers' participation in industry is abroad. Something of the old notion of "democracy in the workshop" still survives. And the consciousness of political power—and perhaps full employment too—make the average worker's submission to the necessary discipline of the factory more oppressive.

Or so, apparently, it appears to the writer of the pamphlet, for he starts from the premiss that the workers are told when to start work and when to stop; what to make and how much; when to rest, when to eat, and when to smoke. The orders are seldom framed in consultation with labour. Industrial power becomes ever more concentrated, and work ever more dehumanised. To the Unions, therefore, "participation in the making of industrial policy is a vital means of maintaining and improving wages, hours, and conditions of work." These ideas have historical roots in the labour movement which it would be stupid to ignore. And they have been much watered down, compared with the early pretensions of the syndicalists and guild socialists. The emphasis has shifted from "workers' control" to "workers' participation in control"—from being the boss to talking on equal terms with the boss about what the boss does.

Those with long memories in the labour movement have always criticised the ending of the Joint Industrial Councils which were set up during the first World War. They have recently been asking whether the elaborate arrangements for joint consultation which worked so well during the late war are themselves in peril. The instruments for "workers' participation in control" already exist. National Councils and Regional Boards, Trade Union participation in the control of nationalised industries and on Development Councils when they are set up—all these (and the trade union representation on the many Working Parties which the President of the Board of Trade has set up) cover a wide segment of British economic life in which labour views and power can be expressed. True, these high-sounding bodies rarely provide an arena for finely tempered debate; they more commonly follow the pattern of committee government—worthy, inclined to compromise, and dull.

The advocates of industrial democracy, however, seem to be satisfied with the opportunities for discussion and consultation at these comparatively exalted levels. But they are much less satisfied with the opportunities for consultation "in the workshop." They claim that participation in control will not become a reality to the millions of workers in pits, yards, and factories until it becomes part of their own everyday lives. It is a large claim, and it should be stripped of all pretension. It assumes that every employee, in nationalised and privately owned industries, has a contribution to make, not merely in doing his own work well, but in the organisation of the whole complex of productive processes of which it forms part. But it is very doubtful whether this claim is generally justified. The great majority lack either the interest or the knowledge to project their thoughts beyond the immediate task. Most people, to be blunt, like being told what to do; they may grumble, but they are spared the need for thought. The proportion of workers which can maintain a lively interest in factory problems, and make an effective contribution towards their solution, is small.

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The argument that "joint consultation, at its fullest, means that in each factory workers should have the same rights to a voice in policy as their representatives have in the policy for the industry and the nation" is based on a doubtful analogy. For although the elected representatives in Parliament or Trade Union can be called to account, they are not submitted to day to day interference and pressure in carrying out their duties. The argument for a regular flow of explanation and information to those working at the benches is well understood by all sensible managements. Opportunities for discussion at joint production and shop committees are of value in promoting understanding, and smoothing the way for changes in production methods or conditions of work.

All this would be accepted as commonplace by all good employers. But the claim for joint consultation goes farther. "The workers at the bench" it is said, "should have full details presented in an understandable fashion, about output and production policy, about the financial state of the factory, the profits being made, and their distribution. The right of the worker to this knowledge is far greater than that of the shareholder; he has his whole working life bound up with his factory, whereas the shareholder, as such, does little but collect dividends." Arguments of this kind grossly overstate the importance of the shareholder, and his power of control. There is not a single board of management of any large industrial concern in Britain which

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walks in dread of its shareholders. Such concerns take on each year more of the attributes of public institutions, mindful primarily of the welfare of their staffs, the security of the undertaking, as distinct from the income of the shareholders who, in theory, own it, the satisfaction of their customers and—if there is anything left, the payment of a reasonable return on the shareholders' capital. Not all companies behave in this way, but the largest do, and their example is being increasingly followed.

Again, what does it mean, in practical terms, to inform workers about production policy and the financial state of the factory? There is admittedly plenty of scope for more information about what the factory does and what it earns. To take two examples, which happen to be large concerns belonging to the same industry, Dorman Long and United Steel Companies have lately tried, by pamphlet and poster, to explain to roughly 30,000 employees something of their activities, their output, costs and dividends. There is every reason why these examples—there are many others too—should be followed by all industrial concerns which value the support of a body of understanding employees. But information of this kind is a different thing from a works committee in regular session. Production is only one

part of the industrial process. A works committee can assist in arranging the details in a suitable way, but it can hardly think out the principles of industrial policy. For that, wider views, a broader knowledge of technique, and careful estimate of consumers' requirements are involved.

It would be regrettable if the leaven of good sense in the idea of workers' participation should be killed by excessive claims about the contribution which workers can be expected to make in the ordering of a modern industrial economy. Such claims are based on the assumption that ideas should be allowed to rise from the lowest ranks and put into practice. But unfortunately the flow of ideas from the bottom is bound to be small—it could not be otherwise, for innovators do not stay for long at the bottom. Every means of promoting confidence and understanding at every stage in the structure of industry must be exploited to the full. Only by such means can British industry make its maximum contribution to the nation's well-being. The task is to match the separate skills of production, management and sheer toil into a single effective process. And the condition for success is that each participant should know what the other is doing, and understand his reasons for doing it.

What Does Iraq Want?

THE new Anglo-Iraqi treaty of alliance has—after a brief but premature bout of publicity—been repudiated by the Iraqi public, which danced in celebration of its downfall and has dismissed the premier who signed it just two weeks ago. For the time being, therefore, one link is faulty in the chain of mutually satisfactory alliances which bind Britain to a line of countries from the Aegean to the Indian ocean and which are due for inspection and overhaul. The Premier of Transjordan is in London this week discussing adjustments to the treaty terms agreed in March, 1946. The visit of the Emir Feisal, Foreign Minister of Saudi Arabia, also to discuss treaty relations, is expected in mid-February.

Salih Jabr, the Iraqi premier, who signed the treaty on January 15th, had come to London armed with a big vote of confidence—with 96 supporters out of a House of 138 members. The suddenness with which discomfiture overwhelmed him and the apparent approval given by the pro-British Regent to an abrupt disavowal of what he had done, at first sight baffled many onlookers. It seems that the Foreign Office, as in 1941, has underrated the strength of anti-British feeling in the country. More than once it seems to have listened to what it liked hearing and not to informants in touch with all sorts of Iraqi opinion.

Those Iraqis who are politically awake—they are less than ten per cent. of the total population—fall into two classes, one whose members have usually been abroad and seen other countries, and the other consisting largely of stay-at-homes. Those who know Europe in general and the United Kingdom in particular tend to realise first, that while Britain, as the mandatory responsible for their upbringing, has worked partly from self-interest, it has also done much disinterested work to raise the country and people of Iraq from the oppression, neglect and the denial of independence which had been their lot for six hundred years. The prototype of this school of thought is Nuri-Pasha-es-Said. The Regent and Salih Jabr, the Prime Minister, who signed the repudiated treaty, belong to it also.

Iraqis who know only their own country hold an opposite view. According to them, the British intend to retain Iraq as a vassal and have proffered it only the trappings of independence. The independence treaty of 1930 was, they say, a mere lengthening of the leading-string. They greatly resented a clause which bound them to employ no foreigner unless British manpower had first been combed to make certain that no suitable Briton was available. Before the war, their views flourished chiefly in

the army. These were the men who, in 1941, under the leadership of Raschid Ali and his Golden Square, invited in the Germans and rebelled in their support. They spent the war in a concentration camp on the Shatt-el-Arab. Now they are back in jobs, chiefly in the civil service.

The wartime experiences of the former rebels, needless to say, have not changed their outlook. As proof of their view, they point to the "fresh occupation" of 1941, the origin of which they prefer to forget; and they remind their audience that the last detachments of the British army did not leave Iraq until last October. Some of their arguments are understandable, and others fantastic. For instance, they are ready to ascribe any and every trumped-up local incident to malevolent planning by the British Embassy. Nevertheless, their opinions count with a crowd that, nowadays, imbibes a good deal of heady nationalist stuff from Egypt, through magazines and school text books as well as through imported technicians and teachers.

Up till now, the Independence party has been disappointed of political power. The Salih Jabr government, which had been in office since the elections in the spring, took over with the impetus of a promise from the Regent that the country would return to "normal political life." Parties were allowed to resume activity at the end of 1946, and elections took place in March last year. They were free from violence, but hardly free in every sense of the word. They were boycotted by the groups (they consist of personal followers rather than parties) that are christened Liberals, National Unionists and the People's Party. The Istighel, a pronouncedly anti-foreign Independence party, participated in the elections but failed to attract support. Iraq is a country in which the average elector is illiterate, and so poor that his vote can without difficulty be swayed. So the House and Senate that emerged from the ballot boxes suggested that Palace circles had been busy.

Salih Jabr at once secured applause by announcing that one of his goals was to revise the treaty with Britain. Nine months later he came to London to do so. Meantime, however, nationalist stock had been rising at home, chiefly on account of the situation in Palestine. The Iraqi police are to be congratulated on the way they have preserved the security of the large Jewish populations of Baghdad, Basra and Mosul. But they were unable to protect the American Public Information Office in Baghdad's main street, which was pillaged in December, and the premises of the *Iraq Times*, which, having

used somewhat exaggerated language in reporting the American incident, came in for mob attack when the terms of the treaty were announced on January 14th. The demonstrations against the treaty resulted in numerous deaths and casualties. The Regent, gauging the strength of the opposition, waived his personal views about the treaty, which he had expressed only the day before in telegrams exchanged with His Majesty the King and Mr Attlee. He held an all-party meeting which, in five hours, repudiated Salih Jabr's work in London. Then, last Sunday, Salih Jabr flew home to justify himself. Having failed to do so, he has resigned. But his resignation settles nothing. What have his opponents to suggest in order to bring their country security and quiet?

Iraq needs both these blessings if it is to provide the resources and the man-power that are required to exploit its great natural advantages of oil and water supplies. Potentially it is a rich country. Its wealth of oil is beginning to produce greatly increased revenues that ought to be spent on improving Iraqi agriculture. The great Iraq Petroleum Company—the Anglo-French-American-Dutch concessionaire that extracts its oil and pumps it to the Mediterranean coast—is now doubling its present ten-inch pipes. The present small-diameter pipeline carries four million tons a year and yields £2,000,000 in royalties. The new one, which should be carrying 12 million tons in two years' time, will treble the royalty, and the company's eventual target is to extract 25 million tons a year. Schemes for increasing the country's crop area are also under way. On the Euphrates the new Habbaniya catchment scheme for preventing flood and storing flood water will cost about £3,000,000 and come into operation in three years' time. Companion schemes on the Tigris are still at the investigating stage but something effective could be achieved in five years. Iraq's problem is not, like Egypt's, one of too little irrigated land for too many people. The Iraqis enjoy more land than they can water, more water than they can control, and too small a population for the lands already irrigable.

Their future outlook would be rosy were it not for some major drawbacks. One is their political instability: the average life of an Iraqi Cabinet over the last twenty years has been under nine months. The other is their inability to get any two Ministers or Departments moving simultaneously. For the mere spread of irrigation alone does not bring prosperity. It must be accompanied, first, by health services, or malaria and

The Middle Class—II

Two Million Without a Party

(By a Correspondent)

THE cold-shouldering of the middle-class presents, politically, a very odd paradox. In the special sense in which the term has been used in this article, it is a numerically small class; but it certainly makes up at least the two million votes which gave Labour victory in 1945. This is, in fact, the Floating Vote. The first rule of party tactics ought to be a simple one: Don't bother about your devoted supporters, who will vote for you anyway; coddle your undevoted supporters, who may otherwise vote for the other fellow. Political parties elsewhere know this rule well—as witness how little is ever done for the Solid South by American Democrats. Followed in Britain, it would lead both parties to compete for the middle-class vote. As it is, they take turns in rejecting it—Conservatism taking good care of business and neglecting the professional, Labour taking good care of the trade unionist and (as it has often appeared, particularly in the matter of basic petrol) deliberately victimising the

hookworm will spread, as they have already done in newly irrigated areas. Secondly, the Iraq authorities have failed to take a firm stand against extension to the new farm-lands of the pernicious system of land tenure which now prevails. At present, the rich man steps in first and the peasant remains a share cropper, with no incentive to improve his holding, and always on the move in the belief that some other landlord must be better. Together with extended irrigation must go improved education; without it a conservative peasantry cannot be converted from growing grain (which entails little work on Iraq's fertile soil and provides him with a subsistence crop) to growing cash crops—in particular cotton—which entail more work than he has a taste for, and yield nothing edible.

All Iraqi Ministers pay lip service to such developments. But none will accept the fact that, to bring them about, Ministers and civil servants must do more work. The remedy for their shortcomings offered by employment of foreign advisers is offset by Iraqi unwillingness to offer terms that will attract the best men. Even the most extreme nationalists recognise that the foreign technician has much to offer. But they want to pick his brains without giving him any authority to do his practical work in the way he knows to be best. They like to hear what he has to say and, simultaneously, to clip his wings.

Salih Jabr thought that he was bringing his country the security and quiet it needs by signing the treaty with Britain. Now that he has been freed from office it remains to be seen what his successors want. Three choices seem to offer themselves, and a working model of each is available among their friends and neighbours. Do they want Iraq to become, like Egypt, a country which can settle nothing because, having swallowed democracy before it has educated its people to the meaning and purpose of using their votes, every government is slave to a crowd which the opposition can bribe into shouting: "Down with the policy"? Or do they want to become, like Persia, a prey to so many preoccupations over rival Great Power advances that they have no time for internal policy? Or do they want to become like Turkey, a state which plumps for alliance with one friend and then sedately turns to its internal affairs? Britain does not want to hurry them while they consider these different prospects. Nor does it want an alliance forced through by bribery, which would be possible now, as in the past. It is for Iraq itself to decide.

professional. By treating the professional class as sub-citizens, Labour has laid up for itself a store of trouble.

But it remains a paradox that the middle class, with its enormous influence on the climate of opinion and with its strategic electoral position, can still bring its weight to bear only negatively, by turning out one party it does not like and putting in another it likes no better. It means that what should be the strongest, the most skilful and the most soundly progressive element in British political life functions only in a negative and penal sense. Something will be badly wrong with British politics so long as this remains true.

There is, of course, plenty that is wrong with the British class structure. It is, from many points of view, silly, stultifying and pernicious. It raises barriers unnecessary between man and man. It wastefully and cruelly holds down the able—or a large proportion of them—if they have chosen to be born to the wrong

parents; it puts power and responsibility in the hands of incompetent heirs or wearers of the proper tie. It does these things far less ruthlessly and universally than it used to, but it still does them.

Hardly anyone nowadays believes that this is right; democracy is a genuinely held ideal. But there are two radically different approaches to the problem of the class frontier. One stands for mobility, the fair chance, the career open to talent and closed to lack of talent, with each man's standing and reward dependent on his own abilities and exertions; the result will be inequality, but providing that inequality has downward limits leaving no one below a basic minimum standard, and providing that it does not crystallise by inheritance into a new caste system, that does not matter. On the contrary, it provides a social dynamic, as inequalities of terrain provide hydro-electric power. The other point of view, to which most Socialists subscribe, objects with passion to inequality as such. It is iniquitous that this, that or the other should "depend on the depth of a man's purse"—in other words, that to more important services there should correspond any real increase in reward. Mobility and the open door are irrelevant; gifts and responsibilities should indeed be matched, but space and leisure and amenities generally, are, in the name of social justice, to be divided as equally as the baby of Solomon's judgment.

That, at least, is the theory. In fact, Soviet Russia, the one thorough-going Socialist state, has evolved a structure of earned incomes more unequal than even that of the United States, let alone Great Britain. Even large accumulations of interest-bearing wealth are possible to the Soviet citizen—as witness the million-reuble subscriptions of individuals to the Soviet war loans. British Socialism is more egalitarian; but the salaries offered by the Labour Government to the executives of its new public corporations are—quite properly by non-Socialist standards—ten to twenty times a miner's wage, and the Government's own members—again quite properly—show no precipitate desire to reject the bourgeois way of life. To offer and to accept such incomes and at the same time to point the finger of lofty Pharisaical scorn at car owners, foreign travel addicts, and people who prefer real cheese to mousetrap, is merely dishonest.

Egalitarian consistency, however, would be worse. There is no point in being mealy-mouthed about this; there would be no gain, but severe loss, if the middle classes were assimilated to the proletariat. The noble working man is as mythical as the noble savage. He is no more intelligent, moral, altruistic, conscientious, or endowed with political insight than the man with a profession and a bank account. Why should he be? There is no reason, either, to suppose him naturally less so; but just as his experience encourages endurance, humour, and solidarity, so it discourages farsightedness, objectivity, and the aspiration to intellectual completeness which is the hallmark of the civilised. Other ingredients than the proletariat are needed in the good society. It is good that there should be some houses more spacious than council houses; that there should be some people able to buy, and not merely to borrow, books, to hang pictures instead of lithographs on their walls, to support concert halls and theatres instead of cinemas and fun fairs. It is good that somewhere in society should be concentrated enough leisure for voluntary social and public service, for disinterested research, and for the maintenance of contact with other countries, even if this entails the injustice of a doctor's wife having a cook whilst an equally deserving fitter's wife has not.

The middle class has no reason to be ashamed of its record. It has no reason, indeed, for exclusive pride; contemplating the early days of the Labour movement, the grim perseverance, the heroic comradeship under oppression, the self-sacrificing achievements of scanty leisure and scantier resources, no observer could claim voluntary service and public spirit as a middle-class monopoly. But if the middle class had done no

more and sets its sights no higher, Britain would be a poor and dreary place. To admire the Adult School movement is not to put it on a level with the University. For those elements in British life which conform to University rather than Adult School standards, credit is due less to any superior intellectual gifts that the professional class may have (though the better brains are, by a natural sifting process, concentrated within its ranks), or to any moral superiority, than to the combination of these things, such as they are, with the margin of money and time which that class has left over when primary needs have been met and the day's work done. The professional class, in short, has made its especial contribution precisely because it has obtained the market price of exceptional abilities; and if that contribution is to be maintained the levelling-down of earnings (after tax) will have to stop. It is not wholly or even mainly a question of incentives, though incentive is useful; but of preserving the environment in which alone the contribution can be made.

But the middle class, and its professional core in particular, has more justification than this for survival. It has a civic as well as a social and cultural *raison d'être*. Leave out the salaried or fee-earning professional man, and the political scene becomes a mere tug-of-war between the parties of special interest, the We and They parties, each concerned to do Them down for Our benefit; the party of Business, wedded to the profit margin, the party of Trade Unionism, wedded to the higher wage and the shorter day. For each (whatever may be said on platforms) group interests outweigh national interests. Each holds fast to the great principle of giving Less and Less and getting More and More. The Tory Party has always been a party of interests, the party of the landed interest, the party of the protected industrialist, the party of privilege. It has its dissidents; among the serried representatives of Comfort in Inertia there does arise an occasional ginger group. But the chance of the Bright Young Men swinging the ponderous and suety mass of the party over to a genuinely national policy is remote.

On the opposite side stands Labour, unmistakably inferior in the average personal talents of its executive team, and as hopelessly enslaved to the TUC as the Tories to the FBI; enslaved, therefore, not only to a special interest but to a group of men who cannot learn because learning would cost them their job. The Trade Union Leader is not a leader, but a follower, a mouthpiece, a walking Lowest Common Denominator; he has to be. That is what he is elected for, and it is not a quality (as Burke pointed out to the Bristol electors) compatible with the proper exercise of governmental powers, whether directly or at half a remove. Nor do weakness of personnel and subservience to special interests exhaust Labour's disabilities. The party's whole mentality is soaked and pickled in ideological nonsense, proof against the impact not merely of conflicting ideas but of any ideas at all. In a Socialist leader the capacity for independent thought is called getting out of touch with the rank and file. The extreme or limiting case is to be found in the Communist party and studied, in the full splendour of its pathological efflorescence, in the speeches of Mr Zhdanov and Mr Molotov; but one may fall short of this extremity and still be a national misfortune.

Neither major party, then, is likely, if left to itself, to evolve a sound economic policy. For this reason, if for no other, there would be need for a viable middle class, affiliated to no special interest and comprising trained minds accustomed to looking beyond the immediate to the remote result and through the contemporary catchword to the reality behind it; an element of stability, of objectivity. If anyone wants to see what can happen when the middle class is economically exterminated, let him consider the German inflation of the 1920s and what followed after.

(To be continued)

NOTES OF THE WEEK

Franc Disagreements

The irresponsibility of the French Government's devaluation proposals (described in an article on page 191) could not have been more pointedly underlined than by the domestic political crisis they have caused. It should have been reasonable to assume that before adopting so intransigent an exchange policy, defying the International Monetary Fund, antagonising their neighbours and undermining the work of economic integration of Western Europe, the French Government would have ensured that it was speaking for the coalition of parties it represents. But subsequent events have shown any such assumption to be mistaken. The "tough" policy, the bold front, were found to have no cohesion behind them. At the moment it seems that the French Government's proposals will be, in part at least, negated not by the opposition of the Monetary Fund or of France's neighbours, but by that of the French Socialist Party.

Political opposition to the devaluation plan in France is directed, like the external opposition, to the proposals to establish a free market in gold and certain convertible currencies. The Socialists have based their rejection of this part of the plan on three main arguments: that it is undesirable to undermine the philosophy of the Bretton Woods agreements and cause annoyance and inconvenience to Britain and other friendly States; that the toleration of a free gold and exchange market is a symbol of the retreat from centralised planning of the economy, and makes such planning impossible; and that even with the proposed 25 per cent tax on the proceeds of hoarded gold and currencies sold on the free market, the facilities given to hoarders are an iniquitous and shameful condonation and remuneration of their illegal activities. It is still uncertain, at the moment of going to press, how far opposition will be carried, whether the Government will fall, or whether a reasonable compromise can be worked out.

Assuming that the French plan goes through, with its essential feature—the toleration of a free market in convertible currencies—unchanged, the main task that will confront Britain and France's other neighbours will be to contain and isolate the area of instability and, while doing the least damage to trade with the franc area, to minimise the reactions of the French free market on their own exchange situation. It would be well to stress that this defensive and protective task, especially where Britain is concerned, demands positive as well as negative action. The purely defensive aspects of the task are the tightening up of control on French use of sterling. This is the experts' responsibility, and the work is well under way in Paris, where an Anglo-French working party has begun its labours. But far more important is the positive lead that Britain could give to other Western European nations in the task of economic co-operation, and more particularly in the re-establishment of inter-European monetary convertibility and compensation. A little more boldness from Britain is the only satisfactory way of containing and neutralising the effects of France's reckless irresponsibility.

* * *

"Playing with Fire"

The Balkan neighbours of Greece have had their warning. Mr Bevin said right at the beginning of his speech on foreign policy that "there is a very real danger that they and their Soviet mentors may make a grave blunder over this business." He warned them to show great care and to remember that "it is dangerous in international affairs to play with fire." Later in the debate two other things were made clear: that the Corfu incident has not been forgotten and that a sharp eye is being kept on the military strengths of the ex-enemy countries, Roumania, Hungary and Bulgaria. Mr McNeil said that the Hungarian and Roumanian figures were approximately within the limits laid down in the peace treaties; but the Bulgarian figures are open to question, particularly since Mr Dimitrov's boast that he intends to strengthen and modernise the forces under his control.

Whatever may be the reason, the threat to Greece has seemed less acute in the last fortnight. There has been no move towards the recognition of General Markos's exiguous regime, and the aid that is undoubtedly continuing has been given the cover of respectable-looking committees in Belgrade and Sofia. The frank statements and details sent to New York by the United Nations commission on the spot have proved intervention up to the hilt. And it may be that there is some uneasiness in the

minds of Marshal Tito and Mr Dimitrov. The former has been under steady diplomatic fire from Washington and London, and the latter has just received what looks like a heavy snub from Moscow for premature advocacy of an east European federation.

Both must be well aware that, once armed intervention has been proved, there is nothing to stop Greece exercising its rights under Article 51 of the Charter save American and British advice and the limitations of its own strength. "The inherent right of individual or collective self-defence" cannot be lost sight of completely, so long as general or regional plans for security make no progress under Uno auspices. If the threat persists the alternative may be, as was suggested in the Commons debate, to place a small international force on Greece's northern frontier.

* * *

A Chance for Agreement?

The debate on the Parliament Bill in the Lords was rather unexpectedly suspended on Tuesday in circumstances which seem to hold out some faint hopes of agreement. In moving the rejection Lord Salisbury appealed to the Government to postpone the Bill and to enable discussions to take place between the leaders of the three parties, with a view to elaborating a scheme of reform covering both the composition of the Upper House and its powers. Lord Addison, as was only to be expected, insisted that the Government regarded the passing of the Bill as an essential condition to the discussion of reform. But when confronted by Lord Samuel's suggestion that the Bill should be amended in committee so that the period of the one year's delaying power should date from the time that a Bill leaves the House of Commons instead of from its second reading, he left the door open to the consideration by the Government of this amendment. The debate was thereupon adjourned in order to give both Government and Opposition an opportunity to reconsider the position.

The compromise for which the way has thus been prepared, though hardly an ideal solution, seems to offer what, in the circumstances, is probably the last way out of the constitutional impasse. It never lay in the power of the Lords to delay the passing of the Bill beyond November, 1949, and the Bill as it stands, without any wider measure of reform, could only weaken the power of the second chamber, while leaving the constitutional issue, if not an open sore, at any rate a standing temptation to both parties. For once the Labour Party has started tinkering, it is too much to expect that an electoral victory would not encourage the Conservatives at least to reverse the process—and perhaps even to go farther in the opposite direction. And though in these difficult days the reform of the House of Lords might perhaps be regarded as in itself an irrelevant complication, the fact that the Government has raised the issue to appease its left wing is in itself a ground for considering reform now desirable. For it is clear enough that an unreformed chamber with its powers curtailed in accordance with the Bill would bring the country unpleasantly close to a system of single chamber government, which nobody wants except a small doctrinaire minority.

There is thus every reason to hope that it may be possible to reach an agreement on reform which will bring the composition of the Upper House into line with modern requirements, in which case the delaying power might reasonably be amended in accordance with Lord Samuel's suggestion. That should not, from the Conservative point of view, be too high a price to pay, since the influence of the reformed second chamber will not be measured arithmetically by the number of days of its delaying power, but rather by the weight which public opinion attaches to the quality of its membership. In return, the Government would be wise to give up the retrospective provisions of the Bill, which have made it appear to all unbiased opinion as a disingenuous piece of sharp practice.

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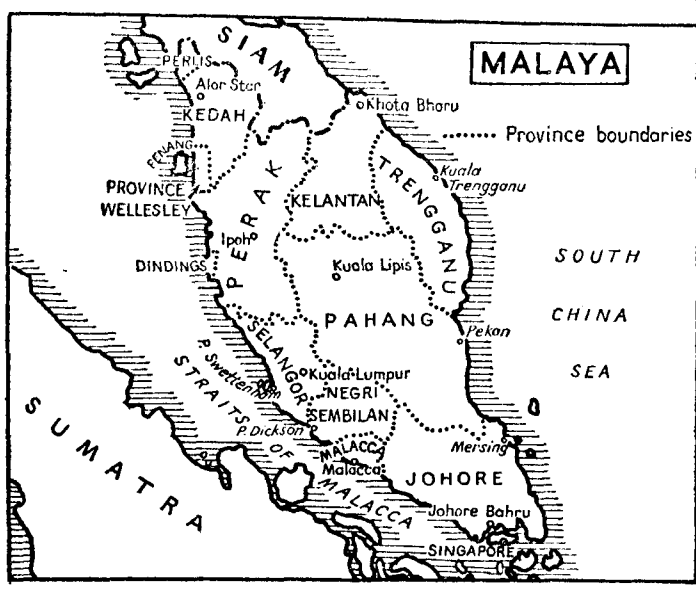
Liberals and Tories

The much-discussed electoral alliance between the Liberal and Tory parties was sharply rejected by Mr Fothergill, chairman of the Liberal Party organisation, at Birmingham last Saturday on the ground that alliance or understanding with the Conservative Party would bring the Liberal Party and the organised

Malaya and the Chinese

This week-end the new constitution for the Malayan Federation comes into force, with a fairly general welcome from the Malays and strong opposition from the Chinese. The stride taken towards self-government, though shorter than many Malays would like, is something on which Mr Malcolm MacDonald may congratulate himself. The original British scheme has been modified with good temper and skill, and the introduction of safeguards demanded by the Malays—notably the separation of predominantly Chinese Singapore—has reconciled them to the ideas of a central government and common citizenship for all Malaysians to which they had objected. Preliminary figures from the census taken last year, the first since 1931, show that Malayan fears of being swamped by the Chinese were justified. In the Malayan Union proper the Malays still outnumbered the Chinese, but if Singapore were included the position would be reversed.

Since 1931 the population of the Union has risen from 3½ to over 4½ millions. Of this total roughly 44 per cent are Malays and 39 per cent Chinese. Most significant is the fact that the Chinese have increased by 46 per cent and the Malays by only 35 per cent. The number of "other Malaysians" (Javanese, Boyanese, etc.) has dropped from 298,000 to 264,000.



Migration as well as natural increase is, of course, represented in these figures. Provisional estimates show that between 1931 and 1941 the net immigration of Chinese was about 240,000 and the net loss of Malaysians about 30,000. On the basis of these figures it is clear that the rate of natural increase of the Chinese is some six per cent greater than that of the Malays. Chinese are shown already to outnumber Malays in the municipality of Penang and in the more advanced west coast states of Johore, Negri Sembilan, Selangor and Perak. Johore, one of the most progressive states and the nearest to Singapore, shows the biggest increase in Chinese population with a figure of over 45 per cent. But the remoter and predominantly Malay states of Perlis, Kedah and Kelantan are, surprisingly enough, not far behind. In Singapore, now detached from the Union, the population has risen since 1931 from 557,745 to 938,079, of which over 700,000 are Chinese 71,000 Malays, 71,000 Indians, and only 8,000 Europeans.

The Health Service Fight

A year ago it was the Presidents of the three Royal Colleges who took the initiative in an attempt to loosen the deadlock between Mr Bevan and the medical profession. This time it is *The Lancet*, which has taken up its pen and addressed to the Minister of Health a series of questions on the main points at issue, and has now published them, together with his answers. It is not likely, however, that this approach will have much success. Mr Bevan has at least promised that, in view of the conflict of legal opinion over the position of medical partnerships when the health service comes into force, he will immediately appoint a committee of legal experts to give their opinion, and will act on their report. This concession—if it be one—gives the British Medical Association the opportunity to make the possibly justifiable, but not very tactful, retort that Mr Bevan might

have had the courtesy to announce it to the negotiating committee of the medical profession instead of to a medical weekly journal.

On the other points, Mr Bevan's answers do not carry the position much further. In one or two cases they are even confusing. For instance, he says that one of the justifications of the basic salary is that it will discourage doctors from building up excessively long lists of patients—an admirable objective in itself. Yet, previously, in justification of the proposed remuneration of general practitioners, he had put first the example of a doctor with 4,000 public patients, who would be able to earn £3,300 a year from them in addition to private fees and payments for other work. Such a list is too long in itself, quite apart from the question of additional work.

Thus, there seems no prospect of a truce being called in the fight—at least before the plebiscite of doctors which is being held in the next fortnight. At present all the signs are of a big majority against Mr Bevan, though whether the professional solidarity demonstrated at meetings of doctors will stand the test of financial insecurity remains to be seen. It is now being matched by Ministerial solidarity. Mr Alexander gave public support to Mr Bevan in a speech last week-end, unfortunately using tactless phrases in doing so. And the Order in Council confirming July 5th as the appointed day for the National Health Service and other social security schemes has been made. The stage is set for a big fight. Even if it does not materialise—if, as Mr Bevan hopes, the doctors fail to carry their opposition into practice—the prospects for the success of the health service are not good.

Fitter Children

No more glowing tribute could be paid to those who devised the special food schemes for children than that contained in the report of the Chief Medical Officer of the Ministry of Education for the years 1939-45 (HMSO, 2s.). At a time when the enemy was attempting to reduce this country by bombardment and blockade, and shipping space was urgently required for the purpose of war, it seems almost a miracle that the nutrition of the elementary school child should have been maintained, and almost certainly improved, and that in the majority of areas boys and girls gained in height and weight compared to prewar years.

The report describes the Government's food policy as "brilliantly successful" and this it certainly was. Not only was the nutrition of school children accepted wholeheartedly as a national responsibility, but, after a period of hesitation in 1940 and 1941, very great concessions were made to fulfil it. The school milk and meals schemes provided large numbers of children with an invaluable addition to the family rations, while at home their priority supplies of milk and the improvements in the dietary

SUMMARY OF ROUTINE INSPECTIONS OF ELEMENTARY SCHOOL CHILDREN (5-14)

Year	Percentages			
	A (excellent nutrition)	B (normal nutrition)	C (slightly sub-normal nutrition)	D (bad nutrition)
1935	14.6	74.1	10.6	0.7
1938	14.5	74.2	10.8	0.5
1941	14.8	74.2	10.6	0.4
1945	16.3	74.5	8.9	0.3

value of "national" flour and margarine gave them additional protection—the latter being shared by the nation as a whole. During the war the number of children receiving school meals rose tenfold, from 150,000 to 1,700,000, and number receiving milk rose from 2,500,000 to 3,300,000, and the proportion from 55 to 71 per cent. Since the decision to provide all school milk free of charge the figure has increased sharply. The additional provision of orange juice, cod-liver oil and milk for the under-fives and for expectant mothers contributed to the satisfactory results shown in the table above, for it meant that these young children reached the first stage in their school life very much fitter and better nourished than they would otherwise have been.

It would not be fair, however, to attribute all these improvements to food policy alone. The report very properly emphasises the wartime improvement in wages, which raised the general standard of living and also the remarkable absence of any serious epidemics. All these factors played their part. In a gloomy world this report makes cheerful reading.

Employment of Poles

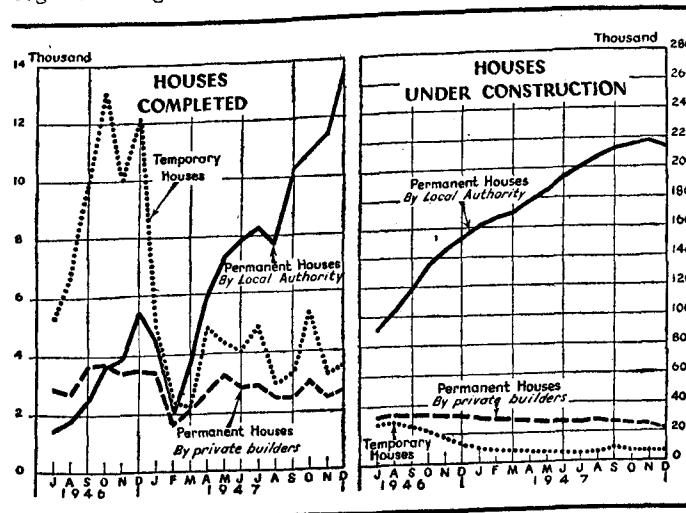
It is ironic and deplorable that one of the country's most serious industrial troubles since the war should be threatened about the employment of Poles in engineering. The underlying issues are both political and economic—political, because there is a strong Communist element in the Amalgamated Engineering Union, which will not have Poles at any price, and economic, because the rank and file fear that in spite of the Government's assurances about full employment, the postwar boom will be succeeded by a slump, as after the first World war, and that the Poles will be preferred to British workers. These fears, however, are quite unnecessary. It has been stated unequivocally that Poles will only be employed where there is a local bottleneck caused by labour shortage and where no British worker is available. Nor is there any question of cheap labour undermining British standards, for the Poles will be paid at full union rates and will be the first to go if unemployment develops.

These principles were laid down by the TUC, as general conditions for the employment of Poles, although it has been left to individual unions to negotiate their own arrangements. Some industries, notably mining, have agreed on these terms, although the consent of the local union has to be obtained before any Poles are taken on. Unlike the miners, however, where the executive has accepted Poles and the difficulties have been with the rank and file, the AEU executive itself has taken the initiative in rejecting Poles. It remains to be seen whether this attitude will lead to a show-down with the Government and whether Mr Isaacs, who so far has stood firm, will give way in the face of union opposition.

The AEU's fears of unemployment are understandable, but the proportion of Poles is in any case so small that the union is obviously making a mountain out of a molehill. Engineers would be the first to complain if they found themselves directed from one end of the country to another and obliged to live in lodgings or hostels away from their families; yet this is stated to be the alternative to the use of Polish labour. The AEU, for like every other trade union, has declared its full co-operation for the Government's production drive. It would be a graceful gesture, to say the least, if the union now withdrew its senseless embargo on the Poles.

Housing in December

There have been so many bitter disappointments in the housing programme that it is necessary to be doubly cautious about any good omen: they have so often proved false. Nevertheless, for what one month is worth the results for December are good. Some 17,728 permanent houses were completed, compared with 15,345 in October, the previous highest total. If this rate can be maintained or improved upon the programme may begin to trudge less sluggishly towards its completion.



A number of forces may be operating behind this improvement. The scheme of payment by results may be bringing some early results, and the concentration of labour on partly-finished houses is no doubt increasing the number of completions. Unfortunately the Government's decision to proceed with 90,000 houses under contract, but as yet unstarted, will check the tendency to reduce the number of houses under construction for some time to come.

Danger on Rail?

Railway accidents never come singly, and Sir Alan Mount's report on last year's crop will have an unhappy story to tell of increased liability to accident on the British railways systems. It was their pride that they were the safest in the world. But it is obvious from the tenor of recent reports on accidents at Doncaster, Polesworth and South Croydon that critical shortages of materials and manpower—which Sir Alan singled out for special attention in his report for 1946—have resulted in a further deterioration of the safety factor. At Polesworth a derailment occurred because the condition of the track on a curve was unfit for heavy traffic at high speed; wear on the rails "had been approaching the danger point for some time."

But another factor is appearing with distressing frequency in the reports of the Ministry of Transport inspectors—the standard of care exercised by technical and operating staffs. At Polesworth the district engineer was "out of touch" with the weaknesses of the track, partly because he was not properly supported by his subordinate. At Doncaster, a gross error by a signalman could have been avoided by retaining a relatively simple electrical control in the signalling arrangements where the accident took place, with a loss of 18 lives. And at South Croydon, where 32 people were killed by a collision in thick fog last October, a relatively inexperienced porter-signalman was responsible for a series of errors and improper manipulation of the signalling apparatus.

Shortage of permanent way materials and labour, and of trained signalmen are perhaps unavoidable in these difficult times. But if they have to be accepted, it is preferable that the standards of railway service should be lowered, regrettable though that would be, rather than the standard of safety. Two of the accidents would not have occurred with modern signalling equipment, and, but for the war, that would now be in operation. Last year's toll of accidents and death on rail should be taken as a serious warning of the physical condition of the railways after many years of strain.

Fall of a Barrier

Mr Bevin, who once dreamed of buying a ticket at Victoria and going "where the hell he liked," was certainly the right person to announce the partial raising of the ban on foreign travel. Contact with Europe is no longer to be limited to diplomats, business men and their "secretaries" and persons whose lives would, on the authority of two independent medical men, be jeopardised by the English winter. Just where the line will be drawn between hard and soft currency areas remains to be seen; but at least there is to be an end to the ridiculous ruling that because dollars cannot be spared for A and B to take a holiday in New York, therefore C and D must not have francs for a fortnight in Paris.

It would not do to exaggerate the benefits to international understanding likely to accrue from the charabanc tour, Strength-through-Joy type of travel wherein solidly agglutinated masses, innocent of foreign languages, hurtle to lovely Lucerne (or, more probably, the Riviera) and back under the paternal care of a professional guide; and it is probably this sort of travel which is likely to be encouraged in the near future. It is merely good fun for the participants—which may be justification enough. But at least the door is open for those who, having had a glimpse through the charabanc window, feel impelled to go back and see more for themselves; for students, for those with friends, relations, colleagues beyond the Channel, for the good Europeans who could form the spiritual nucleus of Western unity. And one may hope that the line between available and non-available currencies will not be too rigidly drawn. It is a commonplace of commercial negotiation that Britain must be prepared to accept a certain volume of non-essential imports, even from countries with comparatively hard currencies, as a condition of inducing these to accept its own luxury or semi-luxury export goods. One could certainly argue that for the sake of European recovery it would be a great deal better to stop producing these things at all, and switch the resources concerned, in all countries, to the production of essentials. But switching of resources is not always easy or even possible. In any case, so long as this principle applies to goods, there is no conceivable reason for not applying it to travel. If stay-at-homes may drink port, surely the more venturesome may visit Lisbon.

Polish-Soviet Trade Agreement

Political motives are so plainly behind the trade agreement signed in Moscow on January 26th between the Soviet Union and

Poland that caution is needed in assessing the precise value of the vaguely worded communiqué. The fact that the Polish Premier, Mr Cyrankiewicz, and Mr Stalin conducted important political talks at the same time is not concealed. Poland's original anxiety to join in the Marshall Plan, shared even by the Polish Communists, was one of the main reasons which led to the tightening up of Moscow's control through the Cominform. The Polish Government must now be offered some tangible substitute for Marshall aid. Otherwise it may continue to look to America. It has a long-standing application for \$600 million before the International Bank, and is at this moment receiving locomotives under an Export-Import Bank credit, granted to enable Poland to shift more coal to the west and south of Europe. The country urgently needs mining equipment in order to fulfil its plan to produce 67½ million tons in 1948; in other branches of industry needs are scarcely less.

The agreement with Moscow falls into three parts. The first consists of a five-year trade pact, which provides for the normal exchange of Polish coal, coke, textiles, sugar, steel goods, rolling stock, etc., for Russian raw materials. The only new items from Russia will be cars and tractors, presumably in the later years. Whether the total of one billion dollars for turnover during the five years is really a great increase on the present trade is hard to say. Changing exchange rates make comparisons uncertain. The tendency latterly has been for the proportion which trade with Russia occupied in Poland's total trade to decrease, as the Poles have extended their trade with other countries; but it is still greater than any of the rest. In the first half of 1947 Russia took 38.4 per cent of Poland's exports, and supplied 25 per cent of its imports.

The second section represents a landmark in the recovery of Soviet heavy industry. For the first time since the war (with the minor exception of oil-boring equipment for Rumania) Russia will export capital equipment. However, there is no suggestion that the immediate deliveries will be substantial; on the contrary, the term covers the next eight years, during which Russia will "gradually" supply capital goods. Another landmark is the size of the credit granted to Poland for this purpose—\$450 million over what is described as a "medium term." Russia has previously granted small credits to its eastern trading partners, including one of \$28 million to Poland, as Russian raw materials can be more

quickly delivered than the industrial equipment which has hitherto always been demanded in return; but nothing of this extent has been heard of before. The third section of the treaty solves Poland's food problem for the current year. Russia will deliver another 200,000 tons of grain on credit, making the total up to 500,000 tons. After the next harvest, Poland expects to be self-sufficing in grain.

Very inconspicuously, the communiqué mentions that the question of delivery of Poland's share of German reparations in 1948 was discussed. It is not known precisely how much Poland has received of her share of the German plant which has been allocated to Russia in the west, and taken by Russia in the Soviet Zone (and in the German territory handed over to Poland). The Poles do not appear to have been at all well treated hitherto by their ally. Competition with the Marshall Plan may have helped them to secure some concessions in this respect also.

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Publicity for the Church

The Church militant is a familiar conception. If militancy was in keeping with the spirit of its day, there is no reason why the Church should not equally use the modern armoury of self-assertion—propaganda—a word, be it noted, of ecclesiastical origin—with all its up-to-date weapons of press, advertisement, film and exhibition. Such is in fact the trend of a report of the Publicity Commission of the Church Assembly published this week.

At first blush it appears that the authors of the report have wholeheartedly embraced the methods now fashionable in more temporal spheres. A Public Relations Officer with a salary of £2,000 and expenses, a press officer, a publications officer, a visual aids officer and an annual budget of £14,000 smack strongly of the arrangements in any large government department. But closer reading of the report reveals so many doubts and hesitations and so cautious a view of the possibilities that the initial impetus appears to dwindle away. No doubt the Commission felt that the task of making the clergy publicity-conscious was as difficult as that of making the public church-conscious. Nevertheless, in an age of mass propaganda, if the Church wishes to appeal to the masses it may at least try methods to which the public have grown accustomed in their daily life.

Letters to the Editor

Industrial Democracy

SIR,—It is at first sight surprising that in all the 8,000 words of the Labour Party's recently published pamphlet "Industrial Democracy," to which you refer in your Notes of January 24th, there is not so much as a mention of co-partnership, nor even a passing reference to one of the least important of its manifestations, profit-sharing.

"Profit," it says, "is the bone which sticks in many throats." Why should workers co-operate with the boss in an attempt to raise production, if at the same time they raise the profits of the shareholders? The incentive held out to the puzzled worker is that profits are not what they used to be. Controlled prices keep them down and a beneficent Chancellor takes large slices of the small cake which remains. This is undoubtedly and sadly true, though it is hardly the kind of stuff to infuse the British working man with new zest for his work. Socialist chickens have been coming home to roost, and decades of "go-slow" propaganda have not been without their effect in lowering output.

Is Industrial Democracy to mean no more than improved technical training and workers' participation in control through an extension downwards of joint consultation? Important as these are, they will achieve little unless they spring from a recognition on both sides that industry is a partnership between master and man, between management and the managed; unless, as the authors of the pamphlet say, "the human relationships are harmonious."

It is exactly because co-partnership, as its name implies, is the most obvious way of bringing about a unity of purpose in industry that the omission of all reference to it in the pamphlet is so regrettable. Co-partnership seeks to raise the status of workers in an enterprise to that of partners by enabling them to share in its ownership and prosperity, to be informed about the operations of the business and to have a voice in its internal management. This is of the essence of industrial democracy.

An immense interest is being taken in co-partnership at the present time. Directors of firms which are run as co-partnerships, as well as organisations like the Industrial Co-partnership Association, are being inundated by inquiries, and many new schemes are being launched. To many of us who have immersed ourselves in the practice of co-partnership it seems to be both a wholesome corrective to a disproportionate distribution of profits, on the one hand, and a practical alternative to the monopoly of State Socialism, on the other. Perhaps that is why it finds no place in the Transport House idea of Industrial Democracy.—Yours faithfully, C. N. THORNTON-KEMSLEY

House of Commons, London, S.W.1.

Food from Denmark

SIR,—Denmark's capacity to supply us with butter and bacon turns on her need of dollars. Inadequate supplies of coal from Britain compel her to buy less coal for more money in the United States of America. The dollars so spent would pay for pig and cattlefeed if we supplied Denmark with her essential coal.

Denmark's need of coal raises a big question which it is difficult to answer. Should we not export "Coal in its own right" as opposed to the export of a small available surplus? We discriminate in our imports. Why not in our exports? Should we not give, up to a limit of say ten million tons, first priority to an export which contains no percentage at all of re-exportable import? And could not those few million tons be saved by withholding coal used in the production of exports with a high import-content in their price structure?

Let it be remembered that these latter exports will be the first to disappear in a buyers' market.—Yours faithfully, H. A. REINCKE
Foreland Cottage, Kingsdown, nr. Deal

A Capital Levy?

SIR,—I do not agree that a capital levy can justly be made on capital increment in the way that Mr Simon suggests in his letter published in *The Economist* last week. Surely some notice should be taken as to how the increment in capital arises. Take, for example, a Mr Brown. He had £3,000 capital invested in securities in 1939. In 1944 his father died leaving him half his estate

proved for £50,000. The securities transferred to Mr Brown as his moiety have actually fallen in value, but his estate is now £21,000. Should his inheritance that has already paid death duties be taxed again? Then professional men find that most of their savings for old age are made in the last fifteen years or so of their professional life, when their children are off hand and when their life policies fall due. Are they to be taxed on these savings as if they were increments? Mr Simon is confusing unearned income with unearned increment, whereas much capital increment is earned.

The best way to tax wealth is not to try to tax capital nor to continue the profits tax, which falls so unevenly on different forms of wealth, but boldly and straightforwardly to increase the standard rate of income tax once again to 10s. and to increase the earned income allowance to one-quarter or even one-third.—Yours faithfully, H. H. BARKER

"Saxby," Glendale Road, Southbourne, Bournemouth

Boom in Life Assurance

SIR,—Your Note of January 10th, together with the reference to this type of saving made by Lord Linlithgow in the annual statement of the Midland Bank, both draw attention to life assurance and annuities as a form of savings. At the present time this form has two particular merits. It can be made attractive to members of the wage-earning groups who claim that in the face of present prices they are unable to make any regular contribution to National Savings. It is the saving of these wage-earners, who are spending all of their pay each week, which would be very useful in relieving inflationary pressure.

Further, the system of collection by agents ensures regular contributions and helps to reinforce the popular belief that if contributions are not maintained all is lost. With National Savings too much rests on the self-discipline of the saver. As a student living on a Government grant I can testify to this, as only the

From *The Economist* of 1848

January 29, 1848.

WUTHERING HEIGHTS: a Novel. By ELLIS BELL. T.C. Newby, Mortimer Street, Cavendish Square.

A most strange and mysterious story, calculated to excite any other feelings than those of pleasure; interesting, it certainly is, but the interest is not a pleasing one. It possesses considerable affinity to "Jane Eyre" by Currer Bell, noticed in one of our late numbers, but wants its vivacity and its pathos. The principal character, Heathcliff, resembles in no slight degree the Rochester of "Jane Eyre": he has all Rochester's failings, but none of his virtues; he is passionate, and bears malice; all who offend him are ruined both in purse and mind, though years elapse before his plans are matured and carried out. His nature is all darkness; and he stoops to anything to gain his purpose. Originally, he is brought into the family of the proprietor of Wuthering Heights from the streets; he is there ill used by the son, petted and loved by the daughter, and strongly loving her in return; but, when the daughter is about to marry a neighbour's son, stung by a sense of her unkindness, and the general ill treatment he has received, he runs away. The daughter marries, and after some years Heathcliff returns: several scenes ensue between his former companion and himself—she dies broken hearted—he marries her sister-in-law, and succeeds in his attempts to gain possession of the whole of the property of his former benefactor: he ill treats his wife; she flies from him, and dies when her son is about twelve years old. Heathcliff obtains possession of his son, and, by a succession of cold-blooded stratagems and lies, succeeds in marrying him to the daughter of his former love. The son dies soon after the marriage, and the young widow ultimately marries the grandson of the first proprietor of Wuthering Heights, who had been allowed to run wild about the house in his youth, and made to work as a common labourer on the property. The story closes with the death of Heathcliff, who, after making restitution, dies a hardened infidel. Such is a very brief outline of the "Wuthering Heights." The story is connectedly told, and the characters are well and vividly portrayed; but we cannot say that the sketches of the strong, hardened in wickedness, and of the weak, led away into sin, are subjects of pleasing interest.

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weekly sales-talk keeps up my contribution. It would certainly never be used to buy Savings Certificates.

Wages are high at present, so high that many workers feel they are too good to last, and whatever "imperfect comprehension of the economic issues involved" there may be, there is plenty of evidence that the habit of life assurance is deep-rooted in working-class behaviour. Perhaps the success of the life assurance companies will do something to offset the failure of National Savings. —Yours faithfully,

D. A. BROWN

59A Talgarth Road, West Kensington, W.14

The Cost of Coal

SIR,—I have read in your issue of January 17th your comment on the National Coal Board report for 1947, also your conclusions which show the necessity to allocate extra quantities to exports, and this you consider would be "an act of economic wisdom." As an old importer of British coals, for many years interested in the production and export of anthracite from South Wales, I fully agree with your opinion because of the soundness of your reasoning, both as regards "restitution for the humiliating necessities of 1947" and your country's "handsome assistance to European recovery and British trade."

May I mention as of paramount importance that the qualities offered to foreign buyers must be those they actually require, and that prices should not necessarily be based on those of American coals, which are, in fact, too high for the French industry. It

may be argued that French-mined coals are produced at possibly higher figures than imported coals; but, while this should be temporary—at any rate, as a Frenchman, I sincerely hope things will right themselves in this direction—may I remind you of the fact that foreign imported coals were in the past generally sold at lower figures than home-produced.

For the time being, and since any favourable purchases abroad would help to bring down the general cost of coal consumed in France, it would materially help our country to restore its position. It would also be a check to the propensity of a great many industrialists to give up coal for its rivals. Finally, your country should at all cost avoid the fatal mistake of the 1920's, when British coal prices soared up. Collieries' costs increased to such an extent that, when the law of supply and demand fatally reaffirmed itself, the British coalfields had to suffer a long and painful strike, and although foreign markets were depleted, they were compelled to bring down export prices to ruinous figures, in spite of which they never recovered their prewar attainments. Other coal-producing countries will also be eager, and probably able, to compete both in quantities and prices.

May I conclude by the remark that, so far as France is concerned, she wants help at the moment, otherwise the risk of her disappearing as an important factor in the counsels of Western Europe will be increased, and your country would then have to fight on its own a battle, which its tenacity alone is not, I fear, sufficient to make it win.—Yours faithfully,

Rouen

A FRENCH IMPORTER OF BRITISH COALS

Books and Publications

Motives Unmasked

"Diplomatic Prelude, 1938-1939." By L. B. Namier. Macmillan. 503 pages. 18s.

PROFESSOR L. B. NAMIER is not the first historian to turn his hand to the contemporary scene but few historians have come to their task so well equipped. The present volume is the outcome of an ambitious undertaking—to present the detailed narrative of the diplomatic relations between the major European powers in the year between "Munich" and the outbreak of war. It was begun as a study of the "coloured books" which the various governments published to justify their course of action in that period, and portions of it—or rather preliminary sketches for portions of it—have already appeared in various publications. Nevertheless, this is substantially a new book, for the inadequate evidence provided by the originally published documents has been supplemented by the proceedings at Nuremberg and the documents produced there, and by a growing flood of personal memoirs. In addition, Professor Namier has had the advantage of being able to question personally a number of the actual participants in the events which he describes.

The author is probably right in thinking that until the publication of the archives—and this will not be for some years—there will not be much one can add to the general lines of the history of the last uneasy months of peace. In default of documentation one has to rely (as Professor Namier does for most of his account of the abortive negotiations with Soviet Russia) upon contemporary press reports. Meanwhile one can only commend the skill which has enabled Professor Namier to weave the hetero-

geneous material at his disposal into a single direct and dramatic narrative, and regret that it is not always as easy as it should be to discover whether he is quoting accessible sources or a piece of private information, and that he does not always give full references to the former (e.g. to the Nuremberg Documents).

But it must be realised that we are not dealing with an impersonal work of reference. Professor Namier is not merely piecing together a phase of diplomatic history; he is drawing up an indictment. It is not at first clear to what an extent this is so, since there seems so little sympathy for any of the states or individuals involved. The Germans are condemned for their immorality and brutality, the Poles for their megalomania and insouciance, the British and French for their blindness and weakness. It is only by elimination that one can arrive at the fact that what Professor Namier is trying to do is to absolve Soviet Russia from the major share in the responsibility for the catastrophes of 1939-1941, and to shift that responsibility on to the shoulders of the British and French statesmen who could have had an agreement with the Soviet Union and refused it.

This view makes it necessary to prove that the Soviet-German pact was only entered into when all chances of an agreement between the Soviet Union and the Western Powers had been dissipated. Professor Namier nevertheless admits that it was in any case in the Soviet Union's interest to delay such a pact until almost the close of the possible campaigning season in Poland, for fear of another "Munich" if Germany were given time for a war of nerves. It is true that no unmistakable evidence of political contact between Russia and Germany before mid-August has come to light. But it is surely rather cavalier to dismiss as simply a German "concoction" the statement to Ciano on August 12th about the telegraphed Soviet agreement to receive a political representative. Why should the Germans have concocted it?

But the issue goes deeper than this. The author discounts as simple flattery on Ribbentrop's part the statement made by him to Stalin on August 23rd that it was Stalin's speech of March 10th which had given the Germans the hint that a *rapprochement* might be possible. Professor Namier assumes that Ribbentrop had in mind only the banal sections of the speech. But there was more to it than that, for it contained Stalin's general analysis of the world scene which made it clear that the Litvinov differentiation between the peace-loving and the aggressive nations had served its turn.

More than one hypothesis as to Soviet policy at the time of "Munich" is possible, and more than one view can be taken of the military deterrent to Germany which a Soviet alliance would have provided. Russian arms were not notoriously successful in 1941, when its military organisation had had some time to recover from the "purge." Nevertheless, even assuming that the Western Powers could have had their agreement with the Soviet Union in

1939, by accepting Soviet terms, is it quite as clear as Professor Namier thinks that those terms should have been accepted? It is obvious from events since then that the Soviet terms involved the incorporation within the Soviet Union of at least the areas which it gained by its pact with Hitler. Russia, argues Professor Namier, had ethnic claims to most of Poland east of the Curzon line, and historic claims to the Baltic littoral. But Germany had ethnic claims to Austria and the Sudetenland, historic and ethnic claims to Danzig and some historic claims to Poznan and Pomorze. If it was Britain's duty to recognise that Russia had become a Great Power again, and was entitled to the full heritage of the Romanovs—why was not Hitler entitled by the same token to the full heritage of the Hohenzollerns and Habsburgs?

The course of British foreign policy in the interwar period was not a glorious one and its exponents were not great men. But they seem to have had two instincts common to most of their fellow-countrymen—that war is an evil to be avoided at almost all costs and that in the last resort, the only possible justification for resorting to it, was an unmistakable challenge to the way of life the British people were struggling to create or maintain by a profoundly alien and hostile ideology. On this point it is hard to see that even Neville Chamberlain differed fundamentally from Professor Namier's hero, Winston Churchill.

Professor Namier is the most illustrious representative of the school of historians whose tacit assumption it is that politics is only a matter of interest and of power, and that ideals are merely the self-delusions by which statesmen obscure the unpleasant face of reality. The history of international relations is thus the history of a self-perpetuating and meaningless anarchy, and the only escape from a historian's subjective reactions is the yardstick of success and failure. Within the limits of this sterile and dangerous philosophy, *Diplomatic Prelude* is a masterpiece.

Enemy of Jargon

"Arthur Quiller-Couch." By F. Brittain. Cambridge. 174 pages. 15s. net.

THE use of the English language and the enjoyment of English literature are no man's professional preserve, but there are few professors of English who make this assumption the very inspiration of their Chair. "Q" did, and while the economist and the business man, no less than the student of literature, have his "Art of Writing" and "Art of Reading" on their shelves, the famous initial will command affection and respect.

From the point of view of his own students at Cambridge "Q" performed a great service in insisting that the study of literature was part of the art of living and not an adjunct to a linguistic grind. But his rejection of compulsory Anglo-Saxon most certainly did not mean lack of care for the English language. Quite the reverse. If there were teachers at Cambridge in his later years who excited the young more by their critical penetration, they did not all illustrate in practice, as "Q" did, the virtues of an English that was elegant but not ostentatious, and familiar but not coarse.

"Q's" wider service to English was no less important. He gave the first of his lecture courses before there was an English Tripos, and every one came. Throughout his life he was concerned with the English that every one used and that every one read, not merely with his students' essays and his colleagues' books. One small illustration of this that Mr. Brittain does not mention is that he remained till his death examiner in English to the Chartered Institute of Secretaries.

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Such a man's humanities must have sprung from a deep joy in life. Mr Brittain, in a delightful book, has told us what manner of man "Q" was: a faithful son of Oxford who enjoyed Cambridge, a university man who toiled for years to make a living from writing in London, a Cornishman the crown of whose career was to be Mayor of Fowey. In politics "Q" was a Liberal, and he was a Liberal because he believed in the English tradition. His Liberalism did not prevent his expressing a strong sympathy with Labour, and equally did not prevent his being a lover of good wine and a stickler for correct (Edwardian) dress. Nor did being a professor at Cambridge prevent his doing the hard routine work necessary to give Cornwall a good system of secondary schools or interfere unnecessarily with his duties as harbour-master at Fowey.

It is the practice at Cambridge for undergraduates reading Natural Sciences to come up for a Long Vacation term. Last summer they came up as usual, but they asked the English Faculty to give them a series of lecture courses in English Literature. The request was honoured, and the scientists came in their hundreds. "Q," one feels sure, would have been pleased. Were his spirit informing English teaching everywhere, we should have less need to fear the bane of over-specialisation.

Political Economics

"Palestine's Industrial Future." By Dr E. Schmorak. 275 pages. 20s.

As an economic apologia for the immigration of a million Jews into a united Jewish Palestine, Dr Schmorak's book is already a little out of date. Whatever the future of Palestine may be now that partition is to be carried out, it is certain that some of Dr Schmorak's assumptions will not be valid. Industrialisation, he argues, is the necessary economic basis for the absorption of large numbers of immigrants; but the products of such industrialisation require markets, which in the case of Palestine would necessarily involve the Arabs within Palestine and the neighbouring Arab states. Thus it is unfortunate that the problem of the political relationship between Arab and Jew is ignored.

As head of the Department on Industry and Trade of the Jewish Agency Dr Schmorak is necessarily somewhat partisan, and of the many and interesting statistics given, those relating to the Jewish sector predominate. For this reason forecasts of the rate of future development of Palestine are unduly optimistic. But the book gives much interesting information; the prewar history of Palestine's economic development, the effects of the war, and the current economic situation are outlined. Dr Schmorak gives a detailed description of the existing and potential branches of industry, which are surprisingly numerous and varied; he also reviews the contribution that could be made by non-industrial occupations in maintaining a growing population at a rising standard of living. Perhaps the analysis of the means of providing sufficient raw materials, manpower, capital and markets necessary to rapid industrialisation is the most interesting section. Markets and raw materials would cause the major problems, although Dr Schmorak thinks they could be solved.

The book is thus a very thorough presentation of the Jewish aspirations to industrialisation based on the past achievements of the Jews and their potentialities. It is unfortunate that the part to be played by the Arabs is sketched only in brief outline, thus detracting from the value of what otherwise is an interesting study of the problems of industrialisation as applied to particular conditions.

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AMERICAN SURVEY

Arbiters of Foreign Policy

(From Our US Editorial Staff)

THE Foreign Relations Committee of the Senate in the 80th Congress is, fortunately for Europe, the United States and the non-Communist world, more knowledgeable and experienced than any of its predecessors. Others have been more amenable rubber-stamps for Administration policy, but none have been so painstaking in their search for truth. By the time the European Recovery Programme reaches the floor of the Senate in the form of a Bill they will have spent two months on hearings and drafting, without counting the months of study in Washington and Europe after the Secretary of State's Harvard speech had foreshadowed the work they would have to do. There are thirteen members—seven Republicans and six Democrats—of whom two, Senator White (Republican, Maine) and Senator Wagner (Democrat, New York) are ill and cannot take part in the Marshall Plan hearings. The remaining eleven sit at a long table—the Chairman in the middle—facing the witnesses and, behind the witnesses, the press and public. Each face, taken by itself, would be at home in England—more so, perhaps, in Scotland—but the eleven taken together are unmistakably American. All have the hallmark of the American climate—their mouths turn at the corners and run down in deep shadows to their chins.

Senator Vandenberg, the chairman, is one of the strangest phenomena of American politics today. Elected to the Senate in 1928 as an isolationist, he remained one until after his sixtieth birthday. His conversion was abrupt and has proved unwavering. If ERP is passed in a form in which it can do its job, it will follow from his conviction, patience and unparalleled manipulative skill. His handling of the Interim Aid Bill was masterly and he has kept the hearings on ERP on a high level of statesmanship. He is determined to see the Bill through and has eliminated himself from the Presidential race in order that no political pressure can affect him. Those European countries which specialise in that form of tribute might well start to consider the christening of a Rue Vandenberg or a Vandenbergplatz. In England, at least an equestrian statue is called for.

Mr Vandenberg looks the part of a Senator—at times he even looks like Groucho Marx playing the part of a Senator. There is the same perpetual cigar and, in the eyes, the same eager watching for the moment to counter-attack. At a press conference, just as Groucho would, he replies to the difficult question with an unanswerable one. In committee he asks questions and makes comments, not for information, but to get important points on the record.

To Senator Vandenberg's right sit the Republicans, to his left the Democrats, but this pattern has no ideological significance. On his immediate right is Senator Capper, who seems to have shrivelled progressively through his 82 years so that his shrinking store of vitality has always been enough to carry the ever-lessening burden of his body. He asks few questions but appears now genuinely to approve measures which, a few

years ago, his thin Kansan spirit would have rejected as internationalist nonsense. To the left of Vandenberg sits Senator Connally (Texas), Chairman of the Committee while the Democrats controlled the Senate. He plays the Senatorial part with the gusto and humour with which a Bensonian Falstaff would have endowed it. Long a defender of causes which are less lost than non-existent, he is presently occupied in trying to get more control for the State Department than even Mr Marshall has requested. His white hair may be too carefully overgrown but only a life lived to the limit of his ambitions could have given him finally the florid benignity of a Chaucerian friar.

The next in seniority—Senator Wiley of Wisconsin—is still another Republican bred in the isolationist Middle West but he has not yet developed as has his Chairman. He may have been too handsome when young and, had his features not coarsened and his face set in an ungenerous cast, his white hair would have made him a striking figure in late middle age. He is obsessed with the idea that the United States should get bases in exchange for ERP and is one of the two members of the Committee who, one feels, would be happier voting against it—if he were not frightened of the consequences. The other, Senator George of Georgia, sits on Connally's left. He has the thin features and pursed lips of a general practitioner in a middle class suburb. But his own limited field of vision is offset by his predilection for taking the advice, within limits, of Mr. Baruch.

Beyond Senator Wiley there is the deceptive figure of Senator Alexander Smith of New Jersey, bald and wrinkled, who might be taken for a mildly successful businessman until his smile exposes his tolerance and generosity. A lawyer, his questions are precise and chosen to illumine the forgotten corners, never to throw a spotlight on the obvious—or on himself. Though no Socialist he praised the efforts of the Ministry of Fuel and Power when he had satisfied himself that they would be successful. His remarks, on this and other subjects, are cool and honest.

The next ranking Democrat is Mr Elbert Thomas of Utah, whose Mormon upbringing gives him the advantage of a firm and unquestioned set of principles to which he can refer all problems with certainty. Had Alfred Drayton never been involved in the moral tangles which Aldwych farces require he would have been the double of Senator Thomas. Strategic raw materials are his hobby and he was delighted when Mr Baruch recommended buying all raw materials, whether scarce or not.

Senator Hickenlooper of Iowa is new to Congress, having been elected after a successful Governorship of his State. His face is unlined, compared to those of the other members of the Committee in which experience has dug its trenches, and he finds international problems harder to understand than local ones. But he has integrity, which cannot be learned, and his handling of Atomic Energy in the last Session gave promise that he will develop into one of the Senate's most valuable members. Senator Barkley (Kentucky) is a junior member of this Committee but was the Senate Democratic leader chosen by President Roosevelt.

The last of the Republicans, Senator Lodge (Massachusetts), who would have greater seniority if he had not resigned to join the Army and had to be re-elected after the war, is the grandson of the earlier Lodge, who, as Chairman of this very Committee, fought Woodrow Wilson and the League of

Nations. The present Senator, the youngest member of the Committee, has the appearance of a bulldog which suggests that he has his grandfather's obstinacy; but he also has his ability and both are directed into better channels. He preaches the United States of Europe in and out of Congress and, for him, ERP is only a small step in the right direction. He may well be a future President—when the Republican Party has learned that the nineteenth century is not to be recaptured. On the left wing of the Committee sits Carl Hatch of New Mexico, one of the President's closest friends. With Senator Smith he is trying to make the Marshall Plan an issue above party.

These are the men who have been listening to evidence on the European Recovery Programme. For two weeks they heard the Administration document its case. Each has developed, during the weeks of evidence, his own special interest and can be counted on to question every witness, on his favourite aspect of the problem. Only two Senators—Vandenberg and Barkley—have the wider experience which makes their questions responsive to the individuality of the witness. Their questions have showed no alarm at the size of the programme. But they have showed anxiety over the proposed method of administering it, over the reluctance of the European countries to integrate their economies and over the difficulty of ensuring that all of the huge sum should be used to the best advantage. After two weeks they began to hear the evidence of private citizens. At once disturbing new ideas presented themselves. Mr Bernard Baruch, even at the age of 77, is always certain to have something original to say. The members of the Committee seem to have found him on this occasion more rococo than Baruch. The Marshall Plan was no more than a jumping-off point from which his imagination took him all over the field of world politics and the domestic economy. His recommendations were too much for the Committee—particularly in an election year. They listened in uncomfortable silence and their subsequent questions returned to the pedestrian level.

Two days later Herbert Hoover, four years younger in years but a century older in spirit, sent a message from Florida pathetic in its inadequacy. His present plan is but a recollection of problems with which he grappled after the first World War. He does not so much recommend a relief programme instead of a recovery one as display a total ignorance that the Marshall Plan is supposed to be more than relief. The faded precision of the old man of 73 was tragic after the abounding vigour of the young one of 77.

Between these two witnesses the Committee heard Mr John Foster Dulles, who, still of an age to have years of public service before him, gave them advice from an extensive experience and hope from his own store of faith. He might be Secretary of State in a Republican Administration, in which case he would be intimately involved in the programme. What he had to say was, therefore, carefully considered and, in terms of the Marshall Plan as it is, the most valuable support which the Committee has yet found. There are many more witnesses to be heard but it is already certain that the Bill which goes to the floor of the Senate will not be a disappointment to the Administration.

American Notes

The Republican Nomination

At a moment when the public opinion polls suggest that he could sweep the country, General Eisenhower has at last firmly announced that he would not accept the nomination for President even if it was offered to him. The "I Like Ike" clubs are regrouping their shattered forces behind Mr Stassen. General Eisenhower did not go quite so far as General Sherman in his famous renunciation and declare that if elected he would refuse to serve; and the hopeful still profess to see a loophole in the event of a spontaneous demand for the General at the Republican Convention. All past experience shows, however, that this kind of political miracle has to be most carefully organised behind the scenes. Mr Willkie's storming of the convention in 1940 was no exception; and the Old Guard is determined not to have the presidential nomination snatched from it by an outsider this time.

General Eisenhower's decision to remove himself from the political scene may have been prompted by loyalty to Mr Marshall; it may have been stimulated by a lively dismay at the prospect of working with men of the temper of Senator Wherry, Senator Taft

and Mr Halleck. But for a man with any presidential ambitions it represented a real sacrifice. The nation-wide Gallup poll reported that, pitted against President Truman, General Eisenhower would receive 47 per cent of the vote against the President's 40 per cent. Governor Dewey would win only 41 per cent to the President's 46 per cent; while Senator Taft would bring up the rear with 31 per cent to the President's 51 per cent. It would be wrong to assume that even with General Eisenhower out of the running these figures constitute a prediction of Democratic victory. Nor only can the shape of things change radically in the nine months ahead, but it must be remembered that American Presidents are chosen, not by popular vote, but by each state voting as a unit. Democratic defeats in states like New York would go far to offset the President's certainty of the Solid South.

The Republicans are left with a slate of party regulars. Despite the crushing unanimity with which public opinion polls report the unpopularity of Senator Taft, the report has gone out from the recent meeting of the National Committee that although Governor Dewey is still ahead, Ohio's favourite son is gaining. The Republican elephant is still snug in its ivory stable, comfortably oblivious of the enthusiasm of the Republican rank and file for a bigger and less rancorous figure than either of these perennial candidates.

* * *

Mr Hoover's ERP

Mr Hoover's letter of testimony on European recovery has sketched a very much more modest proposal than that of Mr Marshall. Because it is likely to become the intellectual arsenal of isolation, to which frequent recourse will be had in the debate, its main points are worth recording. Mr Hoover's ERP possesses a split personality, consisting of charity and business, with the concept of recovery wholly missing. Even the moral commitment to a four-year plan is opposed; the United States should be free to withdraw at any time without recriminations. In the first fifteen months Mr Hoover would confine the grants of the American Government to "surplus consumption goods"—food, fuel, fertiliser, cotton—amounting to about \$3 billion. Loans of \$1 billion for capital projects would bring the overall appropriation to \$4 billion, suspiciously close to the opposition figure.

Mr Hoover would also spread the plan thinner by including China, Latin America and the occupied countries among the recipients. The conditions of aid he laid down include, on German policy, a trizonal economic union, the cessation of plant destruction, and the raising or abolition of the level of industry to lighten calls on the United States. This is plainly a heaven-sent, if not prearranged, outline of the opposition programme.

Mr Hoover's objections to the Administration's plan for control of the recovery programme appear to have been met in large part by the recommendation of the Brookings Institution, sought by Senator Vandenberg. The proposal is that the aid programme be administered by an officer of Cabinet rank appointed by the President and confirmed by the Senate. This would give the administrator a position equal to that of the Secretary of State and other Cabinet members involved in the programme; and the President alone could veto decisions challenged by the Secretary of State on grounds of foreign policy. In outline this is close to Senator Taft's proposal, and is certain to secure the approval of a number of Senators critical of Mr Marshall's demand for a veto over the recovery programme. Whether, if this formula is accepted, the Administrator proves as independent as Senator Taft would like—anarchic might be a better description—lies with the man the President proposes and the Senate confirms.

* * *

Mr Eccles and FRB Policy

Few of the sturdy controversialists of the Roosevelt regime now retain positions in which they can sway Federal policies. This week's victim of the Truman axe was Mr Marriner Eccles, chairman of the Federal Reserve Board of Governors, who will retain a position as vice-chairman of the board, but who will be replaced as chairman by Mr Thomas Bayard McCabe, an industrialist and former chairman of the Reserve Bank of Philadelphia.

Although reports from Washington have suggested that Mr Eccles would be re-appointed for another term as chairman, the decision is not altogether surprising. From early postwar days Mr Eccles has been a vigorous and outspoken critic of monetary and fiscal policy, and his more recent remarks have pounded impartially at Congressmen and Cabinet for their successive failures to grapple with the inflationary boom. The climax was no doubt reached during the special session, when his plea for new control powers over credit policy met with the stubborn resist-

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ance of Mr John Snyder, Secretary of the Treasury, and a close personal friend of the President.

Because the new FRB chairman is "Republican by politics and considered conservative by bankers," it should not be too easily assumed that Treasury policy will undergo an immediate and radical change. The Treasury has constantly upheld the policy of maintaining the long-term rate, and in that view was supported by Mr Eccles and the whole of the Reserve Board. Official emphasis now places great reliance upon the voluntary co-operation of member banks in their present campaign to curb "speculative and non-productive" loans, and with a heavy Treasury cash surplus through February, inflationary pressure may lessen. If by the close of March the inflationary trend is still well in evidence, industry must be prepared for a more general retreat from the cheap money pattern of recent years.

* * *

National Product in 1947

With figures given by the Department of Commerce, and by the Council of Economic Advisers, it is now possible to complete the business record for 1947. A year ago, the US economy was all but fully extended, with industrial production at a peacetime peak, and with unemployment down to very low levels:—

	(billions of dollars)				
	1946	1947			
	Dec.	Mar.	June	Sept.	Dec.
Labour force	58.4	58.4	62.6	60.8	59.6
Non-farm	49.1	48.8	49.7	50.1	50.9
Farm	7.2	7.2	10.4	8.7	6.9
Unemployment	2.1	2.3	2.5	1.9	1.6
Industrial production (1935-39)	182	190	184	186	193

Over the earlier part of the year, in fact, it looked for some time as though the immediate phase of postwar re-equipment was nearing completion, and as though the consumer buying spree of late 1946 would be very difficult indeed to repeat. For a time the trend of commodity prices were uncertain, there was a justifiable caution on the part of industry, and a fairly widespread belief that a deflationary reversal might not be so very far away.

Those who forecast a decisive setback from those pointers, however, proved to be very wide of the mark. Activity was still relatively high, wage advances were still being won, the commodity outlook changed suddenly with later crop news (more particularly for farm products) and the Marshall Aid proposals finally gave a fresh fillip in mid-summer. By late autumn the anti-inflationary proposals of the Federal Government were themselves feeding a rising price-trend. Industry did not fear serious deflationary moves; but it did believe in securing whatever material was available before the reimposition of limited controls. In the new situation, supplies were far from sufficient to equate demand at existing price levels:—

	(billions of dollars; annual rates)				
	1946	1947			
	Dec.	Mar.	June	Sept.	Dec.
Personal consumption	154.9	158.0	162.0	166.0	172.0
Gross private investment	30.4	29.4	29.1	30.4	33.0
Net foreign investment	5.2	8.3	10.5	7.7	8.5
Govt. purchases	28.2	27.4	27.5	28.2	29.0
Gross national product	218.6	223.1	229.1	232.3	242.5
Personal income	187.5	190.9	192.3	200.4	205.3
Personal saving	13.1	11.7	8.9	12.7	11.0
Savings %*	7.8	6.9	5.2	7.1	6.0

* Of net income, after taxes.

Net consumer income reached new peaks, but purchasing power in terms of current prices declined by nearly 8 per cent. Purchasing power was bolstered by the lower rate of savings and by the use of consumer credit (or instalment finance), while bank loans reached new peaks, as business expenditures on plant and inventories outpaced the accumulation of liquid resources:—

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(billions of dollars)

	1946		1947		
	Dec.	Mar.	June	Sept.	Dec.
Expenditures on new plant, etc.	...	12.6	15.7	16.5	17.7
Business inventories	35.4	37.9	38.9	40.2	...
Construction (private)	2.2	1.9	2.2	2.8	3.0
Consumer credit	9.9	10.2	11.0	11.7	13.3
Bank loans	31.1	...	33.7	...	37.7

* Annual rate.

The bank loan figure is for November, and a further rise will certainly mark the close of 1947. In dollar volume bank loans are now far above 1929 peaks.

* * *

Financing Expansion

The Federal budget gave a modest contribution to the anti-inflationary forces:—

	INVESTMENT AND SAVINGS (billions of dollars)			
	1939	1946	1947*	
			(1)	(2)
Domestic gross investment:—				
Construction	4.0	8.5	10.0	11.2
Plant, equipment, etc.	4.6	12.4	17.3	18.0
Inventories	0.4	3.7	2.1	2.5
Foreign investment	0.9	4.8	9.4	8.2
Total	9.9	29.4	38.7	39.9
Financed by:—				
Personal saving	2.7	14.7	10.3	11.8
Retained profits, reserves	8.6	13.3	17.4	17.8
Other receipts	0.5	...	5.4	4.3
Govt. surplus or def.	—1.9	1.4	5.5	6.0
Total	9.9	29.4	38.7	39.9

The Government's cash surplus (which includes the excess of revenues on Federal, State and local accounts) was, however, far from sufficient to curb the inflationary trend. With de-control, and full output, prices and business profits soared (thus bringing the necessary transfer of resources from consumption to investment) as the value of the consumer dollar declined:—

	PRICES, PROFITS AND PURCHASING POWER				
	1946	1947			
	Dec.	Mar.	June	Sept.	Dec.
Wholesale prices (1926) ..	140.9	149.5	147.6	157.4	162.7
Farm products (1926) ..	168.1	182.6	177.9	186.4	196.0
Consumer prices (1935-39) ..	153.3	156.3	157.1	163.8	164.9
(Billion dollars; annual rates; quarterly figures)					
Business profits:—					
1946	15.2	19.4	22.9	27.1	
1947	29.0	27.4	27.4	28.2	
Disposable income per capita:—					
1946	\$ 1,285	\$ 1,284	\$ 1,225	\$ 1,211	
1947	1,194	1,183	1,196	1,188	

The rise in consumer expenditures exceeded by \$3 billion the advance in net personal income, while consumer credits rose by an almost similar amount. The last CEA report suggested that consumers are now using past credits "substantially for general living expenses and medical care," and drew an appropriate moral concerning the future. The proportion of income saved in 1947 was still higher than in the 1935-39 period (4.5 per cent only), but was much below earlier rates.

The pace of business expansion, again, is far higher than that suggested by most postwar estimates, even when full allowance is made for present high rates of profit. American industry closed the war period with a considerable extension of capacity, and most observers assumed that capital investment would be far more cautiously undertaken. Unquestionably many industries (utilities are one example) were developing a deficiency of capacity through the thirties in relation to population trends. A considerable "backlog," too, developed in the war years. It seems reasonable also to assume that, apart from foreign relief programmes which have suggested continuing "floors" for national output, there has been a general disposition to modernise factory processes purely in order to meet rising labour costs.

THE WORLD OVERSEAS

Australia—A New Industrial Power—I

Full Employment and Defence

(From a Canberra Correspondent)

AUSTRALIA is no longer a nation willing to depend entirely on primary production for its national income. The most important effect of the war, which isolated Australia from European protection and made the population rely upon its own resources more than ever before, has been the growth of secondary industries. There is now a waiting list of 30,000 jobs for skilled workers, and textile factories are appealing for women to take part-time work.

The present Government looks largely to secondary industries to provide the jobs to fulfil its "full employment policy." Indeed, the Labour Party's policy for several decades has supported Australian secondary industries. The new emphasis today is upon three factors: first, the shortages overseas of most of the manufactured goods which were previously imported, but which in many cases can be made equally well locally; second, the desirability of maintaining, as shadow defence factories, many of the enterprises established during the war, among them aircraft factories which are building prefabricated houses, household fittings and utensils; third, the urgency, in the Government's view, of "decentralising United Kingdom industry" by dispersing of British industries and population to Australia and other Dominions.

Behind this emphasis is the Government's conviction that industrialisation means secure employment, greater military security and against the uncertain future policy of Asiatic nations and an internal market for primary products in the event of overseas prices falling. This conviction is shared by the principal Opposition party; only the minority Country Party persists with the idea that Australia should remain a rural community.

However, there is no intention to attempt an artificial self-sufficiency, apart from measures to treat the "short-term" difficulties of the current dollar exchange position. The aim is to co-ordinate the industrialisation of Australia as part of the modern industrial world in a way that will promote the flow of goods between countries. Arguments that rural production would fall as secondary industry developed have been destroyed by recent experience. Also, more factories are being opened in larger country centres, counteracting to some extent the congestion of population in the main industrial cities of Melbourne, Sydney and Adelaide. As far as possible immigrant factory workers are sent to factories in the rural areas for the same reason.

Flourishing Industries

Official statistics paint the Australian industrial picture in glowing colours. Between December, 1945, and September, 1947, there was an increase each successive month in the number of persons in factory employment. September figures represented an increase of 30 per cent in private employment since July, 1939, when 1,325,200 were so employed. The greatest rise in employment during September occurred in the metals group, which rose by about 1,200. Other types of production showing an increase were: treatment of mine and quarry products, chemicals, oils, paints, saw-milling and furniture. In the clothing and footwear industry, for instance, the latest complete figures show an output in 1944-45—when demobilisation was still proceeding—of nearly £60,000,000. Since 1934-35 in this industry the average wage per employee has risen from £109 to £196 per annum. The value of production per person has risen from £167 to £320 in the last ten years. Demand for Australian textiles is increasing in New Zealand, India, Canada and in the United States. In fact, the Government has been severely criticised for allowing any exports of such consumer goods while any shortages continue at home.

The Minister for Commerce (Mr R. T. Pollard) has replied that the intention is to develop overseas markets for Australia's secondary products. A network of Trade Commissioners has

been established abroad for this purpose; and, "while local demand is still pressing hard on production, token shipments only will be allowed; but these are essential to retain and build markets abroad."

American wartime help in equipment and technical staff stimulated Australian secondary industry. The results surprised the most sanguine, in quantity and quality. The record includes munitions, explosives and all kinds of guns; special steels for guns; special ferro-alloys for the steels; tanks, ships, aircraft, drugs, optical glass, machine tools and extensive textile production. Among capital undertakings were the Captain Cook Graving Dock in Sydney; the graving dock in Brisbane; and the construction of aerodromes and roads. All this was accomplished while a maximum effort was being sustained in the fighting services.

Future for Iron and Steel

Between the two wars, iron and steel production began to establish the Australian claim to be recognised as more than a huge sheep station. Between 1930 and 1939, when the threat of war became imminent, the production of pig iron—its export to Japan has quite unfairly haunted political meetings addressed by the former Prime Minister, Mr R. G. Menzies, ever since—steel ingots and steel rails increased by between three and four times. Iron and steel look forward to a good future because of high-grade ore, excellent equipment and efficiency. Overseas demand for Australian metals, which have been kept at remarkably low prices, would quickly strip Australia of local requirements. It is the outstanding Australian secondary industry, which is able to compete with that of any other country in the world. It has encouraged the growth of local engineering industries, ship-building—which the present Federal Government is undertaking on a large scale for quicker inter-state trading and defence—and the complete manufacture of tractors and motor cars.

Chemical industries have expanded in spectacular fashion. Plastics, rayon fibre, pharmaceutical products and fertilisers are now Australian-made. The growth of heavy industry has also promoted greater textile production and the establishment of large-scale cotton spinning and weaving, mainly concerned with the coarser kinds of cotton but capable of being turned to lighter varieties.

In its annual report for 1947, tabled in the Federal Parliament towards the end of last year, the Tariff Board, which devotes its whole time to examining individual industries seeking protection and reviewing Australian industrial efficiency, declared that

"in general the competitive position of Australian industry is much stronger than before the war. . . . The small number of cases in which requests for increased protection have been referred to the Board is a good indication of the general position. . . . During the year production cost levels in Australia, the United Kingdom, the United States of America and Canada have continued to rise. . . . If anything, however, the changes have increased rather than diminished Australia's competitive advantage."

This expert opinion guided the Government in the negotiations for the setting up of the International Trade Organisation. The Minister for Postwar Reconstruction (Mr J. J. Dedman) told Parliament

"the Government has every confidence in the ability of Australian industry to withstand the concessions proposed. Price levels in Australia have risen much less than in most overseas countries. This has resulted in Australian industries enjoying greater competitive advantage; and an ability to compete within the shelter of a lower tariff wall. . . . any increase in imports of goods in competition with Australian production is likely to be absorbed by greater demand and consequently not to affect Australian industry. . . . The lower duties on goods which are imported will tend to reduce prices, and this, together with any increased supplies of goods, will be a useful offset to inflationary tendencies in the economy"

(To be continued)

This Marxist doctrine is pure theory in Poland at the moment, however, and it is hard to find more than piety in the hope that it will be put into practice in the neighbourly future.

There is much less disagreement between the two parties on private enterprise, since, in small scale operations, it has proved invaluable in the period of reconstruction. Also, while the Socialists contemplate a large, permanent private sector based on the peasantry, the Communists are equally careful to avoid any suspicion of collective aspirations—at least during this generation—because of the probable virulent reaction.

A more immediate and concrete division has arisen over the Bureau of State Control, a flexible accounting agency whose financial responsibilities give it power to investigate and intervene in any branch of the government and even in co-operative and private business. As it was before the war, it is still responsible only to the President, which, under the two-party agreement, is a Communist post. The Socialists, therefore, want the President to be responsible to Parliament. The Communists vigorously uphold the *status quo*.

Reform of the SEJM

Reflecting their general views on civil freedoms and the advantages of a loyal opposition, the Socialists are also pressing in numerous little ways for fuller and more intelligible debates in the *Sejm* (Parliament). There is a marked tendency at present to restrict public discussion to compliments and withhold criticism to more private reunions. The Socialists favour the development of the British custom of question-time with the corollary tradition of truthful and fairly prompt and complete replies. The Communists consider this excessively dangerous and subversive during the lengthy revolutionary period.

Oscar Lange, who returned from Lake Success to take a very prominent rôle in the Socialist Party—perhaps that of a Polish Professor Laski—is now negotiating this question of the rôle of the *Sejm* with the Communists. There is rather more hope of making headway on this point than on the other controversies, particularly since the flight of Mikolajczyk has left Poland without a single party in open opposition to the government coalition.

On the other hand, Socialists will probably wind up with another face-saving "compromise" in the dispute over Poland's

political youth movement. They flatly rejected intense Communist pressure for the parties to pool their youth organisations and, with the addition of the peasants, to form a single national group which would obviously be dominated by the Communists. A fairly recent Communist proposal will be much more difficult to overcome. It is to establish labour battalions composed of young men conscripted for military service but not needed in the army. The Socialist Party, which has already agreed to a united youth front similar to the united front in the government, will undoubtedly have to accept this plan, but it will try to provide the conscripts with a choice in their political education.

Effect of International Tension

There are, of course, differences of opinion among the top Socialists about just how far collaboration with the Communists should go, but at present it can truly be said that there is unanimity against both extremes of fusion and open break.

An undeniably sincere wish to work in close harmony with the Communist Party exists among the men who lead the Socialist Party, but it would be silly to ignore the fact that this desire is much abetted by iron circumstance. There is no doubt that neither party nor government can long function in Poland today without accepting Soviet Russia as a friend at least, if not as a blood relation. On the other hand, the Socialists have both a tradition and an important mass following to support their arguments. Moreover, the great bulk of the Polish people are firmly anti-Communist and only a little less anti-Russian. The balance between the practical power of the Communists and the greater political popularity of the Socialists hangs on the international situation. The more tightly the lines are drawn between East and West, the more aggressive become the Communists in defence of home territory and the more difficult becomes the position of Socialists, no matter how Left they fly.

Thus, the Polish Socialist policy is to push ahead with social reform while playing for time politically in the hope that international tension will eventually decrease. If it continues to mount, they would not be surprised to discover in a couple of years that they have either been swallowed whole or ripped to pieces.

THE BUSINESS WORLD

The Franc Devalued

LAST Sunday the French Minister of Finance announced the long-expected devaluation of the franc. As had been feared, it was not a straightforward devaluation within the framework of the Bretton Woods agreements but involved the adoption of multiple currency practices specifically forbidden to members of the International Monetary Fund unless applied with its consent. Under the new devaluation the official par value of the French franc has been reduced by 44.444 per cent. As a result, the new official dollar parity is 214.392 francs compared with the previous figure of 119.107 francs, and the corresponding official sterling rate has been raised from 480 to 864 francs. There was, in principle, no criticism of this aspect of the plan. What aroused such keen opposition, both internally and externally, was the simultaneous decision to introduce, as an integral part of the whole scheme, a free market for gold and certain convertible currencies—to be restricted at first to US dollars and Portuguese escudos. French exporters will be permitted to sell in this market one half of the dollar or escudo proceeds of their sales, the other half being sold to the French monetary authorities at the official rate. Only importers of non-essential commodities will be authorised to buy convertible currencies in the free market and their dealings will have to be conducted through an authorised French bank and will have to be covered by the necessary import licences. Imports of essential commodities will, for the most part, still be handled by the French Government and will be transacted at the official rate of exchange. Indeed, for certain bulk imports the Government will continue to use the parities which existed before devaluation, but this decision has a mere accounting significance. The free market will also handle exchange arising from certain "invisible" exports, including sales of dollars and other permitted convertible currencies by tourists. Finally, the free market will be open to receive without question any sales of gold and specified hard currencies which French hoarders may unload.

This two-decker devaluation of the franc, with its establishment of a free market in which specified currencies will be allowed to find their own level, and which will therefore produce foreign currency equivalents that may bear no relation to the parities notified to and agreed by the International Monetary Fund, has been strongly opposed by Britain and rejected by the International Monetary Fund. The French Government, however, was unmoved by this opposition and was prepared to pursue its objective even if that involved withdrawal from membership of the Fund. In fact, France will continue to be a member, although it has undertaken not to exercise its rights to draw on its Fund quota for the time being.

The reasons that prompted this determination on the part of the French Government must presumably have had a strength appropriate to what was at stake in endangering Western European economic collaboration and risking expulsion from the IMF. The reasons so far disclosed, however, do not quite suggest such weight and urgency. The French Government's reasoning was clearly indicated in Sir Stafford Cripps's statement last Monday:

The French Government have as their chief objective the stabilisation of the French economy. The fiscal and budgetary

measures were the first step in this programme. Their next step was to adjust the rate of exchange in order to take into account the rise of prices in France. They regarded it as impracticable at this stage in the evolution of their economic programme to determine a new and fixed equilibrium rate which would be appropriate. Therefore, in their judgment it was necessary that, for a transitory period, part of the convertible currencies coming to France should find its level through the operation of a free market. . . . The French repeatedly made it clear that the proposals are designed as a transitory measure to meet the urgent needs of the moment, and their objective is a stabilisation of the franc on a fixed uniform rate.

Reports from Paris have emphasised the desperate nature of the French gold and dollar reserve position and make it appear that one of the main immediate objectives in establishing a free market for dollars and gold is to remedy this situation by encouraging sales from French hoards, which have been estimated at up to £800 million.

When they were fully acquainted with this case for a free market, the British Government and the International Monetary Fund felt bound to oppose it, although they sympathised with the devaluation of the official rate to a new parity. M Gutt, in a statement issued by the International Monetary Fund in Washington last Sunday, agreed with the French Government that a change in the par value of the franc was necessary, and indicated that the Fund was "prepared to concur in the devaluation of the franc to a realistic rate which would be applicable to transactions in currencies of all members of the Fund." In London the desire to see the franc devalued to a realistic rate—and even to a somewhat undervalued rate, if that were thought to help French interests—has been no less strongly held and expressed. But to accept a free market would condone an undermining of the whole Bretton Woods philosophy, which is based on the doctrine that members shall work to create monetary stability and shall abstain from multiple currency practices.

The British attitude on this issue is based on considerations both of general and of particular interest. It fears, in the first place, the danger of contagion from the French move, causing an extension of multiple practices and of an added impetus towards competitive exchange depreciation. This is the most serious ground for concern, in general European terms, about the effects of France's devaluation. As Sir Stafford Cripps explained, the British Government feared the possible effect upon Western European economic and political co-operation and stability that might be brought about by the French proposals. It was this fear which induced him and his imposing retinue of experts to fly to Paris on Friday last week to try to persuade the French Government at the eleventh hour to think again.

But apart from these questions of general stability there are some specific British interests at stake. It is evident that the creation of a free market in Paris will lead to "cross rates" in which sterling will find itself quoted at a discount on its official parity against the convertible currencies quoted in the free market. The original French intention was to allow quotations for all foreign currencies in the free market, but in deference to the wishes of other countries and particularly to

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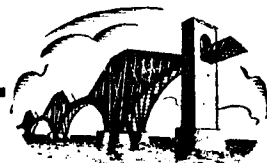
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those of Britain, the free market quotation has been restricted for the time being to dollars and escudos. Even so, the free market provides the basis for calculating cross rates between sterling and other currencies, and they might be far less flattering to sterling than an open quotation for sterling on the free market. The psychological effects of the discounts at which sterling will be quoted may be serious. It is one thing to have sterling quoted at a discount in a market for bank notes which rests on a "double-smuggle," or in a market for blocked sterling available only for reinvestment in sterling securities. But it is quite another thing for this discount to arise from commercial rates which result from the transaction of a substantial volume of trade. Inevitably, other countries will look at the sterling cross rate and take it as a reflection of the true value of sterling against the dollar, and by doing so they will tend to undermine confidence in the official rate for sterling. It remains to be seen whether views thus formulated about the future of sterling will be outweighed, in the minds of people abroad, by protestations such as those of the Chancellor of the Exchequer this week. He asserted in the House of Commons that Britain does not contemplate taking any action to alter the rate of sterling in relation to other currencies, as we do not believe that this will be rendered necessary or advisable."

There is every reason to accept this statement as an unequivocal declaration of intentions. Whatever the ultimate fate of sterling may be, all the arguments at present are against any change, and the direct consequences of France's action do not alter the position. But when that is said, the psychological influence of an important free market in Paris may acquire direct practical significance if it causes non-sterling countries, with which Britain has to negotiate payments and monetary agreements, to be less willing than they otherwise would be to hold sterling balances. The French initiative, therefore, might in due course create serious handicaps to the increasing use of sterling in financing multilateral trade in Europe.

Apart from this psychological factor, the existence of differential rates in Paris is bound to cause far greater temptations for contravention of French and other exchange control regulations. Indeed, some of the disadvantages to Britain may proceed from perfectly legal transactions. Under the new ordinance there will, for example, be a constant temptation for French merchants and manufacturers to over-import materials for which they pay in sterling at the official rate in order to re-export the surplus to hard currency countries whose convertible currencies they will, in part, be able to sell at inflated prices in the free market. To Britain, any development of a French entrepôt trade of this kind would mean the direct loss of hard currency income, since re-exports by France would tend to replace direct exports from the sterling area to the hard currency countries concerned. Admittedly, this risk can be safeguarded by a further tightening up of export licences and

by restricting the flow of trade from sterling currency areas to France's essential home requirements. But this adds another important item to the tally of regret about the French decision.

Finally, although sterling will not be quoted in the free market in France, can it be doubted that the toleration of that free market will encourage the development of black markets in all the non-specified currencies, including sterling? It should, of course, be possible to prevent leakages by the effective control over sterling held in French accounts. But it must not be forgotten that the area of control is extremely wide, for it includes the whole of the French monetary area and the whole of the sterling area. It is at the peripheries of these areas that leakages may tend to occur, both in financial and commercial transactions; it follows, therefore, that the necessary task of tightening up the machinery of control will be formidable.

The test of the French case rests on the future—and it is likely to be the very near future. It remains to be seen how far the free market will attract dis-hoarded gold and dollars, or, conversely, how far the rates which will be quoted in that market will further undermine confidence in the franc and redouble the tenacity with which French hoarders have clung to their dollars and gold. Again, how far will the French economy succeed in sheltering itself from the repercussions of both the official and the "upper deck" devaluation and in preventing prices, wages and costs from overtaking the advantages of currency depreciation? If these objectives can be satisfactorily reached, France's monetary policy may prove justified. But there is ample ground for doubt on both scores.

No discussion of this tense episode in the monetary relations of France with her neighbours and with the International Monetary Fund can ignore the friendly spirit in which the negotiations were conducted and in which the agreement to differ was reached. France remains a member of the Fund and is pledged to use the chosen devices only as a short-term makeshift. The ultimate objective is still to return to a single official rate. Nor do these events mean that France has drawn aside from the Western European nations.

Although the points of view of the two governments on the method to be adopted in this matter did not coincide, the conversations which took place, both in London and in Paris, have made clear the frank and intimate character of the relations existing between the two countries. . . . Whatever the differences between the French and British points of view the two governments wish to continue their close co-operation in order to ensure that any measure which may be considered necessary in these new circumstances will have only a minimum repercussion on the commercial relations between the sterling and franc areas.

On this score the joint communique issued by the British and French Governments after the devaluation of the franc says all that need be said.

Nationalisation of Gas

THE Gas Bill, which was published at the end of last week, is the only nationalisation measure of the present session. It completes what Mr Shinwell once described, in an unguarded moment, as the "trilogy" for fuel. Coal has been publicly owned for a year, and it will not be long before electricity is taken over under the Act passed last year. With these precedents on the Statute Book, it is hard to generate much excitement over the principles of the Gas Bill. It has fewer political overtones than the Coal Industry Act, and technically it is less complex than the Electricity Act. Moreover, gas is the only industry on the Government's programme for nationalisation which has lately been examined by an independent body.

The Bill is in line of descent from the Heyworth Report, though there are some differences of consequence. It proposes, for instance, to set up twelve area boards, and not ten, though it does not depart from the principle laid down in the Heyworth Report that each area should have as its nucleus at least one large urban and industrial district. The Greater London area, which the Heyworth Committee proposed, has been reduced to a North Thames area—probably wisely, for the area originally proposed would have included more than one-fifth of the total population of the country.

Apart from the interlinking of gas mains in the important centres of population and of coke production, gas is largely a localised industry. Well over 1,000 statutory and non-statutory undertakings will be taken over under the Bill. The Heyworth Report showed that they vary in size from those supplying single villages to the Gas Light and Coke Company, which itself accounted for 12 per cent of the industry's total sales. The structure of the industry, as the Heyworth Committee found it in 1944, is illustrated in the table in the adjacent column.

The non-statutory companies—one-third of the total undertakings in the industry—supplied a mere 2 per cent of the industry's total sales. There are 269 local authority undertakings which supply rather over one-third of the total sales. And of all the undertakings in 1944, as many as 264 were under holding company control.

These figures show that, apart from the giants, the gas

industry consists of a large number of modest local undertakings. With such a diverse structure, a considerable degree of regional autonomy is essential as a basis for public ownership. Gas is not, in the same sense as coal, a national problem; nor is it characteristically divided, as electricity is, between the wholesale production of power and its retail distribution. The Bill recognises this technical fact by a greater measure of decentralisation

STRUCTURE OF THE GAS INDUSTRY

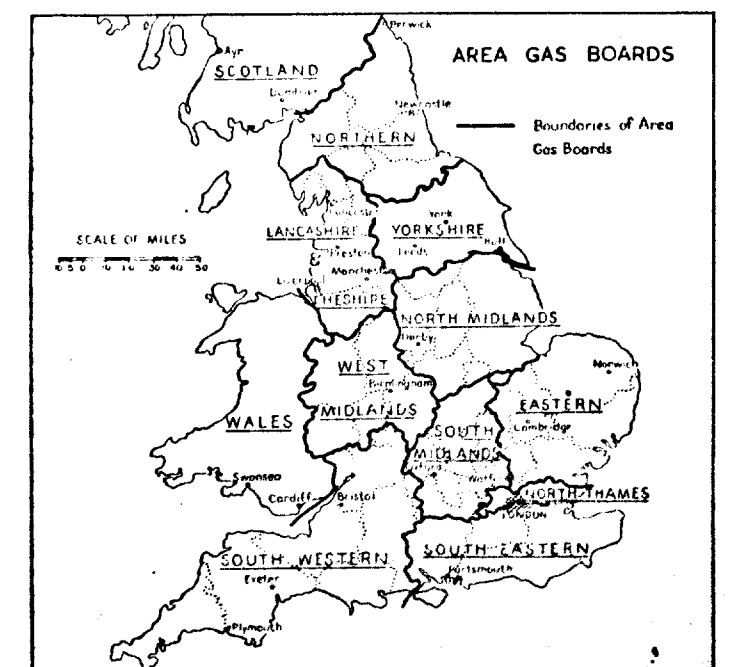
Form of Ownership	Number of Undertakings	Percentage of Total Sales of Gas in 1944
<i>Companies:—</i>		
(1) <i>Independent</i>		
(a) Statutory	245	50.4
(b) Non-statutory	264	1.6
(2) <i>Under Holding Company Control:—</i>		
(a) Statutory	161	10.6
(b) Non-statutory	103	0.6
<i>Local Authorities</i>	269	35.7
<i>Joint Boards</i>	5	1.1

and regional independence than has yet been seen in other nationalisation measures. The Area Boards are given prominence; each of the twelve will have the statutory duty to develop and maintain an "efficient coordinated and economical system of gas supply" and to secure "the efficient and economical production of coke," in conjunction with the National Coal Board. Each Area Board will consist of seven to nine members, including the chairman of the Gas Consultative Council for the area; the Bill does not state whether any of these members may hold part-time appointments, and all are to be appointed directly by the Minister.

Each of the twelve Area Boards will have sole responsibility for fixing tariffs, subject to its general duty to earn a profit "taking one year with another." Thus, in their trading policy, the Area Boards will have complete independence; and there will not necessarily be any uniformity of charges—or even of charging principles—among them. The main safeguard for the consumer will reside in the Gas Consultative Councils, which

GAS COMPANIES							
Company	Stock	Prices			1948 Jan. 25 (b)	Compensation Value	Latest Price (b)
		High (a)	High (a)	Low (a)			
OPERATING COMPANIES							
Barnet Dist. Gas & Water	Ord. (7% max.)	160	163	145	150	162 1/2	150
Bournemouth Gas & Water	Perp. 4% Deb.	98	115	97	102	104	102
Bristol Gas	Gen. Cap. Stk. (5% max.)	113	118	98	109	118	112
British Gas Light	Ord.	135 1/2	129	112	125	133	126
Commercial Gas*	Ord.	78	92	78	91	82 1/2	82 1/2
Croydon Gas*	Max. Div. Stk.	104	107	90	101	108	102
Derby Gas Light & Coke	Cons. Ord. (5% Standard)	137	146	135	137	140 1/2	134 1/2
Gas Light & Coke*	Ord.	23 1/4	23 7/8	19 5/8	23 3/8	23 3/4	22 5/8
Liverpool Gas	Ord. (5% Stk.)	123 1/2	122	105	122	127 1/2	121 1/2
Newport (Mon.) Gas	5% Perp. Deb.	109	110	108	117	118 1/2	112 1/2
Sheffield & District	Consolidated Stk.	140	142	123	132	149	142
South Metropolitan*	Ord.	105	100	85	99	92 1/2	93 1/2
South Suburban	5% Perp. Pref.	117	115	102	107	114 1/2	107 1/2
Swansea Gas	5 1/2% Red. Pref.	109	105	100	99	107	100
Tottenham & District	5% Pref.	132	114	102	107	114 1/2	108 1/2
HOLDING COMPANIES							
Associated Gas & Water	Ord.	18 7/8	21 5/8	18	21	23 5/8	22 5/8
Gas Consolidation	4% R. Cum. Pref.	19 1/2	21 5/8	19 5/8	19 5/8	20 1/8	18 5/8
Severn Valley Gas	4 1/2% Cum. Pref.	20 9/16	22 5/8	20 3/8	21	21 11/16	20 9/16
South Eastern Gas*	Ord.	23 1/2	22 5/8	19 5/8	22 5/8	22 7/8	22 3/8
United Kingdom Gas	3 1/2% Deb. Red.	98	107	96	97	99	93 1/2

(a) Prices of actual transactions marked in the Official and Unofficial lists. (b) Middle Price. * Companies which may be eligible for additional compensation (under Clause 25 of the Gas Bill) in respect of sales losses due to war damage or the transfer of population arising from the war.



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for Germany manage to be co-operative only after long and arduous effort; and then disagreement seems to spring up naturally and luxuriantly on any point which has not been the subject of detailed examination.

The latest instance concerns the vexed question of reparations. In the last year, slowly—very slowly—but steadily, the Potsdam policy of dismantlement has continued, with 25 per cent of the machinery earmarked for Russia and the rest allotted to the countries covered by the agreement setting up the Inter-Allied Reparation Agency (IARA). This body, broadly speaking, represents the interests of the Western Powers, but—rather inconveniently from their point of view—includes Yugoslavia and Albania. In the spring of 1946 the Americans, for a time, refused to make any new allocations to Russia from their zone until the Russians fulfilled their obligations under the Potsdam agreement. The British did not follow suit. Deliveries to Russia continued and pressure was put upon the Soviet Government to ensure that they in return fulfilled their part of the reparations bargain, according to which food and raw materials to the value of 15 per cent of the deliveries from the West should be dispatched from the Eastern Zone. Such was the position at the time of the London Conference.

Immediately after its breakdown Mr Marshall threw out the hint that America would again consider stopping all reparations to Russia. But almost simultaneously the Russians announced that they were ready to begin their deliveries of the promised raw materials. This conjunction places the British Government in a very awkward predicament. The interests of the Marshall Plan and the desirability of keeping in step with America suggest that the British should follow the American lead. The interest of the IARA countries in receiving their share of the reparations now to come from the Russian area pushes them towards the continuance of reparations deliveries to Russia. It is an unwelcome predicament, but at least it should explode once and for all the idea of a concerted Anglo-American strategy in Germany.

Mr Isaacs Spreads his Net

Details of the Registration for Employment Order—more popularly known as the “Spivs and Drones” Order—issued by the Ministry of Labour this week, suggest that Mr Isaacs is spreading his net far and wide without any very clear idea whether he will catch a minnow or a whale. The Ministry cannot give any estimate of the numbers who will register under any of the three categories—the street traders, employers in betting and gambling undertakings, night clubs and amusement arcades, and the “not gainfully employed or occupied.” The potential number of registrations under at any rate the third of these headings is enormous, but the numbers likely to become available for useful productive employment are surely very small. In any case, a number of convenient loopholes are provided which the inveterate spivs and work-dodgers will be quick to use.

A barrow boy must register if he has a regular site in a street market, but if he moves up and down the street knocking at door to door he will be exempt. A poet or a free-lance journalist who can prove that he is “spending 30 hours a week in writing with the intention of selling” need not register, but an actor who is “resting” must apparently conform. People who are doing voluntary work must register, but if they are doing useful work for 30 hours a week they will not be called upon to take up other work. Those who can think of a good reason why they should not work at all, and can persuade the Ministry of Labour officials—or, in the case of women, the special Women’s Panels—will be left alone.

An enormous and altogether unfair responsibility is being placed on the Ministry’s local officials, both in the interpretation of the Order and in any action following registration. How can an employment exchange manager determine who is, or is not, a genuine writer, and why should a 30-hour week be the criterion? And even if a man cannot, or does not wish to, sell his work, why should he be disturbed? The impression is left that a vast administrative façade is being set up, for what is mainly the window-dressing purpose of satisfying the TUC that there will be genuine “equality of sacrifice” and that the “idle rich” as well as the manual workers are being subjected to labour control. An unattractive aspect of the whole business is the encouragement which may be given to unofficial snoopers and informers. The Ministry of Labour itself has no direct means of checking up on registrations: it does not intend to invoke the aid of the police, but however much it may disclaim the desire to encourage informers, it cannot very well ignore representations it may receive from any quarter.

Newsprint and Newspaper Prices

The price of British newsprint is to be increased by another £9 a ton next week. The reasons given are the general rise in all costs, but particularly of British coal and Scandinavian wood pulp. The particular interest in this increase lies in its effect on the press. Will it tip the balance against the continuance of the penny press at a penny? This last increase, following a rise of £7 last July, brings the total price per ton to over £48 compared with £11 10s. in 1939. To have kept the selling price of most of the papers at the pre-war figure in the face of such an increase in costs is quite an achievement; and if it is continued it will eat into profits very severely.

Fortunately for the public three forces are operating against an increase in the price of the national dailies. The first is the need for unanimity: no one paper is going to be so suicidal as to take unilateral action in raising its price. The *Daily Express* and the *Daily Mirror*, the competitive pace-makers of the last decade, are well enough content with the present price, and the rest must follow suit. But some of the others would like to go to 1½d.; some (of which the *Daily Herald* is said to be one) because they have difficulty in making ends meet, others (for example the *Daily Mail*) because of their responsibilities to their numerous public shareholders.

The second factor making for stability is the very smallness of the coins for which a British newspaper sells. An increase of a halfpenny is the smallest that is practicable (there are not enough farthings in the country to make a price of 1½d. possible). But an increase of a halfpenny would be an increase of 50 per cent and it would provide far more revenue than is needed at the moment. It would therefore certainly bring an enormous number of complicated readjustments in its train—in particular, further demands for still higher wages—which would inflate the level of costs to a degree that cannot be permanently sustained. And thirdly, so long as the papers are restricted to four pages, the burden of dearer newsprint is at a minimum, while the competition for such advertising space as is offered is so keen that advertisers will pay high rates. For the present the national dailies will probably stay at a penny. But the issue will arise again in an acute form as soon as there is sufficient newsprint to permit the popular dailies to expand to six or eight pages. Dearer newspapers will then be inevitable if newsprint is then selling at anything like today’s prices. Meanwhile almost every day brings news of increases among the more expensive dailies, the weeklies and periodicals. Some of the Sunday papers rose to threepence in the summer and the *Financial Times* succumbed on January 1st. Others are following suit. *The Economist* has no intention of increasing its price—at present.

BEA’s First Year

In the first eight months of their Continental operations and the first two of their internal flying, British European Airways have lost £2,157,937. Giving these figures last week, the first annual report showed with depressing clarity the perverse and difficult conditions that caused them. In the Corporation’s formative period a heavy initial outlay with but little return was expected. But it has proved heavier than anticipated. About three-quarters of the staff had had no previous experience of work in civil airlines: technical training of aircrews cost nearly £600,000. Accommodation was difficult to find and inconveniently sited: the supplies depot had to be extended over a widely dispersed area some 20 miles from the main engineering base. This has meant a dissipation of effort, increased rentals and communication costs, and waste of working time—all of which have added to operating costs.

Nor has the Corporation been fortunate in technical matters. Sometimes nearly a quarter of the Dakotas, which formed the backbone of its Continental fleet for most of the period under review, were grounded through lack of spare parts. A reasonable supply was finally assured by the establishment of a buying office in America; but this increased their cost by 50 per cent. The eagerly awaited Vikings had to be grounded only three months after their introduction. They stayed on the ground beyond the period under review. Navigational aids were generally inadequate to meet the Corporation’s standards of safety, and three out of every ten Continental flights scheduled for February and March were cancelled as too dangerous. On those completed, extra fuel was carried to provide an ample safety margin—but at the expense of the payload and, consequently, of revenue. Seats reserved for VIPs, which were not cancelled early enough to permit their resale, cost £26,000, irrecoverable duties on fuel £14,900—they are expected to be £100,000 in a full year—landing fees £36,398—

they are so high in the UK that short routes are made “quite uneconomic.”

The list seems endless. Yet such disadvantages had been foreseen. To meet them the Civil Aviation Act provides for a loss of not more than £10,000,000 for each of the first two years of the Air Corporations’ existence. It had been obvious for some time that their first year’s deficit would not be less than this sum. Admittedly the present economy drive underlines its size, just as the dispute about the Tudor focuses attention on the whole organisation of British civil aviation. But to show undue concern at a deficit different only in degree from that expected and to hint of revolutionary changes in organisation appears unnecessary. The amalgamation of the three Corporations into one would, of itself, be of no advantage. The special requirements of each would have to be duplicated in separate divisions of the larger body. And it is extremely doubtful whether the financial benefits would be large enough to offset the loss of individuality and the spirit of emulation encouraged by the existence of separate Corporations. Yet this is not the main issue. So long as the Corporations—or, for that matter, a single Corporation—are the chosen monopoly instrument of the British Government, commercial considerations are liable to yield to political. The introduction of modern machines should reduce costs. But the situation will always be potentially uneconomic.

Ex-King Michael

The abdication of King Michael has made Rumania a “People’s Republic,” bringing it formally into the same category as Yugoslavia, Albania, Bulgaria and Mongolia, the “most progressive states in the world after the USSR.”

The wartime Allies owe a great debt to King Michael for one of the decisive actions of the war. On August 23, 1944, he made his country break with the Axis. Thereby he opened the German south-eastern front to the Russians and shortened the war by many months. But he also ensured that the whole of Central Europe would be “liberated” by Soviet, and not Anglo-American troops. Marshal Stalin showed both a deep historical understanding and a pretty sense of humour when he awarded the king the highest Soviet decoration, the Victory Order. For King Michael’s brave blow at the Germans who were exploiting his country set in motion the Sovietisation of Eastern Europe which has now driven him from his throne.

The abdication is only a formality. The *Gleichschaltung* of Rumania was completed two months ago, when Mr Maniu was sentenced to life imprisonment, and when the non-Communist parties in the Government (Socialists and Liberals) lost the last remnants of independence. For two years King Michael has had no power. His formal opposition to the Groza Government had to be abandoned when the Western Powers recognised it early in 1946. Even his personal household had long been filled with men considered “safe” by the Communist Party. So his position has been equally embarrassing to himself and to the Communists.

The decision to abdicate was announced suddenly, without any of the anti-monarchy propaganda which was used before the proclamation of a republic in Yugoslavia and Bulgaria. It may be hoped that the regime will now have the decency to leave him free to go where he will and marry whom he wishes.

Though not affecting the real balance of power in the country, the abdication will greatly depress the average Rumanian, who still saw in the King the symbol of a national independence which he could not admit to himself had utterly disappeared. The leading figures of the regime are now the Foreign Minister, Anna Pauker, and the War Minister Emil Bodnarash. Mrs Pauker is a Polish Jewess who, while in exile in the Soviet Union in the thirties, denounced her husband as a Trotskyist and has never looked back since. Bodnarash is a former Rumanian regular army officer of Ukrainian extraction, who fled to Russia when his work as a Communist agent in the army was discovered, and who has directed for the last two years the Special Security Service, Rumania’s second and most secret political police. He will doubtless use his position to speed up the recruitment of Rumanian volunteers for the Greek rebel forces, for which propaganda has been conducted in Bucharest for some months.

Question for the Commonwealth

In their decision to appeal to Uno against Pakistan over the Kashmir conflict, the Indian Government are fully within their rights as a Dominion. It is nevertheless surprising that the dispute should be brought before Uno without any serious attempt

to find a solution within the limits of the Commonwealth. The situation in the world being what it is, the Indian appeal to Uno, whatever its result, is only too likely to involve Indian affairs in the whirlpool of current Great Power rivalries and to afford certain nations a golden opportunity for fishing in troubled waters. It is indeed deplorable that there exists in the Commonwealth no machinery for dealing with disputes between its members, which could be used as a means of settlement within the family before appeal to Uno is made as a last resort.

It may be granted that any kind of compulsory British jurisdiction, like that formerly exercised by the Judicial Committee of the Privy Council, is unsuitable for countries as new to Dominion status and as jealous of their independence as are India and Pakistan. But some attempt might have been made to set up a system of arbitration in Commonwealth affairs, with panels drawn from all the Dominions. A body with an Irish chairman, for example, might inspire in members of the Congress Party a confidence which they cannot yet feel able to extend to the departed British Raj. A Commonwealth arbitration system need not in any way reduce the independence of the Dominions, but it would greatly diminish the risk of loosening Commonwealth ties, which must result from public displays of mutual abuse and manoeuvre in the larger international arena. Kashmir is not the first, and is not likely to be the last, issue that to confound the Commonwealth in the eyes of the world, if no attempt is made to remedy the present state of affairs.

Local Government in Committee

Mr Bevan has so far defended his Local Government Bill with considerable skill during its progress through standing committee. The chief bone of contention, up to the time that Parliament adjourned, has been whether the new equalisation grants of £33 million to local authorities will be enough and will be fairly distributed. The Opposition has urged a rather indiscriminate generosity on the Minister. The Bill provides that the total sum payable shall not fall; but one suggestion, rightly rejected, would have given the Minister power to raise it by any amount at his own discretion. An attempt to increase substantially the transitional grants, which are payable for five years only to the richer local authorities to ease the Bill’s impact on them, was stiller still. Now, when state expenditure needs curtailing, is emphatically not the time to pump extra money into the pockets of local councils. The Bill already meets their immediate needs by confirming a total net relief to the rates of about £38 million.

However, it is true that this relief is only temporary, and that as the cost of education, fire and other local services rises, fresh Exchequer aid is likely to be unavoidable, and probably the best way to give it will be in the form of higher equalisation grants, which amount to a much smaller percentage of local authority income than did the discarded block grant. But it is difficult to legislate now for this future contingency. It is wiser on the whole to wait and see how fairly the new system of grants operates and what happens to the general structure of local government, which even Mr Bevan now admits to be in for drastic changes.

The fairness of the equalisation grants will depend almost exclusively upon the degree of rating uniformity throughout the country which the coming revaluation attains. Factors other than that of rateable value will in future be of very minor importance in settling the distribution of Exchequer aid. For the next few years, until the new valuation lists are ready, there will be much unfairness in the distribution of the new grants because of grave local distortions in existing rateable values. How completely the distortions will then be eliminated remains to be seen.

Mr Bevan Speaks too Soon

It was unfortunate for Mr Bevan that in his Christmas Eve message to the National Federation of Building Operatives he should have committed himself to the statement that “The rate at which permanent houses are being completed is increasing...” when a week later the Housing Returns for November [Cmd. 7288, 7289] showed a slight decrease—from 15,445 houses in October to 15,203 in November. The decrease is itself small, but it is disappointing when so much effort is supposed to be going into accelerating the rate of completions, and so many houses are on the eve of readiness.

In another place—in the House of Commons debate on December 18th on the cuts in the investment programme—Mr Bevan

steel office of the bizonal economic administration, which in turn will get the bulk of it from commercial dealers.

Negotiations with the bizonal iron and steel office, designed to secure eventually a million tons of commercial scrap, were begun early last year. They are going on in Frankfurt still, and have borne only disappointing fruit so far. A contract for the delivery of 100,000 tons of commercial scrap in the first quarter of 1948 was signed at Frankfurt in December. Doubts have arisen, however, about the fulfilment of even this instalment. German objections have shifted from the price to the needs of German industry for scrap, and thence to the difficulty of getting the German commercial scrap dealer to deliver supplies.

Absurd though this is (for the quantity of scrap steel awaiting removal in the Ruhr towns and factories is fantastic), it is an objection not easy to meet in the present state of the German economy. It should be demonstrable to the German administration that the sale of scrap to Britain—since, under the Anglo-American agreement of December, Britain must pay either in dollars or in commodities—is in the German interest. To persuade the German scrap dealer that it is in his interest is not so easy. The sterling price now offered is handsome, but he does not get the sterling price; he is paid in overvalued marks. He gets a sterling bonus of 10 per cent, half to be expended for the benefit of his firm and half for the benefit of his workpeople; but the remainder goes into the bizonal foreign exchange account. The bonus has not yet shown itself to be a powerful inducement. German scrap dealers, like other German traders, do not seem to want to sell for export.

When this difficulty is surmounted there will be others. Shortage of food creates a shortage of effective labour. Cutting equipment is scarce in the Ruhr; so are railway trucks. If it is added that the new price of £6 10s. a ton at the German port will mean £9 to £9 10s. a ton delivered to the British steelworks, it will be seen that there is the strongest case for maintaining the collection of British scrap at the highest possible level.

Cotton Wages and Output

The increase of 7s. 6d. a week for adult weavers in the cotton industry, though less than the 10s. rise sought by the union, was expected. Spinning operatives had recently secured an increased minimum wage, and the shortage of manpower in the industry provided the unions with a strong case for making the industry more attractive to recruits. The increase is to be regarded as an interim measure, pending the conclusions of the Moelwyn Hughes committee on the revision of the wages structure. There is other evidence that the level of wages in the cotton industry has by no means become stable. In the spinning section the Aronson agreement, which came into force only on January 5th, cannot yet be said to be working satisfactorily. In many mills there were some workers who were already getting pay equal to or beyond the new rates. They are naturally among the more experienced workers. While the lower-paid workers have been given increases, these have not; and the resulting discontent has caused some stoppages of work. The card-room workers' union complains that the employers' association has sent out a circular urging employers not to pay more than the new list rates, and that in consequence "many workers" have had no benefit from the Aronson agreement. The employers, whose main concern is to prevent the dispute spreading into a new general wages claim, maintain that only a few workers are concerned. Negotiations on this subject were resumed in Manchester on Thursday.

What effect will these wage movements have on the industry's costs and on its ability to export? The industry has put in applications to the Board of Trade for increased price margins to offset the wage increases, and the Board has now granted an increase of 5 per cent in spinning and doubling margins. Whether the markets for cotton goods will stand higher prices in general may perhaps be doubted. Mr. Wilson and Mr. Isaacs, who met representatives of the two sections of the industry in London this week, impressed upon employers and employed the need to increase output, raise efficiency and reduce costs. Wage increases will only make difficulties for the industry unless they are followed by improvements in efficiency. It does not seem, however, that any concrete plans to raise output emerged from the meeting, although both sides pledged their co-operation in any measures the Government might take to this end. The most urgent need is to increase and stabilise the labour force, for although recruitment has improved since the Control of Engagement Order, it is still insufficient to offset wastage. Plans for increasing manpower include the introduction of more European voluntary workers.

It was also agreed to continue overtime working, but the industry shows no inclination to adopt this universally; only about one-third of the mills are now working overtime. There are hopes that by the spring, when the physical difficulties are less, an extension of overtime will be possible.

Italian Debt Service

The undertaking given by Italy in the Anglo-Italian financial agreement last April to resume interest payments on prewar Italian debts due to Britain is at last to be implemented. Full arrears are to be paid in sterling on bonds and coupons up to September 15, 1948, of the £1,119,340 outstanding Maremmana Railway 5 per cent bonds, 1862, £562,600 outstanding 7 per cent Credit Consortium for Public Works, 1927-47 issue, Adriatic Electric Company 4½ per cent 1933-83 bonds, and the "A" and "B" series of the Royal Sardinian Railway Company 3 per cent issues, of which a total of £562,960 is outstanding. Notice will be given of the dates when coupons will be payable.

The agreement is welcome, though after the generous treatment afforded to Italy under the agreement a much more expeditious settlement might have been expected and some explanation offered for the nine months' delay. It has certainly not been on account of any lack of sterling balances, which are at present in the region of £35 million.

It is clear, however, that Italy's sterling creditors have had to take second place in the queue, which has been headed by dollar bondholders. In a reference to the provision of interest after September 15th, the president of the Italian Trade Delegation has informed the Council of Foreign Bondholders that it will be "a matter for negotiation directly with the bondholders' representatives, with the reservation that sterling bonds cannot receive better terms than those recently offered to holders of Italian dollar bonds." This proviso emanates directly from a clause in the settlement with the dollar bondholders which precluded the granting of any better treatment to other Italian creditors than the terms of the new 30-year dollar bonds—which bear interest of 1 per cent for the first three years, 2 per cent for the fourth and fifth years and 3 per cent thereafter, with a 1 per cent sinking fund operating from 1952 onwards. Even granted that American interim aid to Italy is the main pillar of its economy and that Italy has difficulty in meeting the service on its dollar debt, the submission by the British authorities to this limitation on subsequent interest payments in respect of the sterling debt seems questionable.

"Unvalued Securities"

This week the Transport Arbitration Tribunal has met for the first time to consider the submissions of the Transport Commission about the value for compensation purposes of four canal stocks in the "unvalued list." This list includes some 80 railway and canal securities whose value for compensation could not be determined directly by stock exchange prices; those in the "valued list" were taken over on January 1st, and have been compensated by the appropriate amounts of Transport Stock.

The "unvalued stocks" have occupied a particularly invidious position since the beginning of the year. They represent rights to an amount of British Transport Stock which cannot be determined until the Arbitration Tribunal has examined the submissions of the Transport Commission and after holders of the securities have had an opportunity of being heard. The Tribunal was set up in August last year, under the chairmanship of Mr C. Montgomery White, KC, with Mr B. G. Catterns and Sir Russell Kettle. But since the Tribunal could not move until the Commission had made its submission in each case, the responsibility for any delay in the settlement of outstanding claims for "unvalued stocks" plainly cannot rest with the Tribunal, which has made a prompt start with the first cases, though it will not, apparently, be called upon to sit again for some weeks.

The chairman of the Tribunal, in a letter to *The Times*, has made a point of some importance regarding the price at which Transport Stock will be reckoned for the purpose of compensating these delayed claims on the "unvalued list." This is not, admittedly, a matter in which the Tribunal is directly concerned, but the chairman has expressed the view that there seems to be no ground for the apprehension (or hope) that the Treasury may effect the exchange of the "unvalued stocks" into Transport Stock at the market price of the latter at the date of issue. The date of the transfer—that is, January 1, 1948—is to be treated as the date of issue of the Transport Stock which is exchanged. In other words, holders of "unvalued stocks" will eventually

LLOYDS BANK

LIMITED

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



Statement of Accounts

31st December, 1947

LIABILITIES		£
Paid-up Capital	...	15,810,252
Reserve Fund	...	12,000,000
Current, Deposit, and other Accounts	...	1,072,704,607
Acceptances, Endorsements, etc.	...	51,992,143
ASSETS		
Cash, in hand, with Bank of England and Reserve Bank of India	...	91,138,942
Balances with and Cheques on other Banks in the British Isles	...	44,916,717
Money at Call and Short Notice	...	79,183,500
Balances with Banks abroad	...	5,890,696
Bills Discounted	...	148,205,670
Treasury Deposit Receipts	...	230,500,000
Investments at or under Market Value	...	282,511,053
Investments in Subsidiary and Auxiliary Companies	...	4,079,312
Loans and Advances	...	192,308,392
Other Assets and Accounts	...	14,892,650
Bank Premises	...	6,887,927
Liabilities of Customers for Acceptances, &c.	...	51,992,143

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1947

LIABILITIES		£
Capital paid up	...	£9,479,416
Reserve Fund	...	10,000,000
Current, Deposit and other Accounts	...	755,797,248
Liabilities for Acceptances, Endorsements, Engagements, etc.	...	23,636,803
ASSETS		
Coin, Bank Notes and Balances with the Bank of England	...	£63,860,407
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	...	33,278,149
Money at Call and Short Notice	...	76,409,000
Bills Discounted	...	83,780,780
Treasury Deposit Receipts	...	166,000,000
Investments	...	160,349,686
Advances to Customers and other Accounts	...	185,160,496
Bank Premises	...	6,433,146
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	...	23,636,803
GRAND TOTAL		£798,913,467

Head Office: 15, Bishopsgate, London, E.C.2.

COUTTS & CO. Affiliated Banks GRINDLAYS BANK LIMITED.

Williams Deacon's Bank Ltd.

(Member of the London Bankers' Clearing House)

GOVERNING OFFICE:
MOSLEY STREET . . . MANCHESTER

PRINCIPAL LONDON OFFICES:
20 BIRCHIN LANE, E.C.3 - 9 PALL MALL, S.W.1

Over 200 Branches throughout London, Lancashire, Yorkshire, Cheshire, Derbyshire, Staffordshire and North Wales.

CAPITAL ISSUED	...	£8,125,000
CAPITAL PAID UP	...	1,875,000
RESERVE FUND	...	1,500,000
CURRENT & DEPOSIT ACCOUNTS	...	106,673,825
CASH IN HAND and at BANK OF ENGLAND	...	9,278,415
BALANCES WITH, and CHEQUES IN COURSE OF COLLECTION ON, OTHER BANKS in GREAT BRITAIN & IRELAND	...	6,783,422
MONEY AT CALL & SHORT NOTICE	...	12,078,852
BILLS DISCOUNTED	...	6,628,531
TREASURY DEPOSIT RECEIPTS	...	22,500,000
INVESTMENTS	...	32,852,320
ADVANCES	...	19,128,819

31st December, 1947

Associated Banks:
The Royal Bank of Scotland; Glyn, Mills & Co.

NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1947.

LIABILITIES		£	£
CAPITAL AUTHORISED—			
"A" Stock	...	423,345	
"B" Stock	...	2,276,655	
			2,700,000
CAPITAL PAID-UP—			
"A" Stock	...	423,345	
"B" Stock	...	2,276,655	
			2,700,000
SHARE PREMIUM ACCOUNT	...		924,000
RESERVE	...		1,100,000
PROFIT AND LOSS ACCOUNT—			
Balance at Credit	...		263,302
			4,987,302
DEPOSITS Secured and Unsecured, Contingency and other Accounts, and provision for accruing expenses (Including Liabilities of £126,748,072 secured on certain assets of the Company.)	...		128,333,697
FINAL DIVIDEND, less Income Tax	...		74,250
CONTINGENT LIABILITY—Bills Re-Discounted (excluding Treasury Bills) £9,611,758.	...		
			£133,395,249
ASSETS		£	£
CASH AT BANKERS	...		1,638,081
INVESTMENTS—			
British Government and Colonial Securities	...		15,819,687
BILLS DISCOUNTED, and Short-dated Securities, less provision for Rebate	...		115,009,992
LOANS AND SUNDRY AMOUNTS RECEIVABLE	...		827,489
FREIGHTS AND FREIGHTS (at approximate cost)	...		100,000
SUBSIDIARY COMPANY—			
Shares	...		£100
Less Loan	...		100
			—
			£133,395,249

35, CORNHILL, LONDON, E.C.3.

BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year ended 31st December, 1947, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

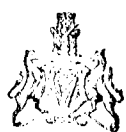
DIRECTORS' REPORT

The gross revenue amounted to £145,379, compared with £155,679 in 1946. After charging Debenture Interest, Income Tax and Profits Tax, Directors' Fees, Management and General Expenses amounting to £81,807 the net profit is £64,372. Adding £159,075 brought forward, the total available for appropriation is £223,447 and a dividend of 6 per cent, free of tax, is recommended, which will absorb £69,828 and leave £162,519 to be carried forward.

At market prices on December 31st, 1947 (for where no market price existed at valuations by the Directors at that date amounting to £281,315), the Share and Debenture Holdings and British Government Securities had an aggregate value of £3,341,375, as compared with their book value of £2,050,386.

CHAIRMAN'S STATEMENT

The net profit of £64,372 compares with £71,436 for 1946, a decrease of £7,064. Full provision has been made in the Profit and Loss Account for Income Tax and Profits Tax in respect of all income to 31st December, 1947. Double taxation relief allowable to the Company, amounting to 2s. 11d. in the £, has been taken into account in arriving at this provision. At the end of 1947, the value of the investments showed an indicated appreciation of £1,319,989 over book cost. Over 93 per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in the United Kingdom, South Africa and other parts of the British Commonwealth. Similarly measured, but excluding British Government Securities, about 90 per cent. of the investments are in Ordinary stocks and shares and the balance in fixed-interest bearing securities.

Estab.  1835

THE NATIONAL BANK

LIMITED

MEMBER OF THE LONDON BANKERS' CLEARING HOUSE

CAPITAL SUBSCRIBED	...	...	£7,500,000
CAPITAL PAID-UP	...	...	£1,500,000
RESERVE FUND	...	...	£1,270,000
DEPOSITS (31-12-47)	...	...	£70,543,000

**A COMPLETE BANKING SERVICE
SPECIAL DEPARTMENTS FOR FOREIGN
EXCHANGE, INCOME TAX AND
EXECUTOR AND TRUSTEE BUSINESS**

HEAD OFFICE:
13-17 OLD BROAD STREET, LONDON, E.C.2
AND 14 BRANCHES IN THE METROPOLIS
Also at LIVERPOOL, MANCHESTER, SALFORD,
BRISTOL, CARDIFF, SWANSEA, etc.

IRELAND
34 & 35 COLLEGE GREEN, DUBLIN
Branches at BELFAST, CORK, LIMERICK, WATERFORD
and throughout the country
AGENTS AND CORRESPONDENTS ALL OVER THE WORLD

ABRIDGED PROSPECTUS

Consent of His Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946

ISSUE OF £12,870,500 GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA 3 PER CENT. REGISTERED STOCK, 1963-1965, at the Rate of £98 10s. per cent.

Interest payable 1st May and 1st November. Six months' Interest will be paid on 1st November, 1948.

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

OFFER OF CONVERSION TO HOLDERS OF £17,870,500 NEW SOUTH WALES 5½ PER CENT. INSCRIBED STOCK & DEBENTURES, 1947-1957, for which notice of repayment on 1st May, 1948, has been given.

COMMONWEALTH BANK OF AUSTRALIA is authorised by the Government of the Commonwealth of Australia to offer to holders of New South Wales 5½ per cent. Incribed Stock and Debentures, 1947-1957, conversion of their holdings, in whole or in part, into an equal nominal amount of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1963-1965, on the terms set forth in this Prospectus.

The amount of the above-mentioned Stock and Debentures outstanding is £17,870,500. This offer of conversion is limited to a total amount of £12,870,500, and the List will be closed when applications totalling that amount of Stock have been accepted. In any case, the List will be closed not later than 9th February, 1948.

Holders of New South Wales 5½ per cent. Incribed Stock and Debentures, 1947-1957, who convert, will receive on 1st May, 1948, a cash payment of £1 10s. per cent., representing the difference between the issue price of the new Stock and the redemption price of the old Loan. They will also receive on the same date an interest payment of £1 15s. 0d. per cent. (less tax) representing four months' interest at the rate of 5½ per cent. per annum from 1st January, 1948, to 1st May, 1948.

Six months' interest on the new Stock will be paid on 1st November, 1948. Applications for conversion of Incribed Stock must be lodged on the appropriate forms at WESTMINSTER BANK LIMITED, Stock Transfer Office, 41, Lothbury, London, E.C.2. These forms have been posted to the Stockholders, or, in the case of joint accounts, to the Stockholder first named in such accounts.

Applications for conversion of Debentures (interest on which is paid by coupons) must be lodged at WESTMINSTER BANK LIMITED, as above, on forms obtainable from that Bank.

Any New South Wales 5½ per cent. Incribed Stock and Debentures, 1947-1957, not converted, will be paid off at par on 1st May, 1948, together with four months' interest from 1st January, 1948, to that date.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto. 40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Full Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from Commonwealth Bank of Australia, 8, Old Jewry, London, E.C.2; Westminster Bank Limited, Stock Transfer Office, 41, Lothbury, London, E.C.2; from Messrs. R. Nivison & Co., 6, Threadneedle Street, London, E.C.2; at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2; and from the Agent-General for New South Wales, 50-57, Strand, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,
8, OLD JEWRY, LONDON, E.C.2.
26th January, 1948.

The List for Cash Applications closed on 28th January, 1948.
The List for Conversion Applications will be closed not later than 3 p.m. on Monday, 9th February, 1948.

receive a right to a nominal amount of Transport Stock on the terms at which it was issued on January 1st—that is, par; what has happened to the market value of Transport Stock in the meantime is not a question for the Tribunal, though it may well be a matter of lively interest to holders of "unvalued stocks."

Higher Rate for Commercial Bills

For fully fifteen years now there has been the paradox in Lombard Street that the discount market, which over a century did a thriving business in bill-broking and bill-dealing, has supported its bill operations only by means of the profits won from its latter-day activities in the short bond market. The market's bill turnover, preponderantly in Treasury bills, is now vastly greater than it ever was before the war, yet the bill side of its operations has for years been consistently run at a loss. The explanation of this odd situation is partly historical and partly technical, but it mainly resides in the peculiarities of the clearing banks' short loan market practices during the depression of the early thirties, when a system of virtually fixed bill rates (as a means of avoiding utterly uneconomic rates) replaced the traditional system of freely fluctuating quotations in a normal competitive market. Since then the Treasury bills—which are of course "risk-free" paper by contrast with trade paper—have been tendered for by the discount houses week by week at a rate of discount offering the merest fraction of "profit" above the uniform rate charged by the clearing banks for the short loans by means of which the market finances its purchases. At one time it was generally assumed that the gross margin thus obtained generally sufficed, on a large turnover, to cover the market's office expenses, but now it probably covers less than half. So long as bond business offers scope for profits (and it has handsomely done so in recent years) the market is content, and certainly nobody is likely to suggest any change.

But one consequence of this system is that correspondingly fine rates of discount have regularly been applied to first-class commercial bills. Since the clearing banks' rate for short loans secured by bills dropped in 1945 to ½ per cent, the discount rate for three months bank bills has been ¾ per cent—which gave the discounter a mere ¼ per cent for his trouble and his risk. This was the margin customary as remuneration for a "running" broker, who assumed no liability on the bills and was merely the channel through which they passed from seller to buyer. The discount houses, however, act as full principals, and endorse the bills they buy before re-selling them to the banks or the Bank of England, and thus remain liable upon them until they are duly met at maturity. Yet the accepting house, whose name and liability on the bills gives them the standing of first-class bank paper, is commonly remunerated at the rate of between 1 and 2 per cent per annum—charging an acceptance commission of ¼ to ½ per cent on each three months' bill.

Now that supplies of commercial paper are expanding, the discount houses have decided that the time is ripe for some improvement in this anomalous situation, and last week the standard rate for fine paper was raised from ½ per cent to ¾ per cent for three months' bills and from ¾ per cent to 1 per cent for longer usances. It is a modest advance, for, even now, the rate of return after meeting the cost of financing the bills will be no more than 3½d. per £100 for each three months discount. In other words,

on every £1,000,000 of bills turned over the discounter will earn £625 per annum. Needless to say, this is purely a technical change, and it is not in any sense a counterpart of the tendency towards a rise in short money rates which has lately been evident in other centres. It is not a precursor of any general movement in other rates in the London market.

Design for Carpets

The report of the Board of Trade Working Party on the carpet industry is an attractively produced document, well printed on good paper and with handsome illustrations. This may account for the time taken to publish it and thus for the fact that the more topical sections of the report were out of date before it appeared. Estimates of future demand prepared in the summer of 1946 can hardly be expected to make full allowance for the severities introduced by the fuel crisis and dollar shortage of 1947. Most of the assumptions on which the calculations of future demand are based would be hard to substantiate now. The report assumes that between three and four million new houses will be completed in the decade 1946-55. It assumes a rising standard of living, i.e., increased average carpeting per house, a combination of people buying more carpets and more people (new classes of people) buying carpets.

In 1937, 18 per cent of total British carpet production was exported; the report assumes a post-war export level of 20 per cent, although a footnote added in June, 1947, raises this to 40 per cent. Its conclusion—that even when the prewar rate of production has been regained, output will be sufficient to meet only about two-thirds of the requirements of the home market—may still be true, or may not. The factors on which it is based certainly need to be re-assessed.

The working party finds that the capital structure of the industry is sound and the profits reasonable, and that there are adequate reserves for reconstruction. It concludes, therefore, that the industry is strong enough to take care of its capital development by normal means. It shows concern, however, to accelerate the rate at which carpet manufacturers re-equip their factories. To this end it makes two fiscal proposals. It wants the period allowed for depreciation of plant under the Income Tax Act of 1945 to be shortened from between fifteen and twenty years to between seven and ten. It also recommends a revision of Section 21 of the Finance Act, 1922 (which limits the proportion of profits of private companies which may be ploughed back before surtax is charged), in order to remove deterrents on the re-equipment and rebuilding. This is a consideration which applies to other industries besides the carpet industry. It raises the question of how far the country can afford to encourage the competitive re-equipment of the light industries in the next seven years.

That many people would like new carpets can hardly be questioned. A Central Office of Information survey conducted in the summer of 1946 is described in the report. It found that 89 per cent of working-class housewives thought that they were in need of a new carpet and fifty per cent of working-class homes had no carpet at all. The generally cheerful tone of the report can be attributed, perhaps, to the fact that home demand for carpets increased by 88 per cent between 1931 and 1937. It is a mistake, however, to assume too readily that effective demand will go on increasing at that rate.



This world-famed Sherry (formerly called Findlater's Fino) could not be registered under that name and thereby protected from imitators. For the safeguarding therefore of our world-wide clientele we have renamed it—Findlater's Dry Fly Sherry.

FINDLATER MACKIE TODD & CO. LTD.
Wine & Spirit Merchants to H.M. the King

Commercial History and Review of 1947

Next week's issue of the *Records and Statistics Supplement* to *The Economist* will include the first part of the Commercial History and Review for 1947.—The 85th of the series which began in 1863.

Part I will include a general review of British economic developments last year, and special articles on finance, investment and overseas trade. Part II, to be published on March 6th, will contain articles on all important British industries, and Part III, consisting of overseas economic reports, will appear on April 3rd.

The *Records and Statistics* supplement is obtainable by subscription only, at 30s. per annum; a combined subscription to *The Economist* and *Records and Statistics* costs £4 per annum.

Rising Profits

The withdrawal of EPT at the end of 1946 is now being reflected in a more rapid rise in industrial profits. The figures for 450 companies whose reports appeared in the third quarter of last year show that profits before tax and after deduction of EPT and Profits Tax amounted to £107,813,000, compared with £83,592,000 for their preceding financial years. The latest figures (which are published in detail in this week's issue of the *Records and Statistics Supplement*) show an increase of nearly 30 per cent compared with the preceding year's results; compared with the profits of the same group of companies three years ago (which can be notionally attributed to 1943-44), the latest results show an increase of nearly 50 per cent.

In view of the interest which has lately been expressed to increased ordinary dividends, it is significant that while the gross value of such distributions has increased from £41,293,000 to £59,032,000 in the latest year, the proportion which equity dividends have absorbed from total profits has been reduced from 49.4 per cent to 46.4 per cent, and the lion's share of the expansion in earnings has been taken by free reserves and other savings which have been increased by no less than £15½ million. As for the distribution of profits and the percentage rates paid upon various types of capital in the third quarter of 1947, the average rate of earnings on ordinary capital was 26.8 per cent compared with 20.1 per cent in the corresponding quarter of 1946. The average rate of ordinary dividend, however, has risen by only 1 per cent from 14.2 per cent for companies whose reports appeared in the third quarter of 1946 to 15.2 per cent for the latest batch of companies.

Thus, although the tide of industrial profits is now rising fairly fast, the extent to which profits are being distributed in dividends is still being kept under fairly close restraint. Certainly, the widespread notion that ordinary dividends are soaring is not borne out by the figures.

Catering Wages

The Ministry of Labour's latest order regulating the wages, hours and conditions of work in licensed hotels and restaurants is part of the general scheme for protecting badly organised and exploitable groups of workers which Mr Bevin initiated when he was Minister of Labour. After March 1st the minimum weekly wage for a waiter in a licensed establishment will be £5, for a barman or porter £4 10s., for a barmaid £3 17s., with lower rates where board and lodging are provided. It also provides for overtime rates and holidays with pay—an important consideration in this trade of long and irregular hours.

The case for respectable basic standards in the industry is obvious. The average member of the public who uses hotels and restaurants would have liked, however, to see the question of tipping tackled at the same time. That has not been done.

The order treats hotel and restaurant workers who come into contact with the public (and who are therefore tipped) on an equality with those who do not (who are not tipped and are at the mercy of the *trone*). A pantryman will get the same wage as a waiter. No suggestion is made, however—and none has come from the hotel trade itself—that tipping is to be discouraged or that the waiter is to expect any less in tips. The new rates are not high enough to make that at all likely. No initiative is likely to come from the consumer, who (the hotel-keepers say) often over-tips nowadays in the hope of getting a better meal. The result seems likely to be that those hotel workers who come into contact with the customer will get their new wages and their tips as well. The extra money will come out of the consumer's pocket; managements will either charge more or cut down their services, or both. An extra fillip will have been given to inflationary trends, and the opportunity of putting the relations between hotel and restaurant workers and the consumer on a less opportunist and more self-respecting basis will have been missed.

Shorter Notes

Saleable output of deep-mined coal fell last week by 77,000 tons to 3,935,100, while opencast production recovered by 40,000 to 161,700 tons. Despite the milder weather total inland consumption so far this winter (11 weeks) has passed last year's total for the corresponding period. Coke ovens, general industry, collieries and gas undertakings have increased their consumption most, and domestic consumption of all kinds has been slightly greater than last winter. On the other hand, electricity, railways, iron and steel and engineering have taken less, partly because of the changeover to fuel oil. Stocks now stand at 15,459,000 tons compared with 6,990,000 tons a year ago.

Holders of 3 per cent Defence Bonds purchased between May 1, 1941, and August 30, 1941, will shortly be invited to continue their bonds until the next interest date, November 1, 1948, when they will be paid a full six months interest at 3 per cent and the maturity premium of 1 per cent. At that date their bonds will be exchanged into the equivalent amount of 2½ per cent Defence Bonds (Conversion Issue), repayable at £101 for each £100 nominal value of ten years after November 1, 1948; there will be no break in encashment rights.

In the article entitled "Sugar or Dollars?" in last week's issue, the table showing world production and consumption of sugar was based on estimates supplied by Messrs C. Czarnikow, Ltd. We regret that proper acknowledgment was inadvertently omitted.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: British American Tobacco; Jute Industries; R. E. Jones;

Prices, Year 1948 (Jan. 1 to Jan. 28)		Name of Security	Price, Jan. 21, 1948	Price, Jan. 28, 1948	Net Yield, Jan. 28, 1948 (n)	Gross Yield, Jan. 28, 1948 (s. d.)	Prices, Year 1948 (Jan. 1 to Jan. 28)		Last Two Dividends	Name of Security	Price, Jan. 21, 1948	Price, Jan. 28, 1948	Yield, Jan. 28, 1948			
High	Low						High	Low						(a)	(b)	(c)
British Funds																
101½	99½	Conversion 3½, March 1, 1948-52	101½	99½	101½	99½	101½	99½	%	%	Other Securities					
101½	101	War Bonds 2½, August 1, 1949-51	101½	101	101½	101	101½	101	(a)	(a)	102½	102½	3 2 d.			
100½	100½	Exchequer Bonds 1½, Feb. 15, 1950	100½	100½	100½	100½	100½	100½	(d)	(d)	94	95	2 18 50			
102½	100½	War Bonds 2½, March 1, 1951-53	102½	100½	101½	101	101½	99½	(d)	(d)	101	100	3 10 0			
101½	100	War Bonds 2½, March 1, 1952-54	101½	100	100½	100	100½	145-9	40 c	50 c	147½	158 9	3 3 0			
103½	102½	War Loan 3½, after Dec. 1, 1952	103½	102½	103½	102½	103½	170-9	5 a	25 b	187½	197 6	3 0 9			
101	99½	War Bonds 2½, Aug. 15, 1954-56	100½	99½	100½	99½	100½	68-9	10 c	15 c	72½	73 9	4 1 6			
101½	100½	Funding 2½, June 15, 1952-57	101½	100½	101½	100½	101½	76 6	40 c	40 c	35 6	35 6	5 12 8			
103	100½	National Debt 3½, July 15, 1954-58	102½	100½	102½	100½	102½	78 6	7 a	7 a	81½-xd	80 6	3 10 0			
105½	102	War Loan 3½, Oct. 15, 1955-59	105½	102	105½	102	105½	84-9	15	120 b	203-9	207-6	2 8 0½			
102½	100½	Savings Bonds 3½, Aug. 15, 1955-65	102½	100½	101½	101	101½	188-9	97½	12 a	98 9	98 9	4 1 3			
98½	96½	Funding 2½, April 15, 1956-61	98½	96½	101½	101	101½	46-11	9 a	24 c	44 6	44 6	8 11 1			
102½	100½	Funding 3½, April 15, 1959-69	102½	100½	110 6	110	110 6	29 3	8 4 b	8 c	29 6	30 6	5 8 11			
113½	111½	Funding 4½, May 1, 1960-69	113½	111½	112 7	112	112 7	79 4	75 3	12 c	76 3	77 3	3 17 8			
102½	99½	Savings Bonds 3½, Sept. 1, 1960-70	101½	99½	112 10	112	112 10	46 3	7 b	3 c	50 9	50 9	3 18 0			
96	93½	Savings Bonds 2½, May 1, 1964-67	95½	94½	114 2	114	114 2	52 3	10 c	10 c	47 6	48 1	4 3 2			
115½	113½	Victory Bonds 4½, Sept. 1, 1950-76	115½	113½	115½	113½	115½	56 10	5 c	10 c	54 4½	55 7½	3 11 0			
101½	98½	Savings Bonds 3½, Aug. 15, 1965-75	99½	98½	113 6	113	113 6	36 6	10 c	12½	57 6	57 6	4 6 11			
109½	107½	Consols 4½ (after Feb. 1, 1957)	109½	107½	115 5	115	115 5	34 11	4½	2½ a	35½	35½	4 0 0			
106½	104	Conversion 3½, after Apr. 1, 1961	106½	104	110 11	110	110 11	60 7½	20 b	7½ a	61	62 6	4 8 0			
83½	79½	Treas. Stk. 2½, after Apr. 1, 1975	80½	79½	114 10	114	114 10	33 4	169-58 c	174½	57 6	58 1	2 2 4½			
99	94½	Funding 3½, after Apr. 5, 1968	96½	94½	119 11	119	119 11	74 4½	75½	72½ a	43 9	44 9	1 1 9½			
100	96½	Treas. Stk. 3½, after Oct. 1, 1996-96	98½	97½	115 0	115	115 0	83 9	74 4½	72½ a	142 6	143 9	3 11 8			
85½	79½	Consols 2½	80½	79½	114 9	114	114 9	138 9	124½	11½ b	84 4	83 9	3 11 8			
98½	95½	British Transport 3½, Gtd. 1978-83	98	96½	115 6	115	115 6	82 6	3½	11½ b	89 6	89 6	3 16 1			
100½	96½	British Transport 3½, Gtd. 1967-72	99½	99½	111 8	111	111 8	92 9	87-15	55 b						

Redemption yields on stocks optionally or fully redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'r'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9% in the £. (r) Flat yield. * Assumed average life 17 years 6 months. † Notice given for repayment on March 1, 1948. (c) Buying Price.

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

WESTMINSTER BANK LIMITED

A YEAR OF DISAPPOINTMENT

NEED FOR UNRELAXED EFFORTS

THE HON. RUPERT E. BECKETT'S VIEWS

The annual ordinary general meeting of the Westminster Bank Limited will be held, on the 4th proximo, at the head office, 41, Lothbury, London, E.C.2.

The following is an extract from the statement of the chairman, the Hon. Rupert E. Beckett, circulated with the report and accounts for the year ended December 31, 1947:—

Our annual statement of accounts shows that the deposits of the bank have increased by some £25 million as at December 31st last, and for the first time in our history the total money lodged exceeds £800 million.

The increase of £18 million in our advances to customers in so far as it represents accommodation called for by greater business turnover is, of course, a satisfactory feature, but the main demand is due to the ever-rising prices of materials which when held as stock obviously need greater financial support. The profit for the year amounts to £1,391,076, and is an increase of £24,454 on the previous year's profits.

The year 1947 can only be described as one of great disappointment to us all, in spite of some slight improvement in certain directions towards its close. The exhaustion of inadequate stocks of coal in a winter of exceptional severity led to the shutting-down of industry, with a loss of production which cost us £200 million in exports alone.

Externally, under the terms of the American credit negotiated in December, 1945, sterling arising from current transactions became freely convertible without discrimination as from July 15 last, but the rapid dwindling of our dollar resources forced suspension of this convertibility little more than one month later.

THE FUNDAMENTAL PROBLEM

In our visible trade we were on the wrong side in 1946 by £333 million, and instead of the gap being closed last year it widened to £600 million. Concealed within the figures for our total trade is the even more serious hard-currency deficit. So far we can see no way of making good an estimated deficit of £300 million with the hard-currency countries except by drawing on our reserves of gold and dollars. In all, these amount to £250 million. Apart from this sum there remained at the end of the year reserves in gold and dollar exchange amounting to £500 million. These are the hard-currency reserves not only of this country, but of the whole of the sterling area. If the deficit for 1948 is to be restricted to the estimated figure of £300 million, there must be a considerable reduction in the drain on these reserves which at the end of 1947 was running at the rate of \$45 million a week—an annual rate of £600 million.

EXTERNAL INDEBTEDNESS

Apart from our more immediate liabilities, we cannot afford to lose sight of the heavy burden of our external indebtedness, which by December last had reached the enormous amount of £5,300 million.

What are the Government's plans to deal with the problem of our overall balance of payments? The position was summarised by the Chancellor of the Exchequer in the House of Commons on December 18th last. For 1948, he said, we should require £1,600

million of imports, and Government expenditure overseas would be £100 million. Our total exports, if we fulfilled our export programme, should yield £1,550 million, and invisible earnings another £130 million. Our total receipts and payments should thus be brought into balance. This is the plan. The measures to be adopted consist, on the negative side, of cuts in our imports of food amounting to at least £12 million a month, a regrettable necessity entailing further hardship and austerity. But we must face it. Our food supplies will be reduced, and we cannot look for much relief to the new programme for our domestic agriculture during the coming year. On the positive side there is to be an increase in exports by no less a figure than £31 million a month.

NEED FOR INCREASED PRODUCTION

Obviously this increase in our exports can be brought about only if we can achieve a very considerable expansion of the volume of production. Increased production is the solution to this as to most of our other perplexities. It must be achieved in spite of certain most severe handicaps. Our resources are limited; all the more need, therefore, to employ them to the best advantage. As regards manpower, the labour force is probably approaching its maximum.

Our aim must be to ensure that labour in particular is not wasted and is used in the right places. The most important of the basic industries, textiles, coal, agriculture, and certain branches of the iron and steel industries are still undermanned. This must be rectified. Our resources of machinery, equipment and transport are also limited, and much of them suffer from arrears of maintenance, due to the war, which in present conditions we have little hope of overtaking. In implementing the measures officially announced for cutting capital expenditure by £200 million in 1948, however necessary these may be, we cannot afford to ignore the grave risks we run if we allow our productive equipment to deteriorate any further.

INFLATION DANGER

We are constantly hampered by another difficulty which, though less obvious, is none the less dangerous. I refer to inflation. There is a surplus of spending power which draws resources away from the vital industries and trades. Despite all controls, labour and materials are frittered away in unnecessary or useless pursuits.

A greater danger still is a wages and cost-of-living spiral. Inflation breeds upon itself. In its acute form such a development could bring all our efforts to naught. It is most important that this problem should be resolutely tackled before it gets out of hand, for the prospect before us is of still fewer goods in the shops for some time to come. Neither in the April budget nor in the autumn supplementary budget was this issue faced. Almost every country is grappling with this problem. Only one, Russia, claims to have solved it. She has adopted an expedient under which the pursuer of goods is deprived of the ammunition by means of which he may bring down his quarry—in other words a wholesale confiscation of the monetary resources of the people. I am certain that such a course, if proposed here, would be regarded as far

SALE OF GOODS ABROAD

Apart from the problem of production, we have also that of selling our goods abroad. Buyers are becoming much more discriminating. Other countries have been faced like ourselves with the obstinate problem of the balance of trade, and have been forced to curtail all but essential imports. Moreover, as time goes on, competition returns to the world's markets. In these circumstances quality and price take on again their former significance.

The need for efficiency and economy in production is clear. Wages, which play so important a part in determining production costs, must not be allowed to increase without reference to output. Further increases in wages unaccompanied by a commensurate increase in output merely add to the dangers of inflation.

SOME IMPROVEMENTS

The outlook for the year 1948, sombre though it is, would have been grim indeed had it not been for the few indications of improvement which appeared towards the end of 1947, and which, small though they be, give grounds for some encouragement. The performance of the coal industry in all but reaching the target figure for output of 200 million ton in 1947 was greeted with rather more enthusiasm than was justified by the achievement of this "indispensable minimum," but it was none the less welcome as an indication that the industry is now in better heart. The resumption of coal exports on however limited a scale is a notable step forward.

The 1947 production target for steel was reached, and with the improved output during the closing months of the year there are good hopes of reaching the target figure of 14 million ton for 1948. But shortages of scrap, pig-iron and coke, as well as of transport, are difficulties which will have to be overcome. In the textile industries also, production in some sections has reached its highest level since the war. In spite of some increase in the numbers employed, however, the shortage of labour is still acute.

THE WORKER AND HIS TASK

The level of production is still far below what it could and indeed must be, if the demands of our present circumstances are to be satisfied. We must secure the maximum possible output from our limited resources, and since, as I see it, shortage of manpower is one of our greatest handicaps, it is upon labour that the greatest responsibility lies.

If in the national interest the miners are prepared to work longer hours at their hard and hazardous task, it is surely not unreasonable to expect others to do likewise. Even at this stage it seems that few appreciate that rations and work are directly linked, that every article produced and sold abroad helps to reduce the austerity of our conditions. When even our present meagre food supplies are in jeopardy, it is time for everyone to realise how near we are living to the poverty line. We are faced with the inescapable fact that our whole future depends solely on our own individual effort.

It seems likely that for the second time a helping hand will be extended to us and to Europe from across the Atlantic. President Truman's proposals if carried into effect will constitute an unparalleled act of national magnanimity. If in attempting to work out our own salvation we appear to make our plans without regard to this proffered assistance, it is not through a lack of appreciation either of its generosity or of its profound significance; it is certainly up to us to make such an attempt.

There is, as I see it, a danger in the Marshall Plan that its prospect may lead some to relax their efforts at self-help. We must avoid this at all costs.

R. A. LISTER AND COMPANY, LIMITED

STRONG FINANCIAL POSITION

SIR PERCY LISTER'S REVIEW

The ordinary general meeting of R. A. Lister & Company, Limited, was held at Dursley on the 26th instant.

Sir Percy Lister (the chairman) said:

Your Directors' report and audited accounts are submitted herewith. In accordance with our previous practice we have included a consolidated balance sheet, together with a consolidated profit and loss statement, both of which continue to reflect the strong financial position of your undertakings.

BALANCE SHEET ITEMS

From the consolidated accounts you will observe that the capital reserve has been increased by £70,879, being Excess Profits Tax Post-War Refund and a further payment on this account is anticipated.

The Revenue reserves have been increased by £107,697 from the current year's undistributed nett earnings. In addition an amount of £150,000 has been carried to a dividend equalisation reserve from the contingency reserve, being no longer required for the purpose for which it was set aside.

The deferred repairs reserves item of £18,513 has been spent on essential repairs. The fixed assets have increased by £260,000, due to the completion of the purchase of a modern factory at St. Peters, Sydney, N.S.W., and the extensions to our factories and the installation of the latest equipment ordered since 1945 and now beginning to be delivered, in accordance with the carefully prepared conversion plans, which are now taking effect despite the exceptionally difficult circumstances prevailing for this class of operation.

Current assets.—Stocks have increased by over half a million pounds, an increase largely due to the increased cost of raw materials and bought-out components together with the not unnatural tendency under current supply and control conditions for stocks to become unbalanced.

Bank balances are lower as a direct result of the increase in stock and the expenditure on the fixed assets. Your directors are convinced that your financial position is enhanced as a result. Further considerable expenditure on fixed assets will continue in accordance with existing plans and commitments.

The production facilities of your factories at Dursley, Stamford, Wroughton, Cinderford and Sydney, N.S.W., have all been increased during the year under review and will be expanded during 1948.

SUBSIDIARY COMPANIES

Your subsidiary companies in the U.S.A., Argentina, Australia, France and Belgium have all made their tangible contribution during the period under review, and your associated companies, Messrs. Harrison Lister Engineering Limited—with their growing ramifications in the Far East—as well as your Canadian associated company, have made steady progress despite delivery and like handicaps.

TODD INSECTICIDAL FOG APPLICATOR

As anticipated in my statement last year, during the current year we have secured the sole manufacturing licence for all those countries outside the Western hemisphere, the Republic of China and the U.S.S.R., for the Todd Insecticidal Fog Applicator. With

our American friends, the Todd Shipyards Corporation, we have jointly formed the Lister-Todd Engineering Corporation, Limited, who are now actively concerned with the marketing of these machines. Already machines have been shipped to meet a variety of problems, amongst them the combating of grasshopper plagues in Australia, the frog-hopper in the sugar cane plantations in the British West Indies, cholera in Egypt and malaria under the supervision of the Rockefeller Foundation in Sardinia.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, it will be observed that the consolidated profit was £370,864, after providing a more substantial amount for depreciation than last year. The provision for taxation for the year, amounting to £171,267, was a slightly lower figure than last year, due to the benefit of the new initial allowances on capital expenditure.

This leaves £199,597 of Profit to which must be added certain exceptional receipts totalling £19,116, resulting in an aggregate nett profit for the year of £218,713 as against £204,354 last year.

Your directors recommend the same distribution as last year, namely a 10 per cent. dividend and 8 per cent. bonus on the ordinary shares. After providing for ordinary and preference dividends there remains to be carried forward to next year £239,094, in addition to the undistributed profits of the subsidiary companies of £99,744.

The results now before you, despite the severe handicaps with which industry has been confronted during the year under review, such as the coal crisis a year ago, the exasperating bottlenecks in supplies of labour and material, the often underestimated restrictions affecting imports into some of the world's largest markets are worthy of the high standards achieved by all in your employ, at home and abroad, during the 80th year of your company's existence.

LABOUR PROBLEMS

Our inability to secure permission to continue our pre-war practice of providing attractive and reasonably priced homes for our workpeople has had serious repercussions on our labour supply, but by taking the initiative, and with the help of the Ministry of Labour, and the wholehearted co-operation of our employees, we have been able to make an important contribution to the problem of absorbing those men whose war record on our behalf was so great and whose country is now behind the Iron Curtain, into British industry and off the backs of the British taxpayer, and we must pay tribute to the excellent work of those Poles now in our employ.

You will, of course, appreciate that these gratifying results have only been achieved by the loyal and patient co-operation of our distributors, both at home and overseas, as well as the long-established goodwill and support of our suppliers.

TRIBUTE TO STAFF

In conclusion it is my pleasure and privilege to extend, on your behalf, to the executive officers, staff and employees in all parts of the world, our sincere thanks for their loyal support and co-operation during the period under review.

The report and accounts were unanimously adopted.

BARCLAYS BANK LIMITED

ANNUAL MEETING

The fifty-third ordinary general meeting of Barclays Bank Limited was held, on the 23rd instant, at the head office of the bank, 54, Lombard Street, London, E.C.3.

Sir William Goodenough, Bart. (the chairman), presided.

Mr H. G. Tickle (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

The Chairman moved: "That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1947, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the "A" stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the "B" and "C" stock respectively, less income tax in each case, be declared, payable on the 9th proximo to the stockholders registered in the books of the company on December 31st last."

Mr W. O. Stevenson (a deputy chairman) seconded the motion, which was carried.

The resolution, of which previous notice had been given, governing the rates of remuneration of the directors, was passed.

The retiring directors were re-elected, and the auditors, Messrs Kemp Chatteris and Company, and Messrs Price Waterhouse and Company, were reappointed for the ensuing year.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

BIGNELLS, LIMITED

INCREASED TRADING PROFIT

The annual general meeting of Bignells, Limited, will be held, on the 6th proximo, at Imperial House, Rushden, Northants.

The following is an extract from the statement by Mr Arthur J. Bignell (the chairman), which has been circulated with the report and accounts:—

There has been a further increase in the trading profit, and I think you will agree that this is particularly gratifying, taking into consideration the coal crisis in the early part of last year, which seriously curtailed our production for some weeks, and the ordinary difficulties experienced with regard to labour, machinery and general administration.

Our stock has risen from £100,069 to £215,004, which, in view of the difficulties generally experienced in obtaining supplies, reflects a very satisfactory position.

The company's export business has been expanding with great rapidity, and our figures in respect of the year are more than double those of the previous year and represent more than 25 per cent. of our total output. Every effort is being made to develop this important aspect of the company's trading.

The Kettering factory commenced manufacturing boots and shoes in the late summer of 1947, and at the present time we have plant and machinery there for making approximately 2,000 pairs per week. The Export Corporation in London is negotiating through the Board of Trade for more machinery, and we hope that in due course we shall have installed at this factory plant capable of making approximately 12,000 pairs of boots and shoes a week.

Your board has decided to recommend the payment of a final dividend of 17½ per cent., making a total of 22½ per cent. for the year, as compared with 17½ per cent. for the previous year.

WILLIAMS DEACON'S BANK LIMITED

EXTREMELY SATISFACTORY RESULTS

MR G. POWYS DEWHURST'S STATEMENT

The annual general meeting of Williams Deacon's Bank Limited was held on Thursday, the 29th instant, at Manchester.

In place of his usual annual address, the following statement had been circulated by Mr G. Powys Dewhurst, the chairman, in advance of the meeting.

From the report in your hands you will have seen that we have suffered a serious loss from the board by the death of Lt.-Col. Sir Henry K. Stephenson, Bart., D.S.O., D.L.

Sir Henry had been a director of the Sheffield and Rotherham District Advisory Board for 40 years and a director of the Bank for 16 years. He was also chairman for many years of the Sheffield and District Gas Company and a director of many colliery companies and closely identified with the Sheffield steel trade. He played a prominent part in the foundation of the Sheffield University and the formation of the Sheffield Diocese. It is not too much to say that in all his activities he was a conspicuous success, but apart from his business ability his colleagues will best remember him for his sterling character, untailing good humour and, last but not least, his genius for friendship.

The board has also lost, through resignation, the highly valued services of Sir William Bird.

Sir William had been a member of the board for the past 40 years. He had, as you know, extensive interests in and experience of coal, iron and steel. His good judgment and sound commonsense were invaluable on the board, and I should like, in your name, to assure him that we have highly appreciated the knowledge and experience which he made so readily available to the Bank.

To fill one vacancy thus created, the directors have appointed Mr Mark Richard Norman, O.B.E., and I should like, in your name, to offer Mr Norman a very hearty welcome to the board.

Before proceeding to refer to the accounts, I would like to offer our heartiest congratulations to our colleague, Sir Douglas T. Garrett, on the honour of Knighthood which was recently conferred on him in the Birthday Honours' List.

BALANCE SHEET ITEMS

Turning now to the figures of the balance sheet, our deposits at £106,673,000 show an increase of £2,030,000 over last year's record figure. Acceptances and credits opened have increased by £707,000 and endorsements and other obligations have gone up by £86,000.

On the assets side of the sheet our cash, balances with other banks, money at call, and discounts, show an increase of £2,253,000. But our holding of treasury deposit receipts has decreased by £5,000,000, the decrease being occasioned, of course, by the Government's policy of switching from treasury deposit receipts into treasury bills. The total of these items—£57,269,000—constitutes practically 54 per cent. of our deposits, and I may perhaps again remind you that the average earnings on that group of assets have, during the year, been at the rate of less than one half of one per cent. per annum.

There has been a modest increase of £987,000 in investments, taking the total to £32,852,000.

These figures, I submit, clearly demonstrate the exceedingly liquid position of the bank and the satisfactory progress of its business.

Advances, at £19,128,000, show a most welcome increase of £4,203,000. That increase may be taken as an indication of the increased demands of productive industry. We see clear signs of further demands for our services as the export and production drive proceeds. Of course, as you will be aware, under present conditions the banks

can only make advances for purposes such as the export trade, essential services, or in the ordinary course of business. They are precluded from making advances for speculative purposes which would be entirely contrary to the policy of His Majesty's Treasury.

PROFIT AND LOSS ACCOUNT

Turning now to the figures of profit and loss, our net profit after making the usual provisions (which include, as you know, contributions to staff pension and widows' and orphans' funds and appropriation to contingencies account) appears at £247,125; that is to say, an increase of £8,578 on the year.

This profit, with a balance of £125,130 brought forward from last year, gives us a total of £372,256 now to be dealt with. After transferring £100,000 to the reserve fund we are in a position to pay dividends at the rate of 12½ per cent. on both the "A" shares and the "B" shares, and to carry forward to next year's account £143,349, as against £125,130 brought in.

You will notice from the report, that in addition to the above-mentioned appropriation of £100,000 to the reserve fund we have decided to transfer £300,000 from inner reserves, thus increasing the reserve fund to £1,500,000.

These results, I submit, are extremely satisfactory, particularly if account be taken of ever rising costs in all directions.

THE PAST YEAR

Nineteen forty-seven has been a momentous year. In its earlier part even the elements seemed to combine to hinder economic recovery. Frost, flood and drought, the return to convertibility, the retreat from it and also the retreat from unduly cheap money, and the realisation by early summer that the American Loan was running out at an alarming rate, were all factors which at last caused during the year an almost general appreciation of the gravity of our position, and that slowly growing appreciation was sharpened by the inevitable further fall in our standard of life which our economic position imposed.

Moreover, during 1947 it came to be generally realised and accepted that there was to be no easy return to the normal; indeed that the word "normal" itself called for definition in a shifting world. This clearer and more general appreciation of our problems is, of course, a healthy sign, and in view of the foregoing catalogue of the events of the year it is all the more pleasant to record that it ended on a more confident note—due to discussion of the Marshall Plan, the rise in coal output and the great achievements of the iron and steel industry.

In referring in a little greater detail to the events of the year I turn first to the return to convertibility for current transactions in July. This was a gallant, if mistaken, gesture. It kept the letter of our bond. If it could have been maintained it would have been a decisive stride towards making sterling a world currency again. Largely, however, owing to the indirect demands of foreign holders of sterling it was found impossible to withstand the consequent pressure and the retreat from convertibility was sounded in August. In passing, I might perhaps mention that even so the system of transferable accounts makes sterling available over a wide area.

"GAP" IN BALANCE OF PAYMENTS

During the year anxiety about the "gap" in our balance of payments inevitably deepened as the American Loan ran down. Moreover, the terms of trade, that is the price relation between imports and exports, moved further to our disadvantage. It also

became apparent that unexpected delays in the process of speeding up production both here and in Europe had been encountered.

His Majesty's Government, faced thus by a situation in which, after the Loan had run out, we should be balancing our payments by drafts on reserves, were compelled to reduce imports and cut down capital expenditure, to prohibit travel (except in the scheduled territories—that is the old sterling area) and private motoring. On the positive side they launched an export drive setting energetically before the nation the vital necessity of increasing productivity.

As regards exports and imports, these measures were, of course, what was to be expected. They are, in fact, almost the traditional remedy for this state of affairs. They can only be commended and any criticism can only be on matters of detail.

But other dollar-starved countries are applying the same type of remedy in an effort to extricate themselves from the same type of predicament. The danger is, of course, the old familiar one that the refusal to take imports because of the fear of not being able to pay for them will bring, as it has done in the past, a forcible contraction in the volume of world trade.

THE MARSHALL PLAN

It was against this background in the summer that Mr Marshall's pronouncements electrified the world and showed clearly that that danger was appreciated with the utmost precision in Washington. Details of the Plan have been widely reported and, in any case, they and the Plan itself have yet to receive the sanction of Congress. Sufficient to say that the conception ranks with Lease-Lend itself, so aptly described as one of the least sordid acts in history.

It would not be proper for me to speculate as to what action Congress will ultimately take, but I feel that even at this early stage it should be clearly realised, not only here but in all the possible beneficiary countries, that the purpose of any operation under the Marshall Plan would be, in simple terms, an effort to inject into a system of world trade, starved in so many directions of the means of exchange, sufficient power of exchange to get the wheels turning.

The possibility of success in this direction should not obscure in our minds the great long-term changes in the position of Europe which have been brought to a head by the economic and industrial distortion and dislocation of the war years. At the present moment so much of mankind's industrial power, and also agricultural power, is concentrated in the New World that Europe, with a festering and dismembered Germany in its heart, will need all its ingenuity and all its energy to maintain its traditional economic position, particularly in view of the competition from a politically resurgent Asia, which cannot be long delayed in the historical sense.

NEED FOR STEPPING UP PRODUCTION

It may be that I sound too sombre a note, but the challenge of the times lies before our people and I have no doubt that with proper leadership they will respond. We must export on a greater scale than ever before to maintain anything like our present reduced standard of life. In other words, our production must be stepped up by every means in our power, and it seems to me that one of the Government's main problems is how to provide our severely tried and tested people with a proper incentive.

The schemes of colonial development, particularly in Africa, may well prove to be of inestimable value in the future. Indeed, the value of the Colonial Empire in Africa as a source of supply of certain indispensable raw materials can hardly be over-estimated, and in this connection the recent contacts between French and British colonial experts in that area are much to be welcomed.

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On the Rocks

BRITAIN faces bankruptcy. That is the real significance of the Government's latest White Paper. At last, the British people now know where they stand. In the past two years, they have as a community overspent their income to the extent of £1,000 million and the rate of overspending was almost twice as large in 1947 as in the preceding year. At the present rate of expenditure (which has fallen since its peak last August but now shows signs of settling down at a monthly figure of some £40 million), the remaining reserves of about £600 million in gold, dollars and unexhausted credits may last Britain and the sterling area until midsummer. After that, it will just be impossible to buy either the food or the raw materials which are necessary for Britain to eat and work. The spectre of starvation and mass unemployment is now alarmingly close.

To translate the tables and figures of the White Paper into more homely terms, Britain has been living like an improvident family which, failing to make both ends meet, first spends the accumulated capital of the past, then borrows from friends—from American friends, from Canadian friends, from South African friends—and when their loans are exhausted, begins to pawn the furniture. How else can one describe the latest deal with Argentina in which the whole capital asset represented by the British-owned railways is bartered away for eighteen months' supply of meat? It is of course true that there is nothing discreditable in the events which led the British community to this desperate plight. Alone of the belligerents (except the German aggressors) Britain fought in two world wars from the first day to the last. The income from overseas investments which nearly bridged the gap between imports and exports in 1938 disappeared in the struggle. Exceptional conditions of world demand created by war devastation added £300 million to the cost of British imports in 1947. But in fact the reasons which have brought the British to beggary are less likely to be remembered than the fact that they are beggars. The old soldier showing his campaign medals at the street corner is an object of pity, not of respect.

When a family faces bankruptcy, either it goes under to a life of perpetual makeshift and pauperism, or it restores its solvency by vigorous action—by buying less, by cutting down every kind of expense and by straining every nerve to sell more of its goods and services. A nation is in no different case and the choice open to the British people is in reality precisely the same difficult choice between pauperism and grueling recovery. The only question worth asking today when the crisis is, in Sir Stafford Cripps's words, not a matter of years, but of months and weeks, is what further steps the British people can take to consume less and produce more, to reduce their standard of living and at the same time do harder work. The subject is being debated in the Commons as *The Economist* goes to press, but clearly the Government's plea—it is not much more—that neither wages nor profits shall rise at this juncture is one small part of the much bigger effort that is needed to restore solvency to the British people.

Both wages and profits have to contribute their share. Bankruptcy

is a family responsibility and no section of the community can avoid its hardships. The real need for workers and managers alike is longer hours and more output for the same income. In this way, more goods could be produced for export without new financial pressure being created to divert those goods to consumption at home. So drastic a departure from current industrial practice is too much to hope for, but at least the principle of no further wage increases save for cases where workers are genuinely below an adequate level of subsistence must be endorsed. Further, there is certainly a case for increasing the contribution to national solvency by those who, despite their reduced standards, can still afford it best. Heavier taxation or limitation of dividends and the control of expense accounts (upon which so much of the "conspicuous waste" in the big cities is based) will help politically, and to some extent economically. Even if such steps must wait upon the budget, their announcement would go far to relate the question of wages to the wider action needed to counter bankruptcy abroad and inflation at home.

But, although it will be necessary to temper the cuts by considerations of social justice, the brute fact remains that standards of consumption in Britain do not reflect the insolvency which may lie only a few months ahead. Can it be said that the rationing of domestic fuel has been drastic enough in view of the vital importance of coal as an export? Can Britain afford £200 million for Government expenditure overseas, or to feed a million mouths in the Forces in return for no productive work? It is easy to make a case for keeping two million Government servants, but if 500,000 were returned to industry, would the gain in output not ease the burden of the controls? By what yardstick can the overseas expenditure of £50 million on "tourism" in 1947 be justified? It is no longer a question of choosing whether or not to maintain certain amenities. The stark fact is that the means to provide them no longer exist.

In spite of the recent cuts in capital expenditure, it is clear that more has to be done. No one will criticise the Government for wishing to build better schools, new hospitals and more and better equipped houses. But this programme has added to Britain's insolvency by diverting materials and manpower from the export industries; in that sense it is Americans, Canadians and South Africans who have been paying for part of the British programme of development at home. No one denies the desirability of these things, but it is not usual to add a bathroom to the house just as the receivers walk in.

The last items to be cut back should obviously be productive assets, the renewal and modernisation of plant. The reductions already announced in these items are severe—probably too severe—but in another field the figures suggest that outlay has been too heavy. The sum of £180 million for new assets overseas, a large part of which must be represented by various schemes of Colonial development, seems unduly high in relation to the time which must elapse before they begin to yield their fruits.

These are a few instances picked from a possible list of further cuts and reductions, but simply to set them down shows how painful their execution would be and what appalling stresses it would introduce into the national life. But bankruptcy is necessarily an ugly, painful and distressing business. It tests the temper of the most united family. It requires not only fortitude and patience but considerable humility to weather it with dignity and success. Yet bankruptcy is nevertheless the crisis through which this nation may be about to pass. What are its chances of surviving this latest test—a test with none of the glory and solidarity of a nation at war but perhaps more gruelling as a result?

It cannot be said that the outlook is encouraging. In the first place, the country so far has remained in ignorance of the facts. The Government's powers of explanation have never been high, but its inability to convey to the public the significance of the gathering economic crisis is beyond all previous failures. And this is not simply a question of poor public relations. The failure goes deeper. It is not only that the Government has not talked as though the crisis were serious. Until quite recently, it has not behaved as though it were. In 1946, before the catastrophic rise in American prices and the fierce winter, there was some excuse for believing that Britain could recapture its export trade, police Europe, rebuild its industries, create new social services, rehouse the people and provide cheap food all at the same time. But the writing on the wall was there for all to see after January or February, 1947. The fatal flux of gold and dollars had begun. The gap between imports and exports was growing. Home production continued to lag, but the Government went on its Micawberish way, waiting for something to turn up. Mr Dalton was happy with his "balanced" budget, Mr Morrison declared that no further sacrifices could be demanded of the people. Today, with the gap wide open and no prospect of filling it from British resources, even Sir Stafford Cripps's realism may be too late.

If the British had been made to realise in 1945 that in many ways the problems of reconstruction facing them were no less urgent than that which faced, say, Poland, they might have set to and worked as the Poles have done ; but cradled in illusions, they have advanced in their crisis like somnambulists. It is the illusion either of infinite prosperity or of infinitely squeezable profits that makes it still possible for the trade unions to press for more wages for fewer hours. It is the illusion of wealth withheld by a spiteful Government that has turned large sections of the more well to do against the controls and restrictions which they recognised as necessary during the war. Yet the reality is of a nation in greater economic straits than at any time since the Napoleonic wars. If the present attitude of the different classes in society cannot be mobilised into something more than the collective and disgruntled selfishness they show today, then the British will be obliged to face their supreme economic crisis without the only assets upon which they could still draw—their political balance, their deep natural unity, their phenomenal staying power.

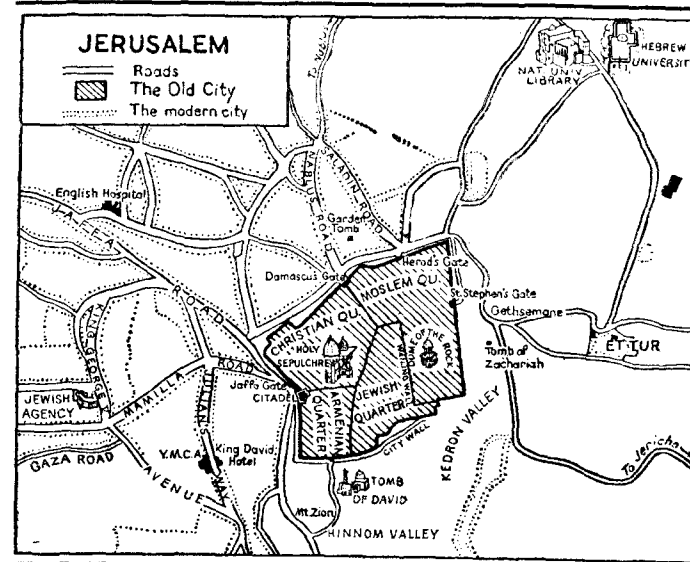
This statement will no doubt be contested. Why speak of "Britain's only assets" when there is every chance that by midsummer the Marshall Plan will have been passed by Congress and assistance will be assured for the next eighteen months at the least? Even Sir Stafford Cripps has said that the only hope lies in American assistance, to give Britain the necessary time to bring about the restoration of normal conditions. But herein lies precisely the danger. Continual borrowing can have the same effect as continual drinking. The borrower's—like the drunkard's—sense of reality tends to fade. Britain has already had the American loan and the Canadian loan and will get the South African loan. All have been necessary but all have helped to mask from Government and people alike the country's true economic straits. A standard of living has been maintained, reserves have been eaten up, expenditures undertaken on a scale which is quite out of accord with Britain's real economic position. And what guarantee is there that the Marshall Plan may not be used in the same way? The only proper, the only long sighted, the only courageous course would be for Britain to pursue now the policy it would pursue if the Marshall Plan were reduced to a half or a third and to use the surplus thus created to build up reserves, modernise industry, develop economic integration in Western Europe and undertake now the programme of hard living and hard working in which in the long run salvation alone will lie.

For the Peace of Jerusalem

THE Trusteeship Council of the United Nations meets next Thursday to handle its share of the Palestine problem—the future of Jerusalem. Uno's arrangements for taking over in the rest of Palestine are in other hands. Its five Palestine Commissioners are simultaneously at work on these, and are responsible to the Security Council. The Trusteeship Council's task, as set by the Assembly, is to arrange for administration of the Jerusalem enclave as a "*corpus separatum* under a special international regime." It has, at next week's meeting, to approve a detailed Statute for the city, and to appoint a governor of it "on the basis of special qualifications and without regard to nationality." The success of its work hangs on many factors that are beyond its control, but there is one act that it must at once perform if its work is not to be futile from the outset. It must seek to establish that Jerusalem is genuinely a separate body—that is, that it does not house any of the organs of partition, the Commissioner's headquarters, or the Economic Board. If these are situated in the city, it becomes, inevitably, the hub of the Jew-Arab quarrel and a scene of conflict. It is also necessary to establish that acceptance of the international regime for the city does not automatically involve acquiescence in the partition plan for Palestine as a whole.

But, however efficient the spadework done by the Trusteeship Council there are outside factors which can make or mar it. And of these the most important is the state of security in Jerusalem at the moment when the international regime begins. At the moment it is not good. Attacks and reprisals have been proceeding since December 3rd when an Arab mob, incensed at Zionist rejoicings over partition, burst from the Old City and burnt Jewish shops in Julian's Way and the streets beyond. Unfortunately these initial acts, which were perpetrated by hooligans and could (according to more than one neutral eyewitness) have been stopped "at that stage by a swish of canes" were not met with the resolution which is now being shown by the British authorities. Nevertheless, the situation is not hopeless. The city is anything but out of hand. The worst prospect ahead is not the state of tempers, but the arrangement proposed by Uno for taking over. The Assembly resolution on this subject includes the impolitic provision that "the special international regime for the City of Jerusalem . . . shall come into existence two months after the evacuation of the armed forces of the Mandatory Power has been completed." Unless this two months' hiatus can be avoided, the fat will be in the fire. And there is only one body that possesses the experience to foresee this, and the apparatus to ward against it. That body is the outgoing Mandatory Power—Britain.

Ever since its final proposals to the Jews and Arabs fell on



acceptance without comment of a plan involving two months' hiatus in security measures for Jerusalem is another piece of mistaken silence. But here it is still not too late to mend.

There is still time for the British Government to speak up. For the City of Jerusalem is in a class apart from the rest of Palestine. Its name means "City of Peace," and its Arabic name—el Quds—"The Sanctuary." The world is eager to recognise this. So are a great many Palestinians, both Jew and Arab. The Zionists have already arranged to seat their government elsewhere. Anyone who has seen the city's splendid silhouette must for ever think of it as different in nature from all other cities, because it is holy to three great religions. It is full of people to whom its political significance is completely secondary. Its religious significance is what matters

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to priests and nuns and seminarists, as well as to rabbi and alema. Here are people who lead dedicated lives and merit the world's consideration. Secondly, large numbers of its inhabitants want it to be international because they crave for the quiet life which they hope an international status will bring. This assertion holds good not merely for the religious communities, but also for many Jews and Arabs who, on account of their business, or simply of their home life, want an end of insecurity. Residents in the proposed zone congratulate themselves on their good fortune; landlords are putting up their rents. Both Jews and Arabs outside the zone talk freely of the possibility of moving into it. Great numbers would be vastly disappointed if international protection in the end were extended only to the Old City. Last, but far from least, the original British undertaking to "care for" the Holy Places cannot be abandoned, as the rest of the mandate has been abandoned, on the ground that it has become "unworkable." On this score conscience must prick now, and not after tragedy has occurred because the Holy Places have been abandoned at the centre of a political hubbub.

These facts are set forth in order to show that countless numbers both outside and inside Palestine—and not only Gentile, but Jewish and Arab also—would respect and be thankful to Great Britain if it had the moral courage to declare the city sacrosanct but endangered, and to state its intention to leave a British force to police it up till the day and hour at which the new Governor and his neutral police force are installed. Unless this is done, or the hiatus is otherwise eliminated, the Uno Statute, however good, and the Uno Governor, however bold, will find that the situation is already beyond control.

The danger ahead is that the British Government will join its fellows on the Trusteeship Council without admitting this salient fact. It will set about the task earnestly enough, and in the atmosphere of purpose that can so easily be created by a mass of papers; but it will, in fact, work *in vacuo*. The papers are all ready. They do not name a governor, because none of the men whose names have so far been put forward has been ready to stand. But they include a complete draft of the statute of the

city. This has been prepared by a Trusteeship Council working party of six—Australia, China, France, Mexico, the United States and Britain—and is a good attempt to battle with the main conundrums.

But these questions will be academic unless more is done than is at present being done to keep the city at peace. Some praiseworthy efforts are being made by Britons on the spot. These are trying to secure from the leaders of all Jerusalem's many religious communities a joint declaration that their people must keep the Old City sacrosanct. There has also been a move by the courageous Briton who is Mayor of Jerusalem to recruit and run a municipal police force of 300 Jews and 300 Arabs. But these small efforts need mighty support if they are going to prevent extremists with Tommy guns from indiscriminate use of convents and synagogues, churches and mosques as fire points.

In Britain, only the Archbishop of York, Sir Ronald Storrs and a leader-writer in the *News Chronicle* have so far said that plans for Jerusalem demand a special effort. That is a poor showing for a Christian people. To initiate such an effort would earn the British Government respect, including self-respect. Is there no echo today of the sentiments which fired earlier generations? The Crusaders felt differently. When the first British pilgrim to keep a diary reached the city, "the mariners sang the Litany." But when Robert Curzon sighted it in 1838, some inhibitions had set in:—

The more natural children of the East wept for joy, and as in the army of the crusaders, the word Jerusalem! Jerusalem! was repeated from mouth to mouth; but we, who consider ourselves civilised and superior beings, repressed our emotions; we were above showing that we participated in the feelings of our barbarous companions. As for myself, I would have got off my horse and walked barefoot towards the gate, as some did, if I had dared; but I was in fear of being laughed at for my absurdity, and, therefore, sat fast in my saddle.

The portrait is tragically true of the leaders of British thought in this final year of British responsibility for the peace of the city.

The Appointed Day

IT was hardly to be expected that a man of Mr Bevan's temperament would take the opportunity offered by the debate on the health service to pour oil on the troubled waters between himself and the British Medical Association. The leaders of the BMA have not minced their words when attacking him. Why, Mr Bevan evidently thought, should he show any greater restraint? One only wonders, after reading his accusations of a "squalid political conspiracy," what he said to the negotiating committee of the medical profession in private if he could thus refer to them in public.

There is, however, one overriding reason why Mr Bevan should have restrained himself. The health service is due to start in four and a-half months' time. It is quite unrealistic of the BMA to think that the Government will postpone the appointed day because of opposition from the medical profession. On July 5th, the National Insurance Act, the Industrial Injuries Act, the National Assistance Bill and, presumably, the Children Bill, will all come into force. The national health service is an essential part of the framework of social security created by all these measures. How could the Government—how could any government—agree to defer it even if the deferment would not be regarded as a political victory for the BMA? After the personal attacks made on the Minister responsible for the health service, such a retreat is quite unlikely.

Nevertheless, Mr Bevan is clearly going to find it very difficult to introduce the health service successfully, even if by July 5th a large part of the present opposition from the profession has disappeared. It is one thing to announce that the health

service comes into force on that date; it will be quite another to make sure that people will then be able to obtain all the benefits to which they are entitled. A Minister who has taken on the gigantic task of providing

a comprehensive health service designed to secure improvement in the physical and mental health of the people... and the prevention, diagnosis and treatment of illness ought to do his best to bring every member of the profession willingly and gladly into his service instead of forcing doctors into it by using the whip of financial insecurity.

In Monday's debate, Mr Bevan jeered at the Opposition for wanting to play the part of honest broker and to bring about a reconciliation between himself and the medical profession. Does he then want the present antagonism to continue after July 5th? Why, he asked, should he be the one to make more concessions, when all the concessions that have so far been made have come from him and not one from the doctors? This is not true, for at one time the BMA was taking up a firm stand on the "100 per cent issue"—whether the health service should be available to all members of the community or restricted to the present insured population and its dependants—and on the taking over of the voluntary hospitals. Both these positions were long ago abandoned.

But it is not concessions that are now wanted so much as a complete change of attitude on both sides. In the debate, the four main points at issue between them were again given an airing: the abolition of the sale and purchase of practices in the public service; the basic salary; the right of a doctor dis-

missed from the general practitioner service on the grounds of inefficiency to appeal to the courts; and "negative direction"—the prohibition, in rare cases, on doctors to take up public practice in areas which are considered by the Medical Practices Committee to have too many doctors. Nothing new was added to the arguments by either side. Mr Bevan showed, more effectively than previously, perhaps, the doubtful value in practice of a right of appeal to the courts, with all its inevitable publicity. On the other hand, when defending the abolition of the sale of practices, he and other Labour members ignored the fact that patients who are thus "bought and sold like cattle" have a perfect right to change their doctor if they do not like him. The case against the sale of practices is undoubtedly strong; it would almost inevitably come about in the course of time. But it is worth pointing out that the right to change one's doctor would be more endangered by the introduction of the full-time salaried medical service beloved of the Labour Party than has ever been the case under the sale and purchase of practices. If two doctors are earning the same salary, with no incentive to work harder and more efficiently, why should one agree to take on more patients than the other?

Mr Bevan once again affirmed that it is not the Government's intention to extend the basic salary so as to introduce a full-time salaried general practitioner service. But he gave no convincing explanation, other than the familiar one of administrative difficulties, why he insists that the basic salary must form part of every general practitioner's remuneration instead of reserving it for exceptional cases. Neither his assurance on this point, nor his reiteration that there will be no censorship therefore, nor his publication of articles by doctors, will dispel the suspicion in doctors' minds that they will somehow be fettered by the dead hand of Whitehall and victimised if they dare to criticise authority. Modern medicine ought to rely, as Socialist doctors love to point out, on teamwork, on co-operation between different branches. But more, perhaps, than any other profession, medicine has also needed its rebels, and it is the rebel, the individualist, the unorthodox, so heartily disliked by the Labour movement, who sees his position threatened today.

The three main issues, together with "negative direction," which seems to be making an unobtrusive exit from the BMA's propaganda, concern general practitioners only. Why, therefore, has there been such a hardening of opinion among specialists and consultants, to whom Mr Bevan has indeed made great concessions in the matter of private wards in the hospitals, if there were not this indefinable fear that the Labour movement, as a whole, has scant respect for the standards and traditions of the liberal professions? The Opposition speakers were, therefore, right to concentrate on this deep-seated hostility of the medical profession to Mr Bevan rather than to argue at length the rights and wrongs of the four main issues—on which, indeed, if they had been in power, their attitude, except in the case of the basic salary, would probably have been much the same as Mr Bevan's.

In thus playing the part of honest broker, the Opposition was also more realist than he. Mr Butler, its chief spokesman, referred to the Education Act for which he was responsible. In practice, that Act is still far from achieving its great promise. State education, taken as a whole, still tends to have a utility label attached to it. Yet Mr Butler and his successors have the inestimable advantage that they secured the goodwill and co-operation of the teaching profession before the Act came into force, so that there remains hope that state education will one day hold its own with that provided by the independent schools. Whatever happens as a result of the doctors' plebiscite, unless there is a radical change of attitude on the part of Mr Bevan and the profession, there will be no goodwill to help the health service over its inevitable first obstacles.

From July 5th, the public will expect—or at least be entitled to—free hospital and consultant treatment when they need

it. There is still a shortage of 40,000 nurses to staff the hospital beds, even today when patients have to pay for part of their maintenance. Over the country as a whole, there is a great shortage of consultants and specialists, and those that are available still do not know what their remuneration will be in the new service—even if no other considerations were holding them back. The dentists are up in arms against Mr Bevan, and even if there were enough dentists and opticians to staff the service, there is likely to be a big shortage of dentures and spectacles, as well as of other medical and surgical appliances, once people are entitled to them free of charge. How far they will be from realising their expectations of the domiciliary and environmental health services to be provided by the local health authorities is apparent from the London County Council's scheme which lists the shortages of staff under each head.

Some ninety-five per cent of the population, it is officially estimated, will also expect free treatment from the general practitioners of their choice, of a standard as high as if they paid for it privately. If 17,000 to 18,000 doctors elect to serve them—that would give an average of about 2,500 patients a doctor—the doctors would still have their work cut out to provide treatment up to the best standards of private practice. In present panel practice, five to six items of service are provided each year for each panel patient, and the number is increasing.

Mr Bevan will introduce his service on the appointed day, whether 18,000 general practitioners elect to join it or, as the BMA is hoping, less than 8,000; those doctors who do not join will forfeit their claim to compensation for the loss of goodwill in their practices. But the Minister must realise that the less co-operation he evokes, the greater will be the gulf between the service actually provided and the ideal contemplated in the Act and the more private practice will flourish. There was once an occasion, soon after he became Minister of Health, when—it seems hardly credible now—he won applause from the British Medical Association for his attitude towards the proposed health service. Can he not recapture that atmosphere and once again exhibit the sweet reasonableness he showed during the passage of the National Health Service Act through Parliament? He would be right to retort that the leaders of the BMA should also show some concessions to common sense and goodwill. Their intransigence is no less marked than his own. But it is on his shoulders that most of the blame will fall if, after the appointed day, the national health service founders in unwillingness, inefficiency and distrust.

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The Middle Class—III

Experts Without Power

(By a Correspondent)

THERE are two reasons why the professional middle class ought to play the dominant role in shaping the policies of the parties, instead of being, as it is in Britain today, the disregarded element of the democratic process. The first reason is that the activities of the state are becoming increasingly technical and complex. Politics may still be a game for amateurs; but policy is now a matter for the skilled professional. Unassisted common sense can set limits, lay down general directions and judge results. But it cannot superintend the details; indeed, it often cannot understand them. The technician, the expert, the professional has become indispensable. He will, of course, be willing, in large numbers, to serve one of the existing political parties; the loyalty and discretion of the Civil Service (itself becoming increasingly professional and expert) are still beyond dispute. But a relation between political chief and expert adviser in which the minds are constantly working on different levels, in which policies conceived by the expert are rejected by political timidity, and in which the "mandate of the people" is sought and won for programmes that have little relevance to the realities of the country's needs—such a relation is not likely to be very fruitful. For the parliamentary system to work in the complicated conditions of the twentieth century, it is necessary for mutual confidence and respect to exist—as they used to—between the parliamentary politician and the departmental administrator. This can only be done if the professional man and woman—the economist, the sociologist, the political scientist—come to occupy a more trusted position than he does today either in the party of the trade unionist or in that of the business man.

The second reason for wishing that the middle class had more than its numerical weight in British politics—instead of less, as at present—is that there is very little hope otherwise for the emergence of that policy of social and economic regeneration for which everybody in this country is groping, but which neither major party is finding. The justification of this otherwise rather sweeping statement can be found in the nature of the economic and social problem that policy in Britain has to solve. It is a commonplace nowadays to say that any effective policy must have in it elements both of freedom and of order, of untrammelled enterprise and of collective planning. Very few people nowadays would hold that *laissez faire* could solve the economic problems of the British community, let alone resolve its social conflicts. And the glimpse that recent years have revealed of the all-planned state has been enough to give all but a tiny minority the creeps. There would be an overwhelming majority of agreement for the Middle Way.

But it matters enormously how freedom and order are combined. Far too many people seem to accept the view that to have one party committed to one principle and another committed to the other, and to let them take turn and turn about in office, will produce a satisfactory compromise. Labour should first go as far as it dares in nationalisation, and then the Conservatives should go as far as they dare in decontrol. And the more moderate each party is—that is, the more tepidly it agrees with its own principles—the better for everybody. This formula may have worked well enough in past centuries, when the conflicts were on the political plane and technically simple. But, if it is further pursued in this era of social and economic engineering, the results are likely to be disastrous. If freedom and order are to be successfully combined, they must not simply be watered down together. The planning, if it is to be success-

ful, must be bold and forehanded, applied to realities not to empty symbols. And free enterprise, if it is to play its part, must have its cutting edge resharpened. Anyone who wishes to see the results of letting the two principles singly offset each other, instead of thinking out how they can be meshed together, has only to look at the frustrations of the present day. No society or economy will work without motive power, and at present the alternative motive powers—the incentive of individual profit and the incentive of collective welfare—use up more of their strength in putting the brake on each other than in moving the community along its road.

The task is, then, to take off the brakes and to seek means by which the different motive powers can each be applied to its own axle. And for this something much more positive is needed than the alternating pressure of blind interests, something requiring much more professional technique and objectivity. It requires above all two qualities, those which M. Paul Reynaud once described as *la lucidité et l'audace*—clear thinking and moral courage. The clear thinking must obviously be expert thinking; it cannot be derived from a Gallup Poll. To say this is not to turn the back on democratic principles—not, at least, as they are practised in Britain. The British principle is that the people should pronounce upon the results, and that should be as true in the future as in the past; there is no more room in a democracy for the dictatorship of the expert than for the dictatorship of anybody else. But it is essential that at least one of the alternatives that is laid before the public should be the fruit of consistent thought, of careful investigation and of scientific impartiality in experiment. The moral courage that is required is the courage to follow the logic wherever it leads, no matter what interests are affronted in the process. A party that tried to base its policies upon these principles could not expect to be in power all the time. But it could make real progress when it was.

It is becoming painfully clear that neither of the two existing major parties is likely to provide the clear thinking and the moral courage that is necessary for such an approach to policy. Until quite recently, many people clung to the belief—though even then it was rather against the evidence—that the Labour Party might have these qualities. It has always had in its ranks a fair proportion of very articulate "intellectuals," and it has shown great tenacity of attachment to an abstract idea. But it is really not possible to entertain this hope any longer. The intellectuals have their way in the Labour Party only so long as there is no interest of the trade unions to the contrary. The average quality of the personnel of the Labour Government, judged either by its capacity for clear thought or by its moral courage, is not high. There is no particular reason to rank Mr Attlee's Government below others of recent years; but there is no reason at all to rank it higher. The Tories have recently been talking much more reasonably; but the disappointment of the high hopes that were put in the Labour Party ought to be sufficient warning to judge parties not by how they talk when in opposition but by how they act when in power. The names of Baldwin and Chamberlain were hardly synonymous with clear thinking and courage in facing unpleasant facts. If the Conservatives are to be judged by the last time they were in power in time of peace, the verdict must be that they were as solicitous for the protection of business profits as ever the Labour Party has been for the standard wage.

Nor is this double failure an accident; it lies in the nature

of the two parties. For however much they may protest against the verdict, they are both from their composition bound to be parties of vested interests. The Labour Party cannot escape from the trade unions. And though one section of the Conservative party is trying to assert its independence of Big Business, it is from business that Lord Woolton's Fighting Fund is being solicited and it is in the directorships of business that Conservative politicians find their incomes while they are in opposition.

Both parties, in fact, are hopelessly handicapped. A policy combining responsibility, purpose and freedom requires, far more than either the old *laissez-faire* dispensation or the steam-

NOTES OF THE WEEK

Big Thoughts and Little Treaties

It is not at all surprising that the Benelux governments have looked sceptically at the Anglo-French proposals for extending to them the Dunkirk Treaty of last March. When that rather hurriedly prepared document was signed, there were still hopes that some stuffing might be put into the Anglo-Soviet treaty of alliance, and that the Foreign Ministers would agree about Germany. The Truman Doctrine had not been born and the Marshall Plan was not even conceived. Events have moved so fast in eleven months that the Dunkirk Treaty is now inadequate, whether as a guarantee of security or as an instrument of economic co-operation. To suggest its extension to the Low Countries as one of the first steps in a new British policy shows lack of imagination; it also shows distressing readiness to abandon Mr Bevin's fresh and bold approach for what looks like a chat between neighbours about sharing a dog to keep off a burglar who is still in gaol.

For what does the Dunkirk Treaty really amount to? To an undertaking that the British and French will consult and act together against any aggression, or threat of aggressive action, by Germany, and that they will be in "constant consultation" about their economic relations. Compared with the nineteen wider and more solid pacts that bind the neighbours of eastern Europe, this looks rather lean. For instance, the Czech treaty with the Russians, signed during the war—December, 1943—provides mutual assistance not only against German aggression but for hostilities with "any other state uniting with Germany, directly or in any other form." Similar terms appear in the more recent Czech-Polish treaty of March, 1947; and in the Rumanian-Bulgarian treaty of last month the governments declared themselves joined together against "war mongers."

It is certainly no part of Mr Bevin's intention to take models for western union from Eastern Europe, where kindred souls are knit together on a very tight thread. But there is much to be said now—which could not be said a year ago—for breaking away from such brief, old-fashioned arrangements as the Dunkirk Treaty, towards more ample regional arrangements of the kind permitted by the United Nations Charter. This is one reason why the Benelux governments have indicated that they are more interested in the model provided by the Inter-American Treaty of Reciprocal Assistance than in the Dunkirk pact.

Alternative to Dunkirk

The Inter-American Treaty, signed last September, embraces an area which includes the whole of North and South America from Antarctica to Alaska and Greenland, with large slices of the Pacific and Atlantic Oceans. It gives a statement of common ideas and objectives; it provides for peaceful settlement of disputes between its signatories before reference is made to Uno; it defines an attack against any American state as an "attack against all American states"; it allows for consultation and self-defence during the time when the Security Council is taking measures to maintain peace; and it recognises the right of Uno to be informed about all action taken for self-defence under Articles 51 and 54 of the Charter.

Associations of this kind for mutual assistance—one hardly dares breathe the words collective security—can be broader and deeper than old-fashioned alliances. Drawn up as regional agreements within the limits of the Uno Charter, they need be in no way offensive to non-participants in other regions. They would command the loyalty of many who would think twice about accepting military service to honour the obligations of simple

roller totalitarianism of Right or Left, the most delicate skill in management, both in the planning itself and in the administration of the frontier between the controlled and the uncontrolled. Both Labour and Conservatives can hire skilled managers—and can be counted on to paralyse them with political directives which frustrate purpose or nullify freedom. So long as the managers, the professional class, are merely instrumental in putting badly conceived plans into practice, their specific qualities will be wasted. And waste will continue until they are given a role in the framing, as well as in the application, of policy.

(To be concluded)

alliances. And, in the long run, they provide the only kind of security organisation within which Britain can reconcile the claims of neighbours in Europe and kinsmen in the Commonwealth.

Moreover, any future association of Western Europe will not work economically unless Germans play their part; and to make its first political instrument a series of treaties specifically directed against future German aggression is to provoke bitter misunderstanding from the outset. Neither in name nor in content is the Dunkirk pact a good enough political basis for Mr Bevin to build on.

Progress at Brussels

Last week in Brussels the Study Group on Customs Union, established last year at the Paris Conference, came together in an atmosphere of far greater activity and optimism than was apparent at the previous reunion in November. Since then customs unions have come in for a sudden wave of publicity and popularity. At that time only the three countries of the Benelux Union were doggedly advancing towards a common tariff (introduced on January 1st), but in the intervening months a mixed commission set up by the French and Italian Governments has examined the possibility of a Customs Union, and has reported that no major obstacles appear to stand in its way provided the stages of economic union are attained progressively. The Scandinavian countries are also making tentative steps in the same direction. They have (with the exception of Iceland) appointed delegates to a mixed commission to inquire into the possibilities of a Scandinavian Union.

The Study Group itself could not do much more than tackle the immense technical difficulties which stand in the way of a general customs union embracing all Western Europe. The first step is to ensure that the negotiating nations use the same terms when comparing their different tariff structures. Another difficulty is to determine whether specific or *ad valorem* duties shall be used as the basis for comparing tariffs, and how the one should be expressed in terms of the other. Further difficulties have to be cleared up in establishing average tariffs and deciding the best methods of doing so. It was decided at Brussels that an office representing tariff experts from the different countries should be set up—in Brussels—to work out these and other technical difficulties.

The Brussels Conference was not content to leave the question at a technical level. The delegates realised that the economic consequences of union for the countries concerned are likely to cause far more controversy and difficulty than mere technical problems. They therefore set up an economic committee to go into the question of the proposed union's wider repercussions. This body will meet in Rome on February 25th, and will report to a third conference of the Customs Union's Study Group to be held in March.

This new economic committee is likely to find itself faced, from the beginning of its deliberations, with the fundamental problem of western association, economic or political, the problem of sovereignty. The Benelux Union has already reached the point at which further advance is impossible without much more far-reaching integration of the two economies. It will not be long before an examination of a wider West European Customs Union reaches the same point. But are the nations of Western Europe prepared for this difficulty? They ask: "What is behind Mr Bevin's speech?" A more salutary question might be: "What concrete diminutions of sovereignty would we, as separate national communities, be prepared to accept?"

Stimulating the Phagocytes

Neither Transport House nor King Street can be feeling wholly elated with the first fruits of Mr Morgan Phillips's campaign to oust the Communists from their positions in the trade unions, though both sides are claiming successes. On balance, the Communists, it seems, have slightly lost ground, though there has been no sign of any clean sweep on the scale hoped for by the Labour Party. In the biggest unions, where Communist influence was strongest, such as the miners and the transport workers, they have suffered a slight setback. The Communists now have 8 seats out of 38 on the Council of the Transport and General Workers, instead of the 9 out of 34 they held previously. Only in the London area have the Communists maintained any substantial hold, but the fact that only 25 per cent of the London membership voted at all in the recent elections suggests that there is considerable apathy among the rank and file. The Communists are strongly represented on the National Union of Mineworkers through Mr Arthur Horner, and though they lost a seat on the Executive with the defeat of Mr James Hammond in Lancashire, they still hold leading positions in Wales and Scotland.

The strength of Communist influence, however, is still greatest in the engineers' union and in the electrical trade union, which recently elected a Communist as secretary. The party has made no headway in agriculture, nor in any of the multifarious textile trade unions, while in the clothing workers' union, where there is a fairly strong Communist element, the recent election for general secretary produced an overwhelming majority for the anti-Communist candidate. The test case may come in the civil service unions. An unofficial anti-Communist "conference campaign committee," largely inspired by Mr George Gibson's anti-Communist crusade in the *Sunday Times*, is busily "boring from without" to rid the Executive of the Civil Service Clerical Association of its Communist domination, and its success or failure will be apparent at the Association's conference before Whitsun. The Communists both within and without the trade union movement can be expected to make the most of the growing opposition to the Government's wages policy, and thereby to retrieve some of the popularity they have recently forfeited. They are particularly strong among the shop stewards. Their influence operated in a positive direction after Hitler's attack on Russia, when maximum production was the party line. Now, however, this machinery will no doubt go into reverse, and widespread industrial trouble may be fomented in the workshops if the White Paper principles are strictly applied. There is thus a stronger need than ever for stimulating the phagocytes. The only way of resisting Communist invasion is to get rid of the apathy among the rank and file of union members, to which, incidentally, Cardinal Griffin drew attention in his Pastoral Letter for Lent.

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Can the WFTU be Saved?

The life of the World Federation of Trade Unions now seems to be drawing, not altogether peacefully, to its close. The end has been brought nearer by M. Saillant's somewhat curt rejection of the TUC's ultimatum that, unless a date for a meeting to discuss American aid were fixed by mid-February, the British would consider themselves at liberty to initiate or participate in a conference of the trade union movements which are prepared to co-operate in the Marshall Plan. Leaders of the American Congress of Industrial Organisations, now in London, have made an eleventh hour appeal to Mr Kuznetsov, Soviet trade union leader, to meet them in an attempt to save the Federation, but it seems most unlikely that there will be any reply. Although the initiative for raising the question of the Marshall Plan on the WFTU agenda originally came from the CIO, it is improbable that they would act as sponsors of a special Marshall conference, for the simple reason that any move for self-help should come from the European nations themselves. The same argument applies to the American Federation of Labor, which, however, would certainly participate in the conference.

No further developments from the British end can be expected until the next meeting of the General Council of the TUC, but as this has now been brought forward a week to enable a speedy discussion on the wages White Paper, an early decision on the international situation may be expected. To judge from the tone of Mr Arthur Deakin's statement last weekend, and from an article by Mr Tewson in the current issue of *Labour*, the TUC is obviously prepared to be tough. Mr Tewson repeats the confirmed opinion of the General Council that American aid should be discussed by the WFTU and denies the allegations

that by pressing for this, the British have been sabotaging international trade union unity.

The Council have been patient—perhaps too patient—in rounding on the mischief makers. But it is as well to warn those concerned that if the silence of the British trade union movement under the vilification they have tolerated for many months past is regarded as a sign of weakness, a great mistake is being made.

A final and formal breakdown may be postponed until the full September congress, but unless there is some miraculous change of heart among the Russians, the inevitable consequence would seem to be the establishment of two rival organisations, as at the end of the last war, repeating on an international scale the position in France. There may be a split in the ranks of the CIO, with the Communist minority breaking away, but there are as yet no signs of a permanent *rapprochement* between the CIO and the AFL, although these two bodies would obviously work more closely together on the international side.

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Public Accountability

An interesting three-cornered argument took place in the House of Commons last week between Mr Morrison, Mr Churchill and the Speaker on the now thorny subject of the embargo on questions to Ministers about nationalised industries. The issue is a difficult one. There is no clear line of division between those questions which Ministers should or should not answer. On the one hand there are innumerable detailed matters which it would be entirely wrong for the Minister to answer or to interfere with; on the other there are major questions of principle and policy for which Ministers must be directly answerable. The trouble is the breadth of the no man's land between. How is Parliament to find out about the important things without opening the door to the stultifying effects which the threat of Parliamentary questions exerts over government departments?

So far Ministers have been getting it all their own way. The principle of non-interference having been accepted, a large number of questions is being rejected by the Speaker on the ground that they do not involve "Ministerial responsibility." The most surprising feature of the Speaker's statement was the admission that when he is in doubt about the question of responsibility he rings up the Ministry concerned to ask them. Thus it is possible for the Ministers of Transport and Fuel and Power to avoid a question ever appearing on the Order paper at all merely by disowning responsibility. Under the existing procedure the difficulty of the Speaker is obvious. He cannot know about the detailed lines of demarcation between Ministry and public board. But neither ought the Minister to decide: it makes evasion too easy. It is quite another matter if the question is actually put at Question Time and the Minister openly refuses to answer: the public opinion of the House will prevent any serious abuse.

The issue, however, goes deeper than the details of parliamentary procedure. Having very properly established the precedent against daily parliamentary interference, the Government have not revealed how they propose to avoid the opposite dilemma of making the nationalised boards into citadels of monopoly as secret as any of the castles of capitalism. There is to be a two-day debate each year when the Coal Board presents its annual report and accounts—apparently to be of the greatest detail—but a two-day debate can only cover matters of general interest. What about the details? The Government refused to incorporate investigations by the Public Accounts Committee into the Act, but it is understood that such procedure is in fact being considered. The precedents set for the Coal Board are applicable to all the new boards, and it is vital that the Government should decide quickly what is to be done, if possible with the concurrence of the Opposition. And if such investigations are to get anywhere members of the boards should appear in person and not be represented by officials of their parent ministry. But the Public Accounts Committee can only shut the stable door after the horse has escaped. It is essential that some method be devised of sifting questions, to ensure that those relevant to matters of public policy are put and answered.

* * *

Neighbours in Africa

Before the war the Powers that share the continent of Africa were about as neighbourly as the occupants of a large block of flats. Shortage of food and the alarums of the time have dispersed much of this aloofness. Within the last nine months British, French, Belgians and Portuguese have discussed a

number of common problems: nutrition, forestry, soil conservation, action against the tsetse fly and more general administrative problems have been the subject of conferences in Paris, London, Brussels and in Africa itself. Less formal contacts between officials in the adjoining territories have also been encouraged.

It is still a long step from these consultations to the kind of economic co-operation in the colonies which was visualised in the Paris discussions on Marshall aid, or towards the broader vistas presented in Mr Bevin's "Western union" speech. It is doubtful, for example, whether either Government can yet provide a full survey of the raw materials and food which long-term schemes of development might draw from Africa, and it is already evident that any quick benefits from such schemes are out of the question.

The basic problem, for the French as for the British, is their limited ability to perform, out of their present capital and productive resources, the pioneer role which circumstances are thrusting on them. Capital equipment for Africa cannot be provided at short notice without American help; communications need extensive improvement; the native labour force is unskilled, scattered and uncertain in quality; and the effects on native policy of big schemes have yet to be faced. Already protests from African political groups are reaching London complaining of what they call the "super-exploitation" implied by the Westerners' "Africa fever." They also give voice to the fear that is in the mind of every primary producer—the fear that Europe's desperate effort to find new sources of food and raw materials may create the conditions for a future glut.

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Mr Marquand's Tour

It is to be hoped that the newspaper accounts of Mr Marquand's streamlined tour through East Africa belie the real impressions he has gained from it. Judged by the stories that have appeared, he seems to have fallen into the current popular belief that the development of the African dependencies will solve Great Britain's economic and financial difficulties. Tanganyika's sisal, diamonds, lead, groundnuts—he lists them all as being of great importance to Britain's supplies of food and raw materials or as dollar earners on a large scale.

Obviously all this is true—in the long run and if other things remain equal. But why does Mr Marquand apparently ignore, at least in public, the tremendous difficulties in the way of exploiting African raw materials? What is the use of Britain's sending out capital equipment, that can ill be spared, to develop the lead mines at Mpanda, if there is no labour to work them and no transport to move the lead once it has been obtained? The development of the African colonies, and of Britain's other colonies, is a slow, long-term process. Its main object, and its main justification in view of this country's present economic plight, is that the British people are pledged to raise colonial standards of living. Responsibility for it belongs to the Secretary of State for the Colonies, and tours like that of the Paymaster-General, which foster the far too prevalent belief that Africa can provide a short cut out of Britain's balance of payment difficulties, do more harm than good.

* * *

Friction in the Arab League

The muddle and short sight that have lately ruled in the Lebanon's financial affairs have been increased by this week's decision to cut long standing economic and financial links with Syria. The two countries should, for maximum prosperity, be Siamese twins. The immediate cause of their rupture is the difference in the views they take of their financial relations with France. Their currency is backed in Paris; their bank of issue, the *Banque de Syrie et du Liban*, is French. The Lebanese are prepared to go on leaning on this body; the Syrians are not. The Syrians are, in the long run, in the stronger position of the two countries because they possess what is, potentially, a more self-sufficient economic structure. Further, they now feel for the French a hatred which many Lebanese do not share. It is still impolitic—it was in 1946 impossible—to talk French in the streets of Damascus, whereas in Beirut even the urchin selling Spearmin answers to it.

Up to this month, the two states, though politically separate, have maintained old *intérêts communs* in the shape of currency (their notes are interchangeable), customs and a railway. They shared in agreed percentages their revenue from customs and excise, and their hard currency allocation. But the joint arrange-

ment has been uneasy. It has been undermined on the one hand by the Syrian impulse to protect nascent industries, and on the other by the instinct of sons-of-Phoenicians in the Lebanon to live on quick turnovers and free trade. As against these conflicting impulses, there exists the indisputable fact that the Lebanon lives on Syrian wheat and on the traffic through to the hinterland; while Syria, in the present state of its price structure, finds in the Lebanon a market for products it could sell nowhere else at present quotations.

* * *

Rake's Progress in the Lebanon

But is the Lebanon, in particular, in any position to cut the painter? Typical of the financial confusion that can arise there was the extraordinary scene on February 3rd when, following an announcement (by radio only) that that very day from 8 a.m. to 4 p.m. was the only moment at which to change Syrian pounds in local hands for Lebanese pounds, the government created a madhouse round all branches of the *Banque de Syrie*. Its 1947 budget was balanced on paper at £Leb.58 million, but expenditure had by the autumn topped the 100 million mark, chiefly on account of outlay on the army and on diplomatic representation. Its 1948 budget is also balanced, on paper, at £Leb.63 million. But how can the balance be struck? The local disparity between imports and exports is ever increasing. A fatally short-sighted expenditure of vast wartime profits has filled the shops with frigidaires, vacuum cleaners and enough tooth brushes to supply all tooth cleaners in the whole Middle East for a decade. Meanwhile sales are falling because—to give but one example—Lebanese lemons this year cost 60 per cent more than Sicilian lemons.

Nor does the government, despite its majority, seem capable of taking the situation in hand. Not one of its members thinks beyond quick returns on merchandise. They live from hand to mouth. They allocate hard currencies and import licences to their friends. They pay out so much to these and so little to their departments that many civil servants have to find another job in the afternoons. Here is the country which, if well run, and on good economic terms with Syria, could be a second Switzerland. But it is galloping in the opposite direction. All thinking Lebanese are deeply disturbed, but seem capable of nothing but denunciations. So are all thinking Arabs, for if the Syro-Lebanese quarrel develops, what prospect is there of consolidating the Arab League?

* * *

Police Inquiry Postponed

The Government have shown themselves singularly insensitive to the urgency of public needs in their handling of Lord Trenchard's demand for an inquiry into conditions in the police force. It is true that they have agreed to set up a committee of inquiry, but that is not to be constituted until the beginning of next year. And yet the case for immediate action is overwhelming. The Metropolitan police force is still about 25 per cent under strength, and the number of postwar recruits who have left the service, tempted no doubt by brighter prospects in period of over full employment, is more than disquieting. As the Lord Chancellor himself admitted, the facts are pretty grim, particularly in view of the dangerous increase in crime. Why, then, this wholly unaccountable delay? The inquiry, to which the Government have committed themselves somewhat half-heartedly, is bound to take considerable time once the Committee has been set up, which means that action of any kind must be delayed for something like two years.

It is extremely doubtful if the Lord Chancellor's suggestion that men are leaving the police force in large numbers because of the absence of suitable accommodation is of any weight. Housing in London is short whatever career a man chooses to enter. There are two far more significant reasons for the small numbers recruited and the large numbers who have been leaving after their first year of service. The first is the relatively low rate of pay at entry compared to other openings. The police was once an attractive career financially: it is so no longer. The second reason is the poor prospects of promotion for the able young man. The Hendon Police College may have had its faults, but at least it attracted good men, and the violent prejudices it at first aroused were lying down. The new system goes to the other extreme. Men are not to be picked for special training until they are well on in their thirties or even older. No ambitious young man is going to kick his heels for ten years at a low rate of pay for so late a chance of promotion.

This is no time to acquiesce in Gilbert's refrain that "a policeman's lot is not a happy one." The first duty of a Government is to ensure the maintenance of law and order. However urgent the manpower shortage, the adequate maintenance of the police forces of the country is the top priority—a priority far higher than the nationalisation of industries. It is therefore greatly to be hoped that the Government will reconsider their decision to postpone this very necessary inquiry.

* * *

Civil Service Salaries

The appointment last week by the Chancellor of the Exchequer of a committee to advise him on the remuneration of the higher grades of the Civil Service will generally be welcomed, both on account of its composition—the members are Lord Chorley (chairman), Lord Layton, Sir Frederick Bain, Sir Hector Hetherington and Mr George Gibson—and also because the subject needs careful independent investigation. Since the war, the different elements in the higher ranks of the service, administrative, professional, scientific and technical, have largely increased in complexity, and the business of arriving at fair scales of remuneration for each category both relatively to the others and to related classes in the outside world is a matter of some urgency. Now, though it is easy enough to cry out against the monstrous and growing hoards of overpaid bureaucrats, there are probably very few people acquainted with the facts who would regard the remuneration of the top ranks in the Civil Service as excessive. Indeed, it might come almost as a shock to those accustomed to thinking in terms of the remuneration of big business executives to realise that the head of the Civil Service, the Secretary of the Treasury, is paid no more than £3,750 a year, and that he does not enjoy in addition a large tax free expenses allowance. Not only are the salaries small compared with those normally paid to the higher business executives in private industry, but they compare distinctly unfavourably with those provisionally fixed for the executives of nationalised industries.

In late Victorian times and even at the beginning of the present century it was usual to justify the comparatively small salaries paid to the higher civil servants on the grounds of their absolute security of tenure and the pension rights that they enjoyed. But since then the responsibilities of Government administration have been enormously increased, while at the same time, with the growth of big business, the degree of security enjoyed by business executives has become much greater and the pension arrangements of the more progressive firms much more generous—to say nothing of the standards in these matters which are now being evolved in the nationalised industries. It is essential, therefore, that in the years to come the Civil Service should be put in a position to compete on reasonable terms for brains and enterprise with the professions and the industrial and business world. That does not mean that it should offer glittering prizes in profusion, but it may well mean some advance in the remuneration offered today. There is nothing inconsistent in this admission with the general recognition of the need for limiting personal incomes as a means of combating inflation, for the total number of persons involved is very small. In these circumstances the Chancellor has done well to seek the advice of an impartial body, the balance of whose judgment is not likely to be disturbed by the immediate urgencies of the present crisis.

* * *

The Theatre in Conference

When, for four days last week, representatives of a great variety of interests in the British theatre met to consider their calling, the conference did not prove to be as representative as its conveners had first hoped. The National Theatre Committee, representing the Theatre Managers' Association for the provinces and the West End Managers' Association for London, refused to take part. They believed that the voting system had been weighted against the big commercial interests and in favour of small and to them suspect groups such as Unity Theatre. In a word, they believed the whole thing to be a "Left Wing ramp" designed to discredit them and to get Government support for the nationalisation of the theatre.

They need have had no fears. The tone of the conference was solid, serious, responsible and on the whole non-political. It was soon apparent that the chief desire of the delegates was to clear up difficulties and anomalies in their profession and to exchange ideas on the best methods of doing so. The resolutions passed were practical and, with one or two minor exceptions, very reasonable. The conference asked for a lifting of the present burden of

the entertainment tax which falls on new ventures and old favourites alike and has become a major problem in spreading the capital costs of new plays. They made suggestions on the improvement of working conditions in theatres. They made a plea—and how many would echo it!—for an improvement in the standards of British variety. They asked that drama should receive more attention at the universities and in education generally. And, far from proposing drastic schemes of nationalisation, they suggested simply that the Arts Council should be strengthened and that a Working Party for the theatre should be set up.

If after this demonstration of moderation some timorous managers still maintained their reservations, Sir Stafford Cripps spoke at the final session as though to dispel their last doubts. He pointed to the dangers of state intervention in matters of culture and affirmed his belief that, in the Arts Council, the British people had evolved an instrument not of deadening control but of wise and far-sighted patronage. He pledged further financial support to the Arts Council and gave a most welcome hint that the building of a National Theatre in London was something he looked forward to with the coming of better times. A useful and sensible conference could not have had a more fitting epilogue.

* * *

De Valera's New Hand

With five results still to be announced, it is obvious that Eire's general election has created more problems than it has solved. Mr de Valera's party *Fianna Fail* has probably 68 seats. *Fine Gael*, the main opposition party, which was expected to lose the bulk of its support to *Fianna Fail*, has in fact held its own. The dark horse, *Clann na Poblachta*, which under Mr MacBride was thought likely to gather unto itself all the forces of social unrest in the country, won only ten of the 93 seats which it contested. Thus the party balance among the Dail's 147 members will be an extremely delicate one. Mr de Valera, with the support on most issues of four dissident labour deputies and two or three independents, can command between 71 and 76 votes, giving him at the higher figure a fractional superiority over all other parties. There will be an exciting tussle when the Dail meets on February 18th to elect a *Taoiseach* or leader and it is possible that Mr de Valera might be just defeated by some special combination. Even if he is not the Dail will be at the mercy of the small group of national labour and independent deputies.

However, Mr de Valera holds a stronger hand of cards than is apparent from the electoral returns. He is a wily politician who knows that he can, as most issues lie, divide his opponents. He has twice (in 1938 and 1944) extricated his party from a similar position by speedily going to the polls again, and *Fianna Fail* is probably the only party which could afford financially to fight another election in the near future. Equally, a government based on a coalition of the "anti-Dev" parties would be an unstable affair. As Mr de Valera has been quick to point out, *Fine Gael*, which attacks the high cost of government, would not get far in framing a budget if harnessed to Mr MacBride, who demands a speedy expansion of the social services. The "anti-Dev" vote is not large enough to give a coalition of the smaller parties sufficient power of manoeuvre in face of a united *Fianna Fail*. In the interests of peace and quiet certain sections of Irish opinion are demanding a *rapprochement* between the two parties of the Right, *Fianna Fail* and *Fine Gael*, but their quarrel is of long standing and both have so far rejected the idea.

Whatever happens Eire is unfortunately going to suffer a period of shifting and unstable government. The country has shown itself to be restless under the settled system of the past sixteen years, but it has yet to express with sufficient energy a preference for any alternative policy.

* * *

Axioms of the Cominform

"Without desiring to prove it in detail, I accept as an axiom that American imperialism has today become the heir of Hitler's German imperialism." So runs one of the main themes in a speech two hours long made recently in Budapest by Jozsef Revai, an able and prominent member of the political committee of the Hungarian Communist Party. The speech reads as if it came straight from the Cominform's mouth, and it was heard by what is known as a distinguished audience. Once the axiom is accepted there flows from it, with impeccable logic, a stream of conclusions which could be ignored by historians and philosophers if they did not show clearly which way Communist policy for the future is heading. The objective for the spring, in France, in Hungary itself, and, above all, in Czechoslovakia—the key

country of eastern Europe—is to split the left-wing from the right-wing Socialists and get them working with the Communists for the next elections. The tactic has worked in Italy, so it is to be tried elsewhere; and doubtless Mr Revai has hopes that it may work in Britain too.

What is happening now, according to him, is that Socialists who are "anti-Soviet" are swinging back to the Weimar policy of the German Socialists twenty years ago. They are co-operating with clerical reaction, destroying working-class unity, backing American imperialism and threatening war against the Soviet Union. The "Third Road" has been unmasked, "or at least the mask is in process of falling off." And, although "the formation of left-wing Socialist parties is forcibly hampered by the governments of the West," they are steadily gaining strength through the split between them and the right wing. Today through the split between them and Nenni (in Italy) speak a totally different language and live in a world totally different from that of, say, Léon Blum. Therefore—and here comes the line for the future—"men like Fierlinger, Nenni and Szakasits should once and for all discard the illusion that a break with Blum and Bevin would entail a break with the western working class."

In other words, Mr Revai, and those who think like him, want a straight political fight in Europe between extreme left and everything to the right of it. To achieve this they are prepared to thrust moderate Socialists straight into the arms of the centre and right-wing parties, regardless of the consequences. The immediate object of this desperate policy is obviously to eliminate the Social Democrat Party in Hungary; to bring Mr Fierlinger and his left-wing followers over to the Communists before the election in Czechoslovakia next month. The longer-range object is to provoke such tension between governments and Communists as to all over western Europe that their economic recovery will be crippled by strikes, party crises and, if necessary, by civil war. For this kind of aggression the appropriate term has yet to be found; perhaps sickle-waving would do.

* * *

No Easter Basic

Any hopes that may have been raised in the minds of the public by the prospect of a revision of the basic petrol position

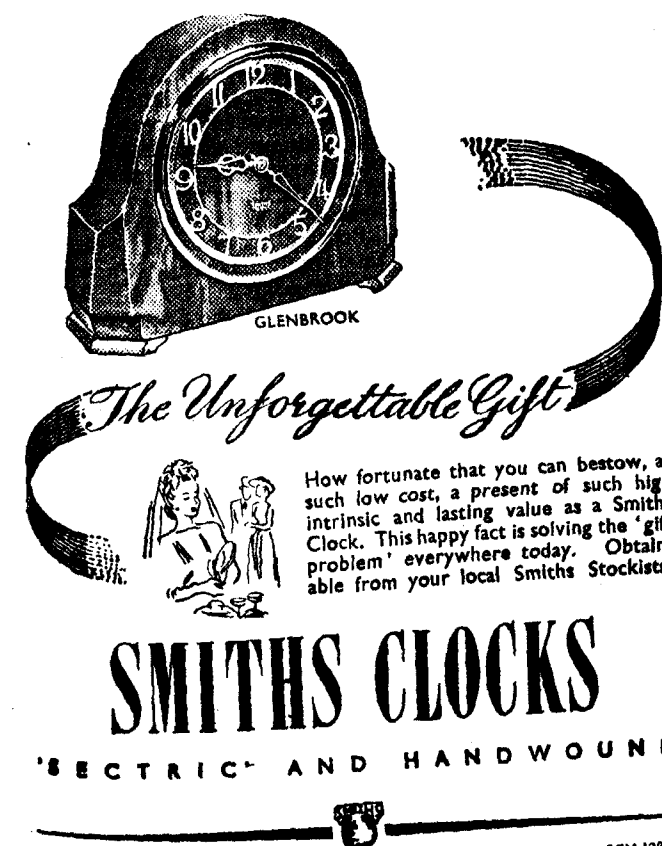
before the end of March held out so temptingly last week by Mr Gaitskell must have been rudely dashed to the ground by Mr Robens's announcement in the House of Commons on Tuesday, to say nothing of Sir Stafford Cripps's comments on the White Paper on the balance of payments. Easy as it is to sympathise with the manifest inconveniences caused by the abolition of the basic ration, it can hardly be maintained any longer that these are unnecessary hardships. When the nation is in the desperate position of living on its last reserves, it should be obvious that petrol cannot be preferred to food and raw materials, and the sooner that this is recognised by everybody the better. Nor is it fair to criticise the Government for making this unpleasant decision.

That does not mean that the Government is not open to criticism for the manifest ineptitude with which it has handled the whole question, and Mr Gaitskell's latest performance is a good case in point. It is difficult to understand how a Minister of the Crown could have been so ignorant, as late as last week, of the essential facts about the country's economic position as to permit himself to hold out hopes of any kind to the public, or how such a statement could have been made without previous consultation with the Chancellor of the Exchequer. Or was the prospect of a review of the position, which strictly speaking, of course, committed him to no action, merely a cynical attempt to appease the indignant motorist, very justly resenting the sight of long distance motor coach trips carrying football fans to cup tie matches? It is high time that the Government was a little more consistent in the application of its convenient dogma of the equality of misery.

* * *

Miner's Moat

Last week the dilemma of the "Fitter's Freehold" was discussed. This week information about a miners' strike at Mardy colliery in South Wales reveals similar difficulties in the coal-mining industry. The problem of what to do with coal miners displaced by the closing of inefficient pits is likely to grow more acute as time goes on, and since the efficiency of the industry largely depends on cutting losses in old pits and expanding production in up-to-date ones it is essential that the threat of disputes should not hold up the process.

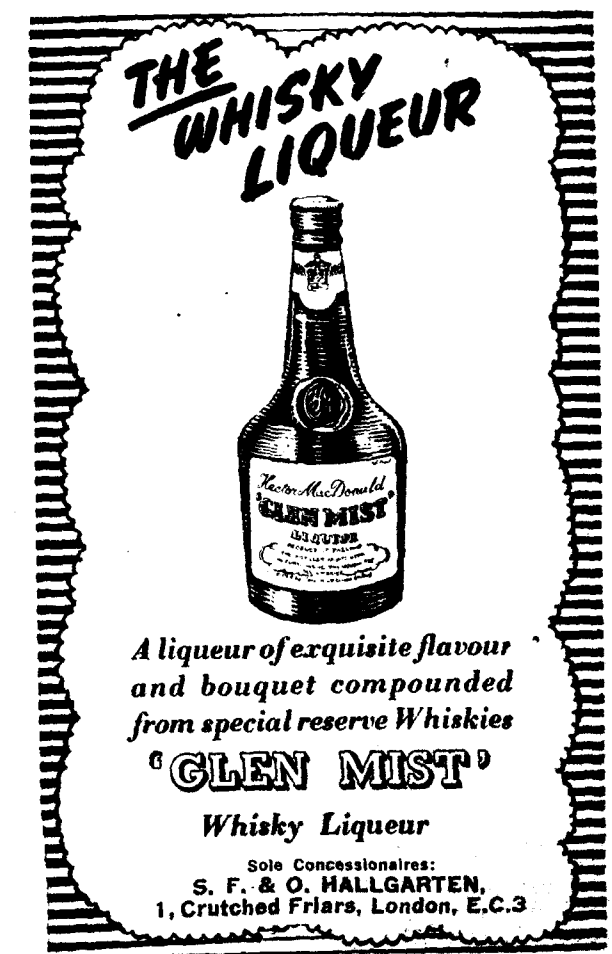


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is taking place suggests that all Americans are not bears on England's future and, different as conditions are, some parallel might be drawn between the present time and the post-World War I period, when, from a low level of \$3.18 in 1919, the pound sterling was by 1933 elevated to the dizzy height of \$5.15.—Yours faithfully,

Shell House, 55 Bishopsgate,
London, E.C.2

Wages Impolicy

SIR,—The valuable article in your issue of January 3rd describes the TUC and its constituent unions as "the most securely entrenched of the vested interests." But are the power of these unions and the authority which the TUC claims (and which the Labour Government recognises) justified by the number of workers they represent? Recent statistics show that they do not represent even half of the wage and salary earners of this country.

The total working population of Great Britain is given in the Ministry of Labour *Gazette*; it is roughly 20½ million. This figure, however, includes all employers, directors, etc., and persons working on their own account. On the other hand, it excludes all indoor domestics, all males 65 and over, and females 60 and

over. Rough estimates of the deductions and additions to be made to the above figure yield a figure of about 19 million as the number of persons "working for employers."

The total membership in Great Britain of all trade unions is given in the Ministry of Labour *Gazette* (November, 1947) as 8,416,000 in 1946—the highest total ever recorded; the members of trade unions affiliated to the TUC was given at the 1947 Southport Congress as 7,540,000, and this figure includes members outside Great Britain. It thus appears that the TUC represents about 40 per cent of employed persons. No doubt some of these (e.g., domestic servants) are not "organisable"; nevertheless, the TUC cannot claim to speak for much less than half of the wage and salary earners. It would be of interest to know the industries and occupations of these 10 million non-unionists. We are told that important industries like mining, transport, etc., are 100 per cent unionised. Disputes are continually breaking out, or threatening to break out, over the employment of non-union labour in a large variety of industries. Yet we find that the number of workers who are not members of trade unions is much greater than the number who are? Cannot one of the numerous research bodies analyse the figures and how us where these 10 million are? How long is the TUC going to maintain its claim that it speaks for "workers by hand and by brain"?—Yours faithfully,

STATISTICIAN

Overseas League, 5 Park Place, London, S.W. 1

Books and Publications

The Birth Rate Problem

"The Population of Britain." By Eva M. Hubback. Pelican Books. 284 pages. 2s.

AUTHOR and publisher alike are to be congratulated on this well-timed, clear-headed and eminently human book, designed, in the words of the Preface, to "help to arouse an interest in this vitally important subject and serve as a preparation for the Report of the Royal Commission on Population." Probably no social topic needs, for its effective discussion, so wide a range of qualities; but if the Royal Commission, with all the majesty and resources of the state behind it, does any better than this one devoted volunteer, it will have done very well indeed.

Mrs Hubback rightly casts her net widely. She gives the bare demographical facts of population growth, birth rates, net reproduction rates, already familiar to students of the subject but disastously little understood by the general public; estimates the economic and social forces underlying decline—and very shrewdly she does it; discusses the psychology of the present-day preference for a small family, the position of women, the practical obstructions to child-bearing, and the proportion of "unwanted conceptions"—still, apparently, an astonishingly high proportion of the whole. Thence she passes on to a depressing survey of the consequences of decline, social, political and economic, and concludes this part with a practical and realistic discussion of possible policies for the future.

Plenty of writers on social problems are ready to diagnose without prescribing; Mrs Hubback has the courage, and the responsibility, of her convictions. The change-over from small to medium family patterns should be achieved within the next generation, before decline has got out of hand. Education is essential, both in the narrower sense of training in child care,

hygiene and so forth and in the wider sense of the imparting of the sense of social responsibility and of other than ephemeral values. Financial aid and social services for mothers and children should be increased—Mrs Hubback specifies in what ways—and housing and town-planning should serve the needs of the child, not forgetting accommodation for the larger family.

The Pelican imprint can rarely have represented better value for 2s.

From The Economist of 1848

February 12, 1848

THE half-yearly report of the Inspector of Factories . . . has been published. Mr. Horner almost begins his report . . . by stating that "I have already seen indications of a disposition in some quarters to resort to plans for evading the Act of last session. . . ." There is (he says) a great difficulty in obtaining evidence; the workpeople themselves naturally dread the danger of losing their employment by coming forward as witnesses, or even by giving information." Thus at the very opening of the report we have evidence of dislike and mistrust of the law, in the two classes most interested in its enactments.

. . . As the magistrates set aside the inspectors' interpretation of the law, the latter ask whether, in the event of the magistrates pretending to know the law better than they, any course is open to them by which they may appeal to a higher authority. We should be rather disposed to ask, as magistrates, employers, and employed are all against the Act, whether that can be a good law which so many classes conspire to defeat? A law for the protection of life and property, which all men willingly execute, . . . is a law suitable to the customs of a people; but a law which the classes interested in it try to evade or defeat, must be an unsuitable law. . . .

. . . What may be the effect of the law when the ten hours clause comes into operation, and there is a strong temptation both on the part of masters and men, from trade being brisk, to make up for losses, the people having "pledged everything but the mere clothes on their backs to eke out a scanty living," even the inspectors do not venture to foretell. . . . When the temptation to infringe [the law] is greater, more inspectors will be required, and, like all laws which fail, from being foreign to the habits of a people, to execute themselves, this must be enforced by a large increase of persons paid out of the public taxes. So laws, unthinkingly enacted, unsuitable to the circumstances of the people, beget evasion, and all the immorality consequent on deceit; then the sphere of the Government is extended, more laws and more taxes follow, industry is restrained, production impeded, and dreadful poverty inflicted on the people. Half the evils of society which we now require laws to remedy are really the offspring of bad legislation.

Egypt's Social Structure

"Egypt: An Economic and Social Analysis." By Charles Issawi. Oxford University Press for the Royal Institute of International Affairs. 15s.

IN this book Mr Charles Issawi sets out to describe the economic and social structure of modern Egypt up to the outbreak of the second world war. Looking at the country from within, he has an advantage denied to foreigners. Yet in addition he has been able to bring to bear on his task a scholarly impartiality gained both at Oxford and the American University of Beirut. As a result of this favourable background Mr Issawi has produced not only what will surely prove to be a text book on his subject, but a readable and well presented volume in which a mass of detailed statistics has been so cleverly absorbed that it always remains inoffensive and digestible. The statistics are none the less always at hand for the author to use in proving his point.

Among Mr Issawi's most interesting chapters are those on population and education. Speaking of the *fellah*, he shows the appalling poverty by quoting the estimate that the annual cost of living for a family of five in Lower Egypt is only about £26: in Middle and Upper Egypt it is slightly less. Quoting the way in which the *fellah's* vitality is sapped by endemic diseases caused by pollution of the water, Mr Issawi vividly likens the Nile Valley to a gigantic hospital. On the subject of education he explains why Egypt is still faced by low standards and unsatisfactory results, in spite of the effort to gear the national desire for independence to a huge elementary educational programme. Two of the most important reasons for this are the poor quality of teachers and the lack of family life, owing to the overcrowding. At the same time, secondary and university education is apt to lead, as in all Arab countries, to unemployment for degree holders, since there is little opening for them except in government service.

The chapters on agriculture, commerce and industry provide a wealth of material which is not available elsewhere in one place. There is also an extensive bibliography and elaborate index. Mr Issawi, in fact, has compiled an exceedingly readable reference book which will be of use to all who want to understand not only Egypt but many of the problems which are common to the whole Middle East.

Industrial Morale

"Psychology in Industry." By Norman R. F. Maier. Harrap. xvi, 463 pages. 12s. 6d. net.

DR MAIER lays down in his introduction that "Psychology, as the science of man's behaviour, must have much more than common sense to offer if it is to make its contribution to Industry." This is both true and important. The human problems in industry are at least as complex as the physical problems, but whereas the latter are referred to engineers, chemists and other research or technical specialists, the former are dealt with mainly on a basis of good will and rule of thumb. In the early days of psychology of good will and rule of thumb. In the early days of psychology this was unavoidable, but by now the industrial psychologist is equipped to tackle the human problems of industry on a scientific level.

It follows from this that to give a general account of industrial psychology for the layman is not easy. The writer has to steer a course between over-simplification and incomprehensibility, and this Mr Maier has succeeded in doing. He has given an account of contemporary industrial psychology which covers the whole field and yet includes just sufficient in the way of example, diagram and illustration to keep the details in sharp focus.

Perhaps the most important section of the book is contained in the first five chapters, which are devoted to the factors underlying industrial morale. We no longer believe that high wages, well lit work rooms, frequent rest periods and short working hours are in themselves sufficient to produce high morale, and the older kind of industrial psychology, with its concentration upon particular problems such as fatigue or incentives, has now been enlarged to take into account the whole man in his social and industrial setting. But although he rightly places the question of industrial morale in the forefront, Dr Maier does not exclude the more special problems, and there are chapters on selection, training, incentives, fatigue, accident prevention and on the physical conditions which are important for efficient work.

Dr Maier has not written for the professional psychologist nor for the layman, but primarily for the man who, in the course of his work, has to cope with the human problems of industry. But

any intelligent reader who wishes to acquaint himself with the growing and important province of industrial psychology will find in Dr Maier's book an admirably clear and up-to-date guide.

Britain's Industrial Survival

"Britain's Industrial Survival." By Ian Bowen. Faber and Faber. 201 pages. 12s. 6d.

THIS interesting and suggestive book suffers from trying to pack too much into two hundred pages. To analyse what is wrong with British industry needs a volume in itself, and to discuss possible reforms another. To try to do both in a work as short as this means inevitably that one or the other goes to the wall, and Professor Bowen's chapters read as a result a little like one of those essays on public ownership, of which he must have had some experience in his own tutorial days at Oxford, which rollick through the honours of the Coal Miner Act of 1930 and the apocalyptic revelation of the Reid Report, and conclude, as the book closes with a satisfied sigh, that "this, therefore, is the case for nationalisation." In fact, of course, it is the case for nothing at all, for it is one thing to prove that our industrial system is imperfect, and very much another to prove that an alternative is generally better.

It is certainly refreshing to find at least one left-wing economist whose principles have stood the test of two years of socialism. But Professor Bowen's own personal blend of glorified trade associations, disjointed consultation, and idealistic planning—with the ideals slightly overcast as a result of practical afterthought in chapter 10—though starting out on the right path is not fully enough thought out to carry conviction. And somehow he never quite seems to answer the question about what are the factors which account for the higher productivity of American industry.

But let these things not be taken as arguments against reading his book. On his own ground of statistical analysis of factors such as efficiency, advertising, investment, population, or lower supply Professor Bowen has plenty to say which is both new and interesting. Perhaps some of his Census of Production data smell more of the lamp than of earthly fact, and he has had to open his mouth a little wide to swallow the whole of the Steindl mythology of the small man. But that still leaves plenty worth consideration in a study which stimulates even where it fails to convince.

Shorter Notices

"History of England." By Professor E. L. Woodward. Methuen, Home Study Books, 4s. 6d.

DIFFICULTIES too obvious to be mentioned must face the writer of a history of England, from Roman times to the end of the First World War, if he confines himself to 270 small pages. Professor Woodward has overcome them all. What could so easily have been dogmatic is stimulating and thoughtful; what could so easily have been over-generalised is accurate and precise. Most developments of importance, not only political but also social and economic, receive some treatment and the history of England is placed in its world setting. This gives the book comprehensiveness despite its size. It is well written and a pleasure to read, which accords with the author's statement that he found it a pleasure to write. The standard of judgment is high, as we should expect, in spite of the difficulties imposed by limited space. Specialists may want to differ with the author on occasional controversial issues in their field; but they could not claim that he is misleading the reader. In short, Professor Woodward was aware of his problem and has been successful in meeting it.

The volume is well produced and has a workmanlike index.

"The Motor Industry of Great Britain, 1947." Society of Motor Manufacturers and Traders, Limited. 452 pages. Non-members, 40s.; Members, 30s.

THIS first post-war edition of the statistical review of the motor industry is a much more comprehensive and attractively presented publication than the last one, which appeared in 1939. The detailed information in it is for the year 1946, covering the United Kingdom production and exports of motor vehicles, the numbers of new registrations and full particulars of the vehicle census for Great Britain. Some useful comparative figures are given for 1938. For instance, the changes in the motor vehicle population at September 1946 compared with pre-war are given for each country separately; whilst the total number of vehicles owned in Great Britain in 1946 was almost the same as in 1938, the numbers in the London County Council area had decreased by 22 per cent. The statistics also include a certain amount of information about overseas producers, including figures for world production and a world census of motor vehicles. It is unfortunate that the difficulties in collecting and compiling uniform statistics have inevitably delayed the publication of this book, and that any figures later than 1946 are confined to a very short appendix.

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AMERICAN SURVEY

The Battle for Minorities

(From Our US Editorial Staff)

IN the Washington buses there is displayed, at the moment, one of those pieces of self-congratulation on the "American Way of Life," in which advertisers occasionally indulge "as a public service." A typical poster mechanic—with broad shoulders, greying hair, strong jaw, kindly eyes and a pipe—is saying "Who says my vote doesn't count? My vote counts as much as the President's vote. My vote has the power to help hire or fire a Senator, a Governor or a Mayor. Look around the world and see how many common men can do that!" The mechanic is identified as Fred M. Lambert of Brooklyn, New York. It is somewhat of a mystery why any advertiser should choose gratuitously to taunt the unfortunate inhabitants of the District of Columbia who have no vote—whether they are common or uncommon. There seems to be no realisation that Mr Lambert would certainly be feeling much less smug if he lived in Washington—or in one of the seven Southern States where payment of a poll-tax is a prerequisite of voting.

On February 2nd Mr Truman sent a message to Congress asking for a ten-point programme for increasing civil rights and one of them was the grant of home rule and suffrage in Presidential elections to the inhabitants of the District of Columbia. (At present the District is governed, with conspicuous inefficiency, by Committees of Congress through an appointed Commissioner.) The President also asked for legislation making lynching a Federal offence, abolishing the poll-tax, protecting from intimidation individuals who are trying to exercise their right to vote, prohibiting racial segregation on inter-State transport facilities and establishing a Fair Employment Practices Commission to prevent racial discrimination in employment.

This programme is the result of the report (published last October) of a Committee appointed by the President in December, 1946, in which recommendations for legislation to protect the civil rights of the people of the United States were made. There would seem to be little in these recommendations which the President of the country which prides itself on the most democratic constitution in the world could not think of without the help of nine months' deliberations by fifteen of its leading citizens. But the reaction to the President's message shows that there is much inflammatory material in the programme. This is an election year and Mr Truman has stepped on some very gouty Southern toes.

The President's message—or at least its timing—was made necessary by the challenge of Henry Wallace's third party. Though Wallace has no chance of getting many votes he can make the difference in three key States. In one of them—California—his strength is in the lunatic fringe. But in the other two—New York and Illinois—he is counting on the support of racial minorities. If he can persuade the negroes of Harlem that the Democrats are now the "creatures of Wall Street monopolists," New York State is lost to Mr Truman. If, on the other hand, Mr Truman can establish himself as the friend of the down-trodden, whether any of his programme becomes law during this session (which is unlikely)

or not, he may save two of the three States with the largest electoral votes.

The American system of electing a President makes it necessary for a candidate to find a programme containing suitable carrots for all minority groups instead of an overall programme appealing to the whole of the nation. He must concentrate on winning individual States, since his majority will come from a majority of votes in the Electoral College where each State votes as a block. Out of the 449 votes in the Electoral College, 47 come from New York, 35 from Pennsylvania, 28 from Illinois and 25 each from California and Ohio. These blocks of votes go to the candidate with a majority in the State, however small that majority. (In 1884 Cleveland won New York by only 1,149 votes.) Therefore every candidate must base his programme on appeasing the doubtful groups in these five States—and particularly in New York.

Roosevelt won New York, in both 1940 and 1944, thanks to the support of the American Labour Party. On both occasions the Democratic vote was smaller than the Republican. The American Labour Party is now officially supporting Wallace, though much of its strength has refused to follow the party leadership. Mr Truman must persuade as many as possible of those outside the regular Democratic ranks to vote for him as they did for Mr Roosevelt. His is not an easy task as he will not be, as Roosevelt was, the candidate of the American Labour Party. The civil rights programme is his bid for their vote. More specifically it is his bid for the 200,000 negro votes in Harlem. So even are the two parties in New York State (in 1944 Mr Roosevelt won by a little over 300,000 out of a total vote of more than 6,000,000) that the negro vote could be decisive.

The situation in Illinois is similar. The Democrats need a majority of about 300,000 in Cook County, which includes Chicago, to overcome the solid Republicanism of the rest of the State. In 1944 they got it with 40,000 to spare, carrying the State by 140,000 votes. But last November, in the local elections, a new party, the Progressive Citizens of Illinois, won 116,000 votes in Cook County. This is the organisation which will support Mr Wallace, and even if his name brings no new votes from the negroes on Chicago's South Side the 116,000 votes may be enough to lose the State for the Democrats.

There is nothing very new in the President's programme. Four Bills to abolish the poll-tax have been passed by the House of Representatives in the last few years. Three of them were killed in the Senate (the fourth has not been debated there) by the filibustering of the Southern Democrats. At present the Republicans, who would always be happy to win back the negro vote by passing such legislation, are sitting quietly and watching the Southerners try to destroy Mr Truman's attempt to save New York and Illinois. There is always an anguished cry when a Democratic President suggests a measure which would interfere with the rights of the Southern States to discriminate against negroes. This week the cry has had a sharper note than usual.

In 1944 there was an attempt, strongest in Texas, to teach Mr Roosevelt a lesson by electing delegates pledged to support another candidate. It came to nothing then, but another attempt is going to be made this time. The Conference of Southern Governors, meeting this week at Tallahassee, Florida, has decided to discuss the advisability of "bolting the Party" (though where they will bolt to is their hardest problem).

The Governor of Mississippi has announced that his State will take the leadership in the South and will mobilise for an all-out fight. "I am confident," he stated dramatically, "that this militant leadership on the part of Mississippi, the most Democratic State in America, will spread like wildfire across the entire South and sweep before it all those who stand as enemies to our institutions and our way of life."

Meanwhile, Republicans in the House of Representatives are widening the split by taking the President at his word and preparing an anti-lynching Bill which will be ready for debate in two or three weeks. It will, no doubt, pass the House, where the filibuster is not allowed, and founder, as usual, on the rocks of Southern long-distance oratory in the Senate—in full view of those whom the civil rights message was intended to win for Mr Truman. The problem of holding together a party, which is an alliance, based on little more than a name in common, of reactionaries in the South and Liberals in the big cities, taxed all Mr Roosevelt's superb political skill. It may prove too much for his less adroit successors. Fortunately for them, however, the Republicans, with fewer natural obstacles, have a talent for misunderstanding the voter and offering him candidates for whom he cannot vote. If they do so again, and the Southern Democrats' fury turns out to be all sound, as is probable, Mr Truman's effort to protect the rights of minorities may have some of its intended effect.

American Notes

Commodities, Trade—

It is never very easy—or very safe—for any commentator to determine the point at which price changes mark a full turn in the business tide. Postwar experience of the American scene, moreover, has brought more than one unexpected rebuff for the prophets, and on this occasion there is a confusion of counsel in high quarters which makes the task of determination perhaps more than ever difficult. Mr Roosevelt, for example, was not a trained economist, but he usually had the good fortune to be pointing to charts at a time when the trend was still in the direction which he indicated. On Friday last, Mr Truman was less fortunate. His repetition of earlier pleas for price control, and his renewed expression of alarm over the upward price spiral coincided with the worst liquidation met by the stock and securities markets for many months past.

So sharp and sudden was the downturn, in fact, that on the same day, Mr Clinton Anderson, Secretary for Agriculture, is reported to have given the farm community an implicit assurance that his Department will move very slowly in proposing any revision of "parity prices" which at present determine Federal support levels for farm produce.

On the commodity front, falls now outpace the severity of those earlier bouts of liquidation in 1946 and 1947. Over a week, March wheat has fallen from \$2.95 a bushel to \$2.43, and maize from \$2.48 to \$2.05, with September wheat quoted at \$2.17 (\$2.53). Grains took the first shock, with quotations falling over several sessions to the full limits allowed by commodity exchange regulations, and it is significant that some wheat futures are now well below the Federal price "peg" (at which support loans become available to farmers). That level is now about \$2.25 a bushel, but since it is based on the relationship of farm prices to those of industrial products, it may move against growers now. The fall might be a pointer to later trouble here. Elsewhere, cotton (down from \$34.80 to \$32.63), hides and rubber joined a wide retreat in industrial commodities. The Moody index of staple commodities is down from a 1948 high of 459 to 404. This pace of decline is fully reminiscent of the worst bouts of depression in commodities, although underlying forces are certainly different today.

Speculative activity has been given a great deal of publicity in recent weeks, but a contraction of these operations is not alone sufficient to account for this new break. In grains, especially, it follows encouraging reports on crop conditions, and the revision of 1948 crop estimates along lines which might well daunt the sturdiest of short operators. Improving weather conditions have brought forward predictions of a 1948 crop well beyond 1 billion bushels, against the gloomy autumn estimates of disaster (or its equivalent crop level of perhaps not more than 750 million bushels). Mr Anderson himself has declared that "given good weather," US exports of 300 million bushels over the next crop year could be met with comfort. In the meantime the 1947 crop year export target has been cut, and the high price of wheat has

proved to be an effective deterrent to abnormal livestock feeding. In short, the grain position has justified a fall in prices. That still does not explain why the markets waited until last week to reflect the more sober views prevailing, though the latest suggestion from Washington is that another "leak" inspired the initial sales.

—And Wall Street

The less spectacular, but none the less severe, break on Wall Street is less difficult to explain. For months past that market has refused solemnly to discount the trend of steadily rising company profits, bigger dividend payments, and higher yields. A normal end-year rally was brought to an abrupt conclusion by the Presidential plea for higher tax rates in the Budget Message, and not even the disappearance of Mr Mariner Eccles, or new rumours of lower margin requirements for securities trading could induce any substantial recovery.

Here the commodity slump served merely to push stocks from a level (the 180 plateau maintained by the Dow average within a fairly narrow range for some time past) which they had shown no disposition to hold for very long in 1948. Turnover widened in a manner which was no doubt significant to the Dow Chartists, who are, in the main, content to believe that a primary bear market began in 1946 and has not been concluded. The Dow Jones average has fallen to 166, and there is still no sign of a spirited rally.

The evidence for, and against, continuing declines and major reactions on the business tide is by no means easy to weigh. On the one hand, it is worth remembering that the grain markets are now presuming the continuance of good weather through to harvest time, that the balance between world supply and demand is still in favour of the latter, that stocks are still abnormally low, and that North America has for a decade enjoyed a more than average share of good fortune in terms of weather—despite the 1947 corn crop failure. Relatively little damage would be needed to tilt the scales toward scarcity, if not actual privation.

But the remaining question which has not been settled is the influence of stock and commodity price changes upon domestic demand. Will industrial buyers now refuse to provide any longer the stimulus derived from more than two years from re-stocking? Will the buyer in the residential construction market now hold aloof? Will industry, faced with this fresh uncertainty, become more grudging on wage claims which will almost certainly go forward now? Will the feverish pace of business re-equipment die down after the first quarter, or will first quarter predictions of high demand be, in fact, fulfilled? By how much will Congress cut the Marshall aid figures?

At this stage, any answer to these queries can scarcely be conclusive. What we can say is that all the familiar indicators of a

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Business turn have in recent months become more than ever apparent, right down to the despised, but none the less inevitable, hardening of money rates and the new curbs on bank credit. Until last week some indicators were, perhaps, no more than faintly discernible. But this week has given some support to the theory that they may herald a widespread process of deflation which could last for some time and could be very sharp indeed.

* * *

Writing the "Vandenberg Bill"

The Foreign Relations Committee, having concluded its hearings on the European Recovery programme, is now engaged in writing the Bill which Senator Vandenberg hopes will be presented to the Senate by February 20th and passed by April 1st, the date when interim aid funds officially run out. In fact they are already perilously low. The public forum afforded by the hearings has shown, despite criticism of details, a general, though hardly enthusiastic, recognition of the necessity of substantial contributions to European recovery. Proceedings in the House have lagged behind, both in time and interest, and it seems that Mr Eaton relies upon the Senate Bill both to galvanise and to steady debate in the Lower House.

The Bill written by the Senate Committee will be a compromise measure, designed to conciliate the "revisionist" opposition and exemplify the traditional right of the Senate to give advice as well as consent, on matters of foreign policy. But Senator Taft's public friendliness to ERP before leaving Washington suggests that the chief outlines of a settlement have already been reached; and that they involve no grave sacrifices of substance. The administrative quarrel is already out of the way—as far as the Senate is concerned—in the decision, approved by the State Department, to appoint a single executive with Cabinet rank independent of the Department. He would be assisted by an advisory board of 12, and a roving ambassador, and supervised by a 14-man investigating committee chosen from the members of both Houses.

The Administration has made a number of helpful concessions. The \$570 million programme for aid to China, designed as a holding operation while European recovery holds first place, makes good Mr Marshall's promise not to neglect the "other front" against Communism. The sum is only a drop in China's vast

and dusty economic desert, but it will help to placate the professional Sinophiles and those who fear that the Marshall Plan locked the front door while leaving the back door wide open. The Administration, through Mr Snyder, has also announced that it will, by the threat of confiscation, make available to the Marshall country governments, chiefly France, the dollar hoards blocked during the war. The much larger "free" assets of Britain, Eire and Turkey would not be affected. The scheme may make available a useful \$750 million which countries like France have been trying to recover for over two years, and will also do something to satisfy Americans like Senator Lodge who feel it outrageous that wealthy Frenchmen should evade any contribution to the recovery of their own country.

Finally, the Administration has clarified the meaning of the gap between the requested ERP authorisation of \$6.8 billion for fifteen months, and the \$4.5 billion, which is all that is included in the budget to the end of fiscal 1949. Approximately \$1.5 billion of this difference is for goods to be delivered and shipped, but not paid for during fiscal 1949; the remaining \$800 million is for forward contracting. The suggestion is that a billion-dollar cut, replaced perhaps by contracting authority, might, without making substantial real changes in the programme, conciliate those who have been shocked to find that the overall foreign aid bill of the United States totals \$9.3 billion, including occupation costs, aid to China, and the Philippines, and Greece and Turkey. Some doubts are expressed as to whether it is sound strategy to make this concession before the Bill meets its severest challenge in the House, but it may be inevitable in view of the failure to stir public opinion to more than a resigned consent.

* * *

Military Guarantees?

The proposals of Mr Dulles and Mr Baruch for American military guarantees of political union in Western Europe are still lively subjects of speculation despite the chilling lack of interest shown by the Senate and the veto exercised by Mr Lippmann, the "third force" in American foreign policy. Mr Lippmann's opposition was based both on economic and security grounds. He argues that a defence union would frighten off countries like

Switzerland and Sweden; and that the rest of the countries of Western Europe would refuse to accept new commitments to collective security without fabulously expensive military aid from the United States. If American strength cannot contain the Kremlin, he insists that the signatures of a dozen weak countries would not materially change the odds.

Mr James Reston reports in *The Times*, however, that there is considerable concern in Washington as to whether a political and military ERP is not essential if the economic programme is to succeed. Each country's fear for its own security, it is argued, will stand in the way of the best use of the resources of the continent. It is interesting that a recent Gallup poll shows a slight majority, 51 per cent of those questioned, 59 per cent if those with no views are excluded, favouring a military alliance with Britain and France. An alliance with either country alone is much less attractive.

Those who favour some overt assurance that the United States has a political and military, as well as an economic, stake in Europe argue that the resulting increase in political stability would mean a much greater effectiveness for American dollars invested in European recovery. Without it, perhaps no sum would be sufficient. In effect, this would be the application of the Truman Doctrine to Western Europe. That it is discussed at all is a symbol of how rapidly concepts of foreign policy are widening. But it is a highly academic debate. The converted isolationist may now believe European recovery is worth \$4 billion next year; but to run the risk that military commitments might lead to another war would be quite unacceptable, not only to the isolationists but to the majority of Americans.

* * *

Budget Revision

Budget controversies in Congress have so far given a pattern almost precisely in line with that of 1947. Last year the President stood firmly against tax cuts. This year he is seeking modest relief for the low income groups, and a corresponding gain from company profits. On both occasions Congress has ignored the Presidential Message, and gone its own way.

Last year the House moved vigorously, under the lead of Mr Harold Knutson, chairman of the Ways and Means Committee, to bring about a heavy reduction in the expenditure total. Quite recently the Committee again found items totalling \$6 billion to be excessive, and on the floor of the House these impressive Budget economies were approved by 297 votes to 99.

On this basis the House could quite easily override the Presidential veto which would certainly follow passage of the new Budget Bill. Once again, however, the Senate is displaying a mood of restraint and responsibility, and it is now quite certain that no attempt will be made by the Upper House to enforce a show-down on the lines adopted by Mr Knutson.

The Senate itself, of course, will insist upon tax reduction this year. But Senator Taft, who ranks as one of the most vigorous advocates of economy, has always insisted that the \$6 billion goal was only a mirage. A joint Budget Committee has now adopted proposals which would reduce expenditures by \$2.5 billion only from the \$39.7 billion level outlined by Mr Truman.

One basic dispute between President and Congress concerns the probable revenue total for 1948-49. Mr Truman assumed a level of \$44.5 billion, with income and employment maintained near current levels. Congress, with the realisation that the Treasury has underestimated tax receipts in recent years, has hoisted the tax yield estimate by \$2.8 billion. With expenditures cut by \$2.5 billion, the Budget surplus—before tax reliefs—is thus put as high as \$10 billion. The Budget Committee has given no details of expenditure, and no final estimate of probable tax cuts. Already, however, the White House is reported to be moving for higher foreign expenditures, certainly for China, and possibly for Latin America. And the Defence estimates are held by many Congressmen to be too low. The revenue estimates accepted by Congress, moreover, may quite easily look very shaky six months from now. It may be that Congress would be willing, in the event of a business setback, to permit a substantial Budget deficit. But the Republican leaders have shown no sign of falling from orthodox standards, and it is difficult to discern where the economies suggested by Congress are to be found, at least beyond the foreign relief and recovery items which, Mr Marshall insists, form no more than a minimum list.

THE WORLD OVERSEAS

Soviet Budget Survey

(By a Special Correspondent)

THE budget session of the Supreme Soviet of the USSR is over. Its time was entirely taken up by the motions of a quasi-parliamentary debate on the figures presented by the Minister of Finance, Mr Zverev. The peculiar interest in this year's budget estimates has arisen out of the currency reform and the abolition of rationing, which took place in December last. How—it was asked—would the drastic revaluation of the rouble, at the rate of one new rouble in cash to ten old ones, affect the Government's revenue and expenditure for 1948? The answer has now been provided, and it makes possible a more precise opinion about the impact of the currency reform on the Soviet economy.

But, apart from the things that have been said at the Supreme Soviet, the things that have been left unsaid are, as usual in Russia, no less significant. The Supreme Soviet has not officially endorsed the campaign for speeding up the present Five Year Plan and for its fulfilment in four years—a campaign which has for many weeks filled the columns of the Russian Press. In between the lines of his budget speech, Mr Zverev suggested that he was opposed to speeding up the tempo. He openly repudiated the demands of several deputies for a bigger volume of capital investment in industry than that allowed for in his estimates. He argued that the revenue side of the budget was stretched to its limits and could not support any additional expenditure. It seems that the issue had been, or was still, the subject of a tug-of-war between various Government departments, some of which undoubtedly pressed for a quicker fulfilment of the Five Year Plan.

One the face of things, "sound finance," embodied in the somewhat professorial figure of Mr Zverev, carried the day. But it is merely "sound finance" that has militated against the Five Year Plan in four years? Mr Zverev's estimates have provided

for a surprisingly big budget surplus: revenue in 1948 is to exceed expenditure by 41 billion roubles. The surpluses for the two previous years, too, add up to 42 billion roubles. The accumulation of such large reserves in the Soviet Treasury does not suggest that purely budgetary considerations prevent bigger money outlays. The relative shortage of materials and productive capacity apparently does not allow industrial output beyond the targets originally planned. Mr Zverev gave many instances of the scramble for scarce materials between the various state-owned trusts and combines, as well as of the freezing of capital in uncompleted construction. Under such conditions, higher appropriations for capital investment would have merely intensified the scramble and produced inflationary effects. This consideration seems to have outweighed—perhaps only temporarily—the political motives for turning the Five Year Plan into a Four Year Plan. This year's appropriations have been so allocated as to speed up the completion of plant under construction.

The overall figures of the estimates for 1948 are much higher than those of the preceding years, in spite of the recent drastic monetary deflation. This puts the inflation of the rouble and the currency reform of December in the right perspective. The depreciation of the rouble proceeded along two different lines. In the free market, in the "commercial" shops and at the bazaars, the purchasing power of the rouble was officially between one tenth and one fifteenth of what it was before the war—in actual fact, it was even less. This was the "galloping" inflation similar to that experienced by most continental countries. In the planned sector of the national economy, however, the rouble suffered a much more moderate loss of purchasing power, a loss comparable to that suffered by the pound or the dollar. In transactions be-



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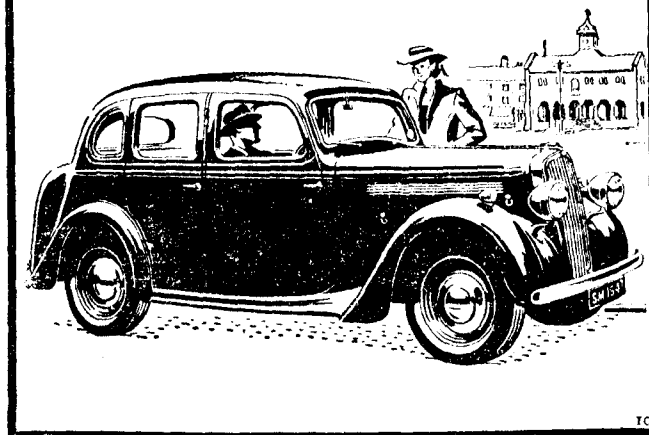
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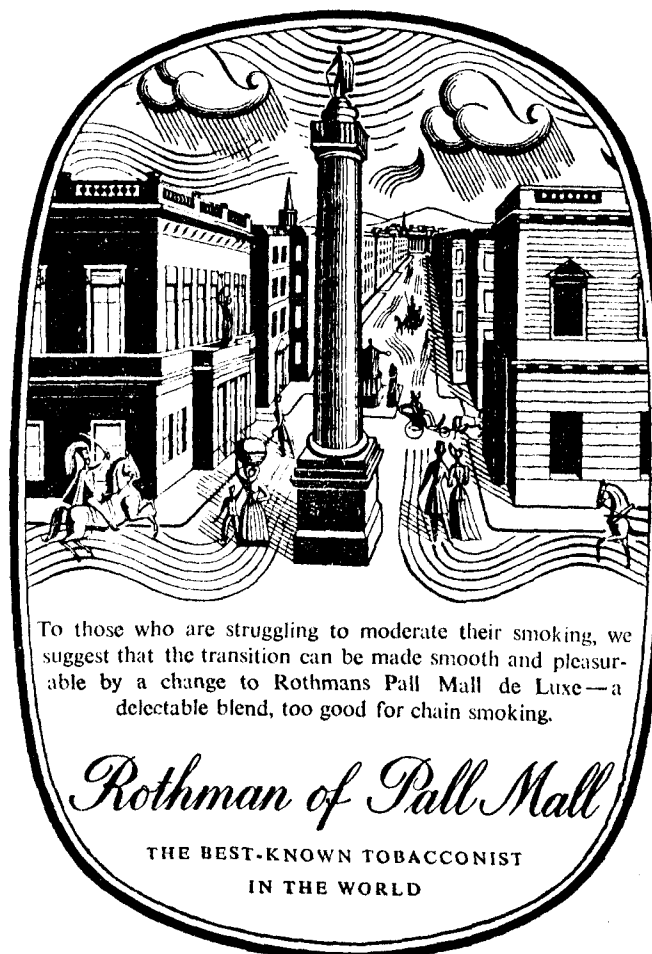
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Jews in Cyprus

[FROM A CORRESPONDENT]

WITH the arrival of the *Pan Crescent* and the *Pan York* on January 1st, the number of Jews in the camps at Caraiolos, Xylotymbou and Dekhelia was raised to 31,344. The disembarkation of the 15,450 from the two ships was carried out smoothly and speedily by the Sixth Airborne Division, but their absorption into the camps has proved a more difficult matter. Only 8,000 Jews are accommodated in Nissen huts, and the remainder were under old and often damaged canvas. In the only camp where exact figures were available there were 2,435 Jews in tents designed for 2,210. Many families separated on the ships have not yet been united. There are 6,000 children in the camps, and the birth-rate is more than 150 each month.

Tension in the camps was perhaps higher than at any time since the hunger strike in April, 1947. Two immigrants, attempting to visit relatives, were shot a few weeks ago, and the military have ordered guards to open fire on any immigrants crawling through the wire. The Haganah have threatened to retaliate if this order is carried out. Much of the tension is due to the situation in Palestine and the feeling among the immigrants that they are held in Cyprus at a moment when they are most needed for the defence of "their country." But it is clear that the present state of overcrowding cannot long continue with safety.

Meanwhile, the Cypriot views with disfavour the raising of the Jewish population to a trifle more than that of Nicosia, the island's largest town, while it is no secret that even the Cyprus Administration have protested vigorously since the opening of the camps. The Secretariat repeatedly deny that the camps are a drain on the island's resources, as arrangements have been made to make available only such supplies as are surplus to local requirements, but it is that surplus which is the one guarantee that prices will remain low. During the past year the cost of fruit and vegetables has risen by more than 100 per cent.

Although the Cyprus Government has recently reiterated that Cyprus will be cleared of Jews before May 15th, so far nothing has been said regarding arrangements for their transfer, nor is there any indication of an increase in the Palestine quota. As a result of the blowing up of the *Ocean Vigour* by terrorists in April last year, the British Authorities have refused to provide transport for released internees. These have been carried in small vessels chartered by the Jewish Agency and capable of conveying about two hundred refugees each trip. Such vessels would be useless for a wholesale evacuation, but the *Pan Crescent* and the *Pan York*, with their original crews, are still in Famagusta Bay, making it theoretically possible to transfer the whole 31,000 to Palestine in three weeks. It is clear, however, that if complete chaos is to be avoided, the operation will have to be spread over several months. What is most probable is that a special quota will be granted for children, and the adults will follow in three monthly shipments on the *Pan Crescent* and *Pan York*.

High Cost of the Camps

It is unlikely that the total cost of the camps will be known for some time. The American Joint Distribution Committee, providing additional food and comforts at the rate of 30s. per head per month with only 3 per cent administrative expenses, estimated that they had spent £312,500 by the end of 1947, and that in 1948 they would need £45,000 per month. Putting the Army figure at £6 per head per month, the estimate would be £1,250,000 for food alone. The total cost was estimated by Sir Godfrey Collins (Commissioner for Jewish Camps) at £4,500,000. Last February the Chancellor of the Exchequer stated that the whole cost of combating illegal immigration would be a charge against the Palestine Government, but so far there has been no indication that the Palestine Government will accept that charge. There is a growing feeling that in the end it will be the British taxpayer who will pay.

The future of the camps themselves is again only open to conjecture. The hutted camp at Xylotymbou, officially stated to have cost half a million to build, is the only one likely to have any value as permanent quarters for British troops. As they stand, the three camps could probably house 20,000 men temporarily, under reasonable conditions, but officers in charge have stated that after the evacuation of the "illegals" the camps would need six weeks' preparation to make them inhabitable. Local reports state that of the 30,000 troops coming from Palestine to Cyprus, 12,000 would remain as a permanent garrison, and that the two tented camps at Dekhelia and Caraiolos were to be eventually demolished.

Hesitation Over Finland

In Denmark there is a distinction between unofficial and official comment. There, too, the responsibilities of office and the inheritance of a traditionally neutral policy make the Government cautious. Yet in some respects it interpreted popular reactions more faithfully than the Swedish Government appeared to do. The newspapers commented late and rather reluctantly on Mr Bevin's speech. Lately, however, more favourable reception has been accorded to Mr Bevin's ideas. Two former Ministers of Defence have made speeches strongly in favour of a northern customs union, and of a clear choice by Denmark of its position "in the fight between democracy and dictatorship, between freedom and oppression." Opinion is veering towards a more positive stand. The traditional friendship for Britain is now growing after its decline a year or so ago, and this undoubtedly increases support for the Western European Union. Yet it would be rash to believe that Denmark would join any partnership which could eventually be turned against Russia.

Limited co-operation in such a union is nevertheless likely from all three countries. A limiting factor, to which too little weight is often given, is their common determination not to increase Finland's difficulties. In recent weeks there have been many signs that the Russians were putting themselves in a more favourable position for assuming fuller control of Finland, if this should be deemed necessary. Externally, the one thing that would certainly impel the Russians to act would be their conviction that the other Scandinavian states had committed themselves to the West. This reinforces old arguments for neutrality.

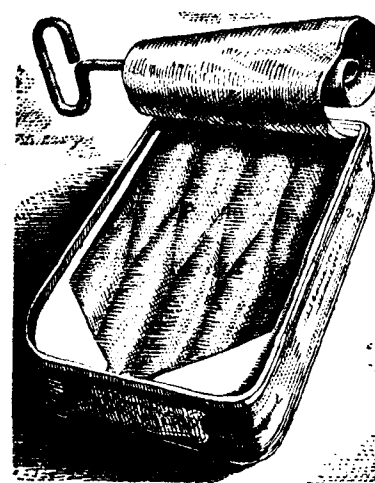
The vagueness of Mr Bevin's proposals also sets a limit to any precise and purposeful reactions. They raise fundamental questions. What is the exact distinction between economic co-operation under the Marshall Plan, which is accepted, and the political co-operation proposed by Mr Bevin, which, until more clearly defined, is ruled out by a policy of neutrality? The distinguishing features were blurred by Mr Bevin's speech, but they can easily be brought into sharp focus again. The Scandinavian countries will then be able to see how the result squares with their desire to maintain policies of neutrality.

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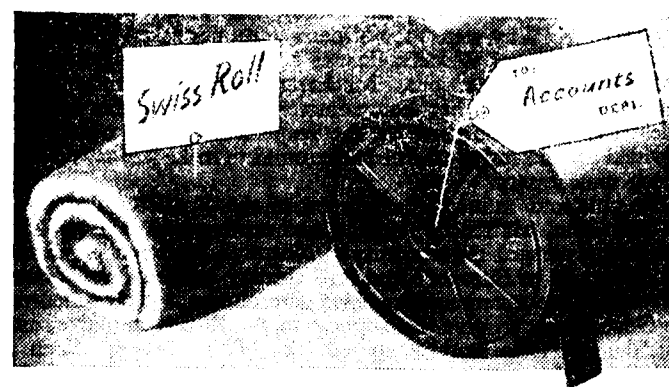


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Britain's Balance of Payments

THE publication on Tuesday of this week—only two days before the crucial debate on the new wages policy—of the White Paper on the balance of payments in 1947 (Cmd. 7324) may not have been specifically designed to strengthen the Government's hand for that occasion. But, from that point of view at least, the release could not have been better timed. The balance of payments is both the resultant and the measure of all the pressures—economic, financial, political and social—which have forced Britain in the past two years to the very brink of the greatest peacetime disaster of modern times. And though this document speaks only in the cold language of statistics, it starkly portrays the rake's progress during these past twelve months. The Government and the officials concerned are to be congratulated upon presenting a more detailed analysis of Britain's overseas payments, on capital as well as on the current account, than has ever before been attempted; the estimates seem to be as complete and as objective as the available information and official zeal can make them, and though many items are necessarily tentative and liable to a wide margin of error, it is a praiseworthy effort.

There, however, the scope for congratulation abruptly ends. The "Economic Survey" issued twelve months ago was then described as one of the gravest warnings ever uttered by a British Government. But the lesson of this statistical White Paper is infinitely more grave. The "Survey" based its programmes on the assumption—which certainly was not over-cautious—that it would be "unsafe" for Britain to borrow in 1947 more than £350 million. In fact, the net depletion of the central reserves of gold and dollars (including of course the drafts on the North American credits) was almost three times as large as this maximum "safety" limit, and the net deficit on current account for the United Kingdom alone was almost twice as large. Thus it has happened that the reserves and credits which two years ago were intended to last the sterling area until 1950—the year in which equilibrium was then expected to be reached—will run out in a few months' time, while a huge and apparently unbridgeable gap remains.

By what means was more than £1,000 million of the central reserves expended in a single year? Britain's own net requirements in the dollar area absorbed £677 million; the remainder was absorbed by the direct dollar needs of the rest of the sterling area (£273 million gross, less £84 million financed by sales of newly mined gold) and by the net hard currency expenditure in other countries by the sterling area as a whole (£157 million). In this third category, which relates to net payments to non-dollar countries which convert only part of their sterling receipts into gold or dollars, it has been found impracticable to apportion the drain between Britain and the rest of the sterling area. It was in this category that the direct effects of the experiment in convertibility, and of the resultant disastrous run on sterling, was experienced.

As Table II shows, the total depletion of reserves was more than four times as great as in 1946—a net deterioration of nearly £800 million. The increase in Britain's own direct dollar deficit on current account, from £340 million to £626 million, accounted for £286 million of this, and the rest of the sterling area accounted for £228 million. In addition, there was a deterioration of no less than £237 million in the balance of

hard currency payments between the whole sterling area and non-dollar countries, while an additional £48 million of dollars had to be provided for subscriptions to the International Bank and Fund.

The United Kingdom, in addition to its current account deficit of £626 million with the dollar area (defined as the United States, Canada and other "American account countries"), had a deficit of £54 million with the rest of the Western Hemisphere (principally Argentina), and one of £75 million with the other non-sterling countries, making a total of £755 million, compared with £350 million in 1946; but a UK deficit of £30 million in 1946 with the sterling area was last year converted into a surplus of £80 million. The global current deficit for the United Kingdom was therefore £675 million, compared with a revised estimate of £380 million for 1946 and the "Economic Survey" programme of £350 million for 1947.

It is instructive to analyse the sources of this deterioration. The debits and credits are set out in detail in Table I, which shows that imports at fob values rose by 44 per cent, from £1,092 million to £1,574 million. But the actual volume of imports rose by only 14 per cent. In other words, only £153 million of the expansion was due to the increased bulk of imports; the remaining £329 million of the addition to the bill resulted from an average rise of 26½ per cent in prices—an increase which accounted for over £30 million more than the whole deterioration of £295 million in the final deficit. Although the import figure was increased by no less than £44 million by the cost of ships purchased last year, it demonstrates strikingly enough the devastating effects of the worsening of the terms of trade. Government expenditure abroad has, of course, fallen sharply, thanks to a reduction by almost two-thirds in military expenditure, and an even steeper decline in payments for relief and rehabilitation; these reductions have more than offset the effects of a doubling of the net cost of the British zone in Germany. Other invisible items, taken as a whole, are most disappointing; instead of yielding a considerable net revenue, they actually show a net deficit of £15 million. In 1938 there was a net invisible surplus of £248 million. Though it does nothing to explain this depressing performance in 1947, it should be noted that the apparent deterioration, by no less than £129 million compared with 1946, is partly illusory; imports in 1946 included substantial shipments from British-owned stocks abroad: in consequence, a corresponding credit for the value of these goods was included in miscellaneous invisible receipts, which were not similarly inflated last year.

Even more illuminating is a comparison of the actual results for 1947 with the original estimates for that year—a comparison which is free from such fortuitous distortions. The error in the forecasts was much greater than the worsening of £325 million in the deficit, compared with the "Economic Survey" estimate, implies. The rise in prices, as already noted, added £329 million to the bill for imports, while exports, despite the rise in prices, yielded £75 million less than the £1,200 million for which the "Economic Survey" budgeted. Government expenditure exceeded the estimate by £36 million, and other invisibles (net) cost £15 million instead of yielding £75 million. The gross deterioration, by comparison with the estimates, was

opened firm, and rose to 1½ premium. But the nature of the recovery in gilt-edged stocks suggests that technical factors have played an important part. It would be surprising if the further development of counter-inflation throughout the world is not accompanied by some further rise in interest rates in Britain in due course.

How Far Have Profits Risen?

The Government's statement on personal incomes has been followed by a good deal of unthinking comment based on the assumption that profits of industry represent an unfailing source from which higher wages can be paid. In this controversy, there is a good deal of cant, not confined to one side, and all too few facts. Everyone knows that profits have not stood still while wages have been rising; but that is only to say that during a period of active inflation every factor of production whose reward is not fixed can expect to do well in money terms.

But the notion that ordinary shareholders, as a class, have been doing outrageously well during the past year is not supported by the facts. The usual course of the critics is to go down the columns of the financial press and underline the cases in which striking increases in dividend rates, or in trading profits, have occurred. This unscientific method has the advantage, for their purpose, of leaving entirely out of account the many cases, among large companies particularly, where dividends have been increased little, if at all, during the year.

Since official figures on profits are so late, and so inadequate, no apology is needed for reprinting two tables from the Com-

PROFITS OF 1984 COMPANIES, AFTER E.P.T. AND PROFITS TAX

	Year 3 Preceding (1944)		Year 2 Preceding (1945)		Year 1 Preceding (1946)		Latest Year 1947	
	£'000	%	£'000	%	£'000	%	£'000	%
All interest	20,427	6.8	19,756	6.4	19,422	5.6	18,234	4.2
Preference dividends ..	55,081	18.4	55,150	18.0	57,075	16.5	53,084	13.6
Equity dividends	153,726	53.3	166,471	53.6	183,757	53.0	219,912	50.5
Sub-Totals	235,234	78.5	241,977	78.0	269,254	75.1	297,234	68.3
Free reserves and carry forwards	54,577	18.3	56,747	18.3	73,444	21.2	100,323	23.1
Other savings	9,554	3.2	11,556	3.7	12,686	3.7	37,422	8.6
Profits before tax, after E.P.T.	299,475	100.0	310,389	100.0	346,384	100.0	434,979	100.0
Percentage of 1944	100.0		103.6		115.7		145.2	

DIVISION OF PROFITS AND EARNINGS

Year	Proportion of Profits after Deb. Interest			Rate of Payment on each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or Carried Forward	Deb.	Pref.	Earned Ordinary	Paid on Ordinary
1944 ..	19.7	57.5	23.0	4.3	6.3	16.3	11.6
1945 ..	19.2	57.3	23.5	4.4	6.1	16.7	11.2
1946 ..	17.5	56.2	26.3	4.4	6.3	18.0	12.4
1947 ..	14.2	52.7	33.1	4.2	6.4	25.2	15.5

mercial History of 1947, which appeared with last week's issue of the *Records and Statistics Supplement to The Economist*. No one knows better than those who have the task of preparing these statistics how many pitfalls occur in handling profits figures. The figures are struck after provision for EPT and Profits Tax; therefore in 1947, they show some relief, but not the full relief, from the withdrawal of EPT from January 1st last year. On the other hand they do not reflect the increased cost of Profits Tax as provided, with retrospective incidence, in the November Budget. All the figures are shown before any deduction for standard income tax; those profits figures which are published by companies after deducting standard income tax have accordingly been adjusted upwards. Finally, the figures relate, not to all companies, but to a large and representative sample of public companies (mainly industrial companies); therefore, they do not include profits of private companies or of small businesses and traders, which have recently attracted adverse comment.

Profits, before tax, but after EPT of these nearly 2,000 companies increased by 25 per cent, from £346.4 million to £435 million, in the latest year. The amount of profits paid out in

ordinary dividends, however, increased by a much smaller absolute sum, from £183.8 million to £220 million—an increase of rather under 20 per cent. On the other hand, the total amounts placed to reserves rose from £86.1 million to £137.7 million—an increase of 60 per cent. Expressed in another way, the proportion of profits (after meeting debenture interest) paid in ordinary dividends fell from 56.2 per cent to 52.7 per cent, while the proportion set aside to reserve rose from 26.3 per cent to 33.1 per cent. These figures are surely sufficient evidence that, while profits and dividends have increased—which no competent observer has ever attempted to deny—the measure of the increase is relatively moderate (having regard to the fall in the value of money) and, so far as the major public companies are concerned, it would not go very far in meeting claims for increased wages. After all, increases in wages granted last year were at an annual rate of £90 million; the rise in the dividends of public companies is far smaller than this figure. And the analyses of trading profits and net revenues which many major concerns—Imperial Chemical Industries, Vauxhall Motors, Dorman Long and United Steel Companies among them—now publish, show the small extent of the residue of net profit available for paying dividends, after all expenses of trading, including wages, have been met.

A final point remains on dividend rates. Much is made of the high percentage rates of dividend on certain shares, because the critics do not or will not recognise that the percentage is calculated on the nominal amount of the shares in issue, and not on the effective capital which is employed in the business. The average rate of dividend paid on nominal ordinary capital by these public companies last year rose from 12.4 per cent to no more than 15.5 per cent. Can that be called "chucking the money about"?

Meat for Railways

There could be no more apposite illustration of Britain's balance of payments difficulties and of the shifts and expedients to which they are driving this country than the Anglo-Argentine commercial and payments agreements initialled this week. The full details of the agreement have not been published as *The Economist* goes to press, but sufficiently circumstantial reports have appeared from Buenos Aires to reveal its main outlines. The commercial agreement covers a programme of imports and exports for 1948. Argentine exports to Britain this year are expected to amount to £190 million. This compares with a figure of £118 million for the first eleven months of 1947. The increase is in part due to the higher price which Britain has contracted to pay for meat this year. As against this £190 million of imports from Argentina, Britain is planning to export goods to the value of about £40 million to that market. This compares with a figure of £31 million for the first eleven months of 1947. The difference of £150 million is approximately equal to the amount which Argentina has undertaken to pay for the British-owned railways. This sum is apparently to be made available immediately to Argentina by an advance from the British Government. The railway stockholders will be paid out of this credit, which will then be reimbursed in the course of the year out of the surplus of current Argentine trade with Britain. This leaves untouched Argentina's accumulated sterling balances, which must now amount to about £140 million and out of which it was expected that the railway deal would be financed. The greater part of these balances is protected by a gold guarantee.

The deal with Argentina, therefore, is tantamount to "swapping" the British-owned railways in that country as consideration for one year's current trade deficit. This is living from hand-to-mouth with a vengeance. The meat ration is thus safeguarded for another year by throwing overboard capital assets in which British investors have sunk £250 million over the past 60 years. What happens in 1949, when there will be no more reserves of this kind to throw into the current Anglo-Argentine balance is a problem which, in accordance with the Government's present technique, can be left to look after itself when it arises. There is always the possibility that Marshall aid will have come to the rescue by then.

The actual method chosen to finance the railway deal, namely the use of currently earned sterling instead of accumulated balances, is of no particular consequence. One can, however, extract some satisfaction from the fact that the Argentine is maintaining a substantial part of its external exchange reserves in the form of sterling. It is also probable that if accumulated balances had been used to finance the railway deal, Argentina would have insisted on obtaining a gold guarantee for the £150 million to be accumulated as a result of current trade in 1948. Since the war

Britain has successfully resisted demands for gold guarantees on sterling currently accruing to other countries. The agreement with Argentina at least avoids a break-up of the tradition and the setting-up of a new precedent.

Payment at Last?

While few people in this country will condone the means by which Argentine railway stockholders are finally to receive payment for their stocks from the Argentine Government it will be generally agreed that it is high time the payment was made. Over five months have passed since the purchase scheme was due to be

ARGENTINE RAIL STOCKS PRICES

Stock	Sept. 10, 1946	Feb. 12, 1947	May 28, 1947	Feb. 4, 1948	Feb. 11, 1948	Payment Prices
B.A. Great Southern:						
4% Debts	68	88½	94½	90	95	100
5% Non-Cum. Pref.	26	51	75½	65	69	75
Ordinary	11½	14	19	17	18½	20
Central Argentine:						
4% Debts	63½	83	93	80	94½	100
4½% Pref.	17	21½	34	28	29½	32½
Cons. Ordinary	7½	11½	20½	17½	19½	21½
B.A. and Pacific:						
4½% Cons. Debts	59	74	96½	97½	104	110
B.A. Western:						
4½% Pref.	39	52	90	86½	92½	100
Ordinary	14½	16	28	22	25½	25
B.A. Midland:						
4% Debts	68½	87	92½	91	94½	100
Argentine North Eastern:						
Ordinary	7½	25½	14½	11	11½	12½

implemented and a full year since the purchase price was agreed. When Sir Montagu Eddy set out for Argentina last September it was fully expected that the final arrangements for the payment to stockholders would soon be agreed with the Argentine Government. It is clear now that Argentina had other ideas, and meant



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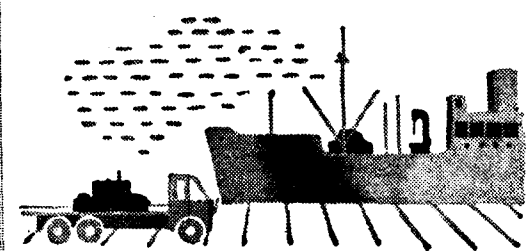
to drain the utmost value from the railway purchase scheme as a bargaining counter for a trade agreement.

The original intention of the Argentine Government to draw from its sterling balances the major part of the amount to pay for the railways has now been superseded by an arrangement whereby they will be paid for by a credit to be made available at the Bank of England by the British Ministry of Food in favour of Argentina against commodity shipments in the coming year. The agreement provides for a payment in cash to stockholders without delay on the basis of the payments proposed at the end of May last year and finally agreed by them and sanctioned in the courts last August.

The pessimism which had gained ground in the Argentine rail market during the months of delay since last September abated little until the end of last week, and prices had fallen to substantial discounts compared with the take-over prices. On Monday prices were marked up to within 5 per cent of the payment prices, but they have not moved any higher, since the feeling persists that the Treasury or the Argentine Government might even yet find occasion for delaying the transfer of the purchase money. But it seems unlikely that, after such a long road has been travelled in the negotiations, either party to the general agreement would withdraw at this stage.

Grain Prices and the Rice Crop

The collapse of American grain prices, which began ten days ago, has continued this week, after a feeble rally on Monday. By Wednesday, March wheat was selling at \$2.43 a bushel, or 18 cents above the parity price, compared with \$2.85 a week before and well over \$3 a bushel towards the end of 1947. Three dollar wheat is high, even making full allowance for the world grain shortage; but wheat was bid to this level largely by the pressure of US Government buying (with additional support from speculators) to fulfil the European recovery programme. But this high price served at least one useful function, for it prevented the diversion of a large part of available wheat supplies to feeding livestock. It is estimated that only 200 million bushels of wheat have been used for this purpose during the current season. This is more than the 180 million bushels so used in 1946-47, but far less than



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the estimate last summer, after the failure of the maize crop, that at least 400 million bushels of wheat would be fed to pigs and cattle.

Since the turn of the year, grain prices have been falling with each report of improved prospects for this season's harvests. The era of three dollar wheat may well be over, but even the sharp fall in Chicago grain prices will do little of itself to ease the world shortage—unless farmers fear a wholesale collapse. Admittedly, farmers may market stocks sooner than they had intended, but there are no large grain surpluses anywhere—and certainly not in the United States. The heavy slaughtering of livestock in America over the past nine months suggests that there may be a prospective shortage of meat and milk. And in the absence of price controls, a lower wheat price may turn wheat into a profitable animal food. Moreover, even the large harvests in Argentina and Australia and the greatly improved prospects of the European summer crops will not cause a glut of supplies on the grain market, assuming that deficit countries are not hampered in obtaining supplies by lack of foreign exchange. In this, Marshall aid will play an important role, for America as well as Europe. The level of wheat consumption is sufficiently low in Europe and stocks are so exhausted that deficit areas will in all probability be able to absorb heavy crops in 1948-49 and in 1949-50 before they return to their prewar standard of consumption. Over this period, however, the general trend of grain prices, in the absence of continued inflation or short crops, should be downwards.

An important factor in the grain market, however, is the prospect of a bumper rice crop in Burma this year. The yield is expected to be the largest for ten years, but acreage has not yet regained its prewar level. Burma is the world's largest exporter of rice and the chief source of supply for India, Ceylon and Malaya. Its prewar annual exports averaged nearly 3,000,000 tons; the export quota for 1948 was provisionally fixed at 1,500,000 tons, but it is now confidently hoped that this figure will be exceeded by a substantial margin. A more ample supply of rice for the East would obviate the need to divert wheat supplies to these areas. It would also be an important factor in promoting economic and political stability in a region which can contribute greatly towards rectifying the world shortage of primary foods and raw materials.

The Export Task

Progress towards the mid-1948 export target of 140 per cent of the 1938 volume has so far been disappointing, and the waning of the sellers' market for many British exports, coupled with increased costs caused by higher wages and dearer raw materials, will make the task of achievement still more difficult. The terms of trade continue to move against Britain, and add yet a further

PROGRESS TOWARDS EXPORT TARGETS

	Value, 1947	Volume Index Numbers, 1938=100				
		Year 1947	First Half 1947	3rd Qtr. 1947	4th Qtr. 1947	Target Mid-1948
Food, drink and tobacco.....	£ Million	81	69	86	100	117
Raw materials.....	64.7	24	27	21	18	41
Manufactures.....	998.9	123	115	131	132	163
Pottery, glass.....	32.8	154	146	157	169	194
Iron and steel.....	102	107	114	110	110	104
Non-ferrous metals.....	40.4	173	165	180	181	196
Cutlery, hardware.....	35.3	183	170	201	191	202
Electrical goods.....	49.4	164	148	180	179	210
Machinery.....	180.5	158	148	167	169	224
Cotton goods.....	77.7	43	41	45	46	56
Wool goods.....	57.9	88	80	91	92	146
Silk and rayon.....	29.5	148	145	140	164	180
Other textiles.....	28.0	78	81	75	74	98
Apparel.....	31.7	137	149	123	125	167
Chemicals.....	67.4	140	138	155	139	188
Paper, cardboard.....	17.2	112	108	119	113	116
Vehicles, etc.....	168.1	185	160	201	219	258
TOTAL.....	1,137.1	108	101	114	117	143

strain to its balance of payments, and are putting the 1948 import programme of essential food and raw materials in peril.

The expansion in volume of Britain's main exports during 1947 is shown in the accompanying table. It is not a very cheerful picture. Exports of vehicles increased in spectacular fashion throughout the year; in the first three months they were 50 per cent above the 1938 volume and by the last quarter were well over double. Even so, they are still 14 per cent below the mid-1948 target, and vehicle exports are particularly sensitive to price

competition. Machinery exports—the other mainstay of the export drive—showed satisfactory progress up to the last three months of the year when their rate of increase declined quite considerably. They have still to expand by 24 per cent to reach their June target. Exports of other metal goods also tended to decline in the last quarter of 1947.

Textile exports increased slowly over the year, despite a significant rise in the shipment of woollen and worsted goods during the last six months. But only a phenomenal increase in output can ensure the attainment of their mid-1948 target, which requires a 30 per cent increase in the volume of exports. Recruitment into the textile industries has recently been showing a more satisfactory trend, but many more workers are still needed. Britain's balance of payments difficulties would have been much smaller if the volume of textile exports had been more satisfactory in 1947, particularly since export prices of textiles in December

IMPORT AND EXPORT PRICES

Index (1938=100)	Sept.	Oct.	Nov.	Dec.
Imports:—				
Food, drink and tobacco.....	254	238	239	239
Raw materials.....	281	288	295	302
Manufactures.....	259	264	267	269
TOTAL.....	254	256	259	261
UK Exports:—				
Food, drink and tobacco.....	225	224	222	226
Raw materials.....	236	239	246	241
Manufactures.....	257	258	241	243
Metal goods.....	216	217	218	221
Textiles.....	315	317	321	324
Others.....	225	227	232	232
TOTAL.....	236	237	240	243

were 224 per cent above their 1938 level. By contrast, prices for metal goods were only 121 per cent higher. Among the less important export industries, pottery and glass expanded steadily over the year, but exports of cutlery, electrical goods, chemicals and paper all declined in volume during the last quarter of 1947.

Both export and import prices continued to rise in December, being each 1 per cent higher on the month. But over the whole year import prices increased by 19 per cent and export prices by only 16 per cent. The sharp increase (14 per cent) in the export value of raw materials during the last month of 1947 was entirely due to the higher price for British coal which became effective on December 1st. Given the larger volume of coal exports which is in prospect in 1948, the hope of a significant reduction in the trade deficit is reasonable. But the most disquieting feature is the rise in the prices of imported raw materials (28 per cent last year) and of imported manufactures (30 per cent). Since import prices of food, drink and tobacco rose by only 10 per cent, it follows that, other things being equal, proportionately larger cuts would have to be made in the volume of these imports in order to reduce the adverse trade balance.

Dollar Drain

The details of the monthly dollar drain given in this week's White Paper, discussed in an article on page 273, carried the story only to the end of 1947. Up to that date the monthly figures showed a steady decline which, though slower than might have been hoped, at least did not seem to have exhausted the downward impetus. But additional evidence has accumulated this week to suggest that if the series were brought right up to date a distinctly more disquieting impression would be given. In a Note in these columns last week on the latest monthly statement of gross sales of gold, it was assumed that a fair proportion of the loss in January was probably made good by final purchases of gold from South Africa under the 1947 gold purchase contract. The Chancellor revealed this week, however, that the amount of these purchases was very small, which suggests that the net sales of gold last month must actually have been distinctly larger than in December. Whereas in November and December (as the table on page 274 shows) the total net drain on reserves declined by £8,000,000 and £11 million respectively, it seems that in January there may even have been a slight increase—or, at best, only a fractional further decline.

Meanwhile, a further draft of £25 million on the US credit was announced at the end of last week, leaving only a further £25 million available, so that presumably the whole of the credit will run out during next month. The holdings of gold and of



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The task is not easy, and it is early to judge its chances of success. Mr Edwards spoke of a systematic attempt to provide nurseries and other welfare facilities to attract married women into the industry, and he even mentioned that other incentives and extra rations were being considered. He obtained the support of the spinning and cardroom workers' unions for working 2½ hours overtime a week "until a date to be agreed." This will not be

enough by itself, but it will help—if the trade union leaders in the industry are able to get better support from their branches than they have been getting in recent months.

Imperial Tobacco

The reduction in the dividend payment of Imperial Tobacco from an equivalent of 35 to 33 per cent gross for the year ending October 31, 1947, gives a favourable impression of the company's performance in the light of the increase in the tobacco duty last April and its loss of output during the fuel crisis. But the fall in earnings on the ordinary capital from 46.5 to 35.6 per cent was much more severe, and it was brought about by the double impact of the fall of 9½ per cent in trading profit (excluding exceptional profits arising from the revaluation of stocks consequent on the increase in the tobacco duty) and of the substantial increase in the provision for taxation—from £8,450,000 to £9,785,000, of which £6,985,000 was provided for income tax. It is clear even from the preliminary statement that profits tax is bearing more heavily on earnings than EPT, the incidence of which appears to have been comparatively light in the case of Imperial Tobacco.

No doubt the company will have something more to say on the vexed question of tobacco stocks in the course of the next month or so, for the preliminary profit figures do not carry the stockholder very far in appraising the present position, except to indicate that sales have evidently declined over the full financial year and must consequently have fallen sharply after the Budget. But two points are made on the financial aspect of the stock position. The exceptional profit made on the revaluation of stocks after the increase in the tobacco duty last April has been placed to contingencies reserve in keeping for a reversal of the Budget wheel, when that comes about. And, in addition, it is proposed to transfer to redemption reserve £1,000,000 set aside in 1945-46 for a special leaf cost reserve, which indicates that it has not been required for its original purpose. This information is useful, but the full accounts will be carefully examined for any indications about changes in physical stocks, or in the total cost of carrying them—they were valued at £80½ million in the balance sheet for 1945-46—and for new light about short-term borrowing, which involved a commitment of £46 million in those accounts. The price of the £1 ordinary stock units has traced an erratic course over the past few weeks as hopes have risen and fallen in expectation of tobacco being sent to this country under Marshall aid; at the present level of 5½d the yield is £5 17s. 4d. per cent. From this it would appear either that the future prospects are not held too high or that the market suspects that the deterioration in the stock position of Imperial Tobacco is worse than is apparent from the data at present available. The full accounts and Sir Robert Sinclair's statement will be of exceptional importance.

Heavy Supplementary Estimates

The presentation this week of supplementary estimates of no less than £135 million for the Civil and Revenue departments for the current financial year may come as rather a shock to those who lately have too readily deducted from the large income surpluses of this bumper revenue season that the momentum of Government expenditure is still downwards. Perhaps the most disquieting feature of these large additional outlays is that they are very widely spread, although there is some reason to hope that savings on other votes may suffice to keep this year's total expenditure by the Civil departments within the provision made in the Budget. That, however, is a poor consolation, for it is upon the prospective requirements of 1948-49 rather than upon the actual net expenditure in the current year that attention is naturally focused, and these new demands are a poor augury for the future.

The largest item is a net £47½ million for the Ministry of Food, whose net requirements for trading services are now estimated for the current year at £364 million in contrast with £313 million at the time of the Budget—an increase which measures the rapidly rising strain of the food subsidies. For the Ministry of Transport £40 million is required for the so-called war services—£12½ million to reimburse the deficit of the net revenue of the railways under the Railway Control Agreement, £9,500,000 for additional outlays on hire and operation of ships (which will require £94.7 million compared with an original estimate of £85.1 million) and an additional £2,000,000 for purchase and building of ships. In addition, £22½ million is needed for "deficiency in appropriations-in-aid"—the resultant of some

large cross-items the most important of which is the £43½ million guaranteed net revenue of the railways, offset to the extent of £18.3 million by receipts by the Transport Commission from sale of works and equipment. The West African Produce Control Board requires nearly £14 million for distribution under the Cocoa Control Scheme to Governments of the producing territories of profits realised in the seasons 1945-46 and 1946-47. In addition, £7,300,000 is required for Civil Aviation, mainly to reimburse the losses of BOAC and BEAC, and £8,700,000 is needed by the Ministry of Health for payments under the Emergency Housing and Emergency Hospital Services, and for interim grants to hospitals "to enable them to maintain proper services pending the establishment of a national health service."

Tin Controversy Continued

The controversy over the price of Malayan tin continues. A meeting between the Ministry of Supply, the Colonial Office and the Malayan Chamber of Mines is due to take place this week-end to discuss the Government's bulk purchase price and the question of a premium for Straits tin. Before the war Straits tin commanded a higher price because of its better quality, but as improvements have since been made in other types of tin, there is room for argument whether a premium for Straits tin is still justified on purely technical grounds. When the Ministry of Supply raised the Malayan price from £423 to £500 a ton last December, it subsequently transpired that this price was the same as the American price for Bolivian tin, and Malayan producers feel that their price should be higher. In any case they maintain that £500 a ton is too low for the Chinese section of the industry.

Since tin is an important earner of dollars, it is obviously in Britain's interest broadly to get as high a price for it as possible, subject to certain conditions. Maximum dollar revenue, however, cannot be the sole criterion of price policy. British consumers of tin will not welcome another increase in raw materials costs, particularly if it affects their export business. Equally important, what will be the American reaction to any rise in Malayan tin? No doubt a formula for a premium payment could be devised which would not necessarily lead to a further increase in Nigerian and Bolivian contract prices. But if, as reports suggest, American consumers strongly opposed the payment of a higher price for Straits tin, could Britain afford to disregard such opposition? The United States exacts strong pressure by virtue of the Marshall Plan alone, and Congress has still to decide the fate of the Texas smelter. The recent report of the Reconstruction Finance Corporation suggested among other things the imposition of the import duty on tin metal to enable the Texas smelter to operate without Government subsidy.

Moreover, it will be interesting to see to what extent the new price of £500 a ton does in fact restrict Chinese tin production in Malaya. Output of Chinese mines in January, 1947, was 493 tons, and it increased steadily to 1,219 tons in September. The price during that period was £423 a ton. Was this expansion carried out in the expectation that the tin price would be raised to £575 a ton? Malayan tin producers might be heard with greater sympathy if they did not plead for uncontrolled prices in a period of high inflation—such as exists nowadays—and demand a restriction scheme as soon as prices turn downwards. Market stability is certainly desirable, but it implies the determination of a "just price" which offers an adequate return to producers and is acceptable at the same time to consumers. No formula has yet been invented to calculate a "just price"—and a round table conference of producers and consumers is least likely to produce one.

A New Deal in Coal Prices?

Mr Herbert Morrison's remarks at Brixton last week-end that the Coal Board "is trying to devise a new and more rational price structure for the coal industry" should not be taken to foreshadow any immediate change. Indeed, Mr Morrison was not revealing anything very new, for he merely repeated what Lord Hyndley had disclosed last December in a review of the Coal Board's work. In fact, mining engineers and colliery management have been concerned for some years with the problem of relating quality and prices more logically. The British Coal Owners' Research Association, in its report on grading and sizing, made an advance in the direction of a remodelled price system by devising the terms on which such a system could be based. The Coal Board has taken up the question where the coalowners left it, and is attacking the problem of applying in commercial



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Robert of Chester

brought the science of chemistry to Western Europe, 800 years ago. Of this remarkable man's origin little is known except that he was probably born in Rutland. He was certainly educated at the then flourishing school at Chester, after which, following the custom of the times, he studied at the Moorish universities in Spain. The Moors or Arabs were the world's leading scientists at that period. On February 11th, 1144, Robert completed the translation into Latin of an Arabic treatise on chemistry. This was Europe's first chemical textbook.

No doubt he also brought with him from Spain one of the flowing Arab robes which, as the "gown" of British universities, still serves to remind us that a close bond once linked the scholars of East and West. He could no more have dreamed of the place this garment was to occupy in later years than he could have imagined the future of another Arabic treatise he translated. This was a work by a celebrated mathematician, Khwarizmi, on a branch of mathematics developed by the Arabs and still known to us by its Arabic name, algebra. Besides his extensive works in mathematics, Robert made the first Latin translation of the Koran. Europe owes an immeasurable debt to this Englishman. But for him, the knowledge of the East of chemistry and mathematics might have remained a closed book to the Western world for centuries afterwards.



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ROBT. T. HUTCHESON,
 Secretary of University Court.

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spread to the whole economy and ushered in a short but violent slump. On the other hand, a slight break in prices first in 1946 then in 1947, both interpreted as signals of a recession at the time, proved to be no more than wobbles in a rising line.

The economic prophets in America are proving much more cautious on this occasion, and even while they predict no recession, they are conscious of the strength of the purely subjective factors which have to be taken into account. "Business confidence" is both the most vital and the most unpredictable element in the trade cycle. However, with all these precautions in mind, most American comment suggests that the break in grain prices merely marks the end of excessive price inflation brought on in recent months by the belief that the American harvest would be small and that the whole world would be fighting for it. It is now clear that it may be big and that Europe's harvests, too, will also be more favourable. If this analysis is correct, the recent fall in American grain prices may be of some assistance to the passage of ERP. On the one hand, dollars spent under the programme will buy more food. On the other, the farming *bloc* may begin to display more interest in the maintenance of their markets abroad.

★

Caution is, now as always, a vital instrument in analysing the state of a union as vital, turbulent and complex as the United States. Yet there may be ground for reasonable optimism. It is not only that the economic position seems to be growing a little easier. The political situation is more promising than anyone a year ago had a right to hope. In March and April, 1947, many weeks of grudging, disgruntled debate were necessary to obtain \$400 million for aid to Greece and Turkey and the country at large made little secret of its dislike for the Truman Doctrine. Today, even if the unanimous approval given to ERP by the Senate Committee on Foreign Affairs is the first and not the last step in the Bill's legislative journey, it is, nevertheless, a very significant one. There is much evidence to suggest that the House of Representatives will be strongly influenced by the Senate and it is clear that Senator Vandenberg has established an undisputed position of leadership in the Republican Party. It is above all to his guidance that the safe passage of the Bill through the Committee stage is due. His compromises have saved the day when a number of ugly deadlocks threatened to arise. For instance, while insisting on the moral obligation to continue the Aid Programme through four years, he suggested the withdrawal of the President's proposal of \$17 billion for the full period on the sensible grounds that in the fluid state of the world, it could not be said whether the sum would prove too little or too much. Again, he found a way between the President's demand that the administrator of ERP should be virtually an assistant secretary in the State Department, and the Republican desire for an independent corporation staffed with business men. He proposed instead a single Administrator who would have separate Cabinet rank and whose disputes (if any) with the State Department would be settled by an appeal to the President. Again, in the most difficult issue of all, upon which the "isolationists," Senator Taft and Mr Hoover, had fastened—whether the proposed first instalment of \$6,800 million is not, in fact, too large—Senator Vandenberg saved the principle by limiting the appropriation to the period running from April to January and settling for \$5,300 million, \$3 billion of which will be set aside from the large surplus achieved under the 1947/48 Budget.

Nor have Senator Vandenberg's achievements been merely tactical. He must share with Mr Marshall the most notable achievement of contemporary American politics—that in an election year the greatest issue in foreign policy, aid to Europe, has remained firmly bi-partisan. Both men have been assisted by responsible leaders outside Washington—including Governor

Dewey, Mr Stassen, and Mr John Foster Dulles. But it is in Washington that most of the harm could have been done. Attacks there have been. For instance, it is from opponents of the whole conception of ERP that the driving force has come to get more aid for China, if necessary at the expense of Europe. And there have been constant attempts to get the actual figure reduced. Yet the sniping on the side has not yet modified the remarkable fact of a Democratic President and a Republican Congress pursuing jointly a really revolutionary and anti-isolationist foreign policy in election year. Perhaps this fact of anti-isolationism is the most remarkable of all. Who would have thought that within a year of the hotly contested Truman Doctrine, an isolationist should be one who "thinks that \$4 billion is quite enough for Europe this year"? The revolution in American thinking in the last two years has scarcely a parallel in history, and it has been accomplished, not by the drumming propaganda of some totalitarian tyrant, but by the spontaneous movement of a freely-thinking people.

At this point there may be some people in Europe, particularly in this country, who will be tempted to lean back and argue: "American aid is certain. Our troubles are over. We can now rely on four years of dollar aid. All the expedients and policies we thought might be necessary can now be set aside." No state of mind could be more mistaken or disastrous. If one thing emerges more clearly than any other in the hearing of evidence in the Senate—evidence by the Government, public servants, leaders of public opinion, distinguished private citizens of the quality of Mr Bernard Baruch, evidence even by the lunatic fringe—it is that the Americans regard ERP as a programme designed not so much to help Europe as to make European self-help possible. The critics have already given notice of the line they will pursue—that Europe is simply waiting to get its hands into the American pork barrel and that gestures of self-help will end the moment it does so. Senator Taft has departed to the country with such forebodings in mind. Others—particularly in business circles—are already expressing the same views openly. On the whole, debates, official and otherwise, have been remarkably free of any desire to "put strings on American aid" and most Americans go out of their way to disclaim any intention of intervening in other countries' political and social affairs. But they cling all the more tenaciously to the demand that Europe shall show signs of a vigorous will to recovery and that it shall pursue that recovery not as a queue but as a team.

★

The reason why Mr Bevin's speech adhering to the concept of Western Union aroused such astonishing applause in the United States was that it put an end to a period of doubts whether Britain might not in fact be sabotaging Western association. Disappointment and anger will be all the greater if, after many fine words, not a single concrete consequence is worked out. One thing and one thing only could turn the United States back in its tracks and send it off down the old road of isolationism: the conviction that Europe's protestations of work and unity were simply window-dressing designed "to make Uncle Sam a sucker once again."

Of all issues connected with ERP, this is the most urgent. The need for American aid to Europe not only this year, but for three or four years to come is admitted by all, but perhaps Europeans should be reminded that that aid will be allocated year by year, by separate Congressional appropriations, each accompanied by the closest scrutiny of Europe's achievements that a highly critical body can apply. If the record of Europe is to be that mixture of great phrases and virtual inaction which is all there is to show for the first two months of 1948, then it is a fair prophecy that the second appropriation will be voted with distaste, the third with difficulty and the fourth appropriation not at all.

Exorcising the Symptoms

ON Thursday last week, the Government had an opportunity to explain, in simple and convincing terms, the arguments which had been put forward a week earlier in the White Paper on Personal Incomes. The Government have come, belatedly but rightly, to the conviction that a rampant cost inflation is in progress in Britain. Its exhortation, nominally addressed to all sections of the community, not to demand increased personal incomes has fallen with the greatest effect on the trade unions. This time, it is indeed the "workers' pennies" which are involved.

Sir Stafford Cripps did much in his speech to make the doctrines of the White Paper clear. He underlined the damage which inflation is doing to the British economy, and the threat which it presents to exports and the standard of living. High taxation, price control and subsidies have prevented the inflationary situation from getting out of hand. What then remains? First, to increase production over and above what has to be exported to pay for essential imports of food and raw materials; secondly, to prevent any further rise in money incomes which would force up prices and export costs. This simple exegesis led the Chancellor to his positive proposals—and as so often in the past, the diagnosis proves to be more acceptable than the remedy which the Government have to offer.

It was obvious that the political price which would have to be paid for a "stop" on wages was some *quid pro quo* in the form of increased profits tax or dividend limitation. In fact, the bargain which Sir Stafford outlined, and which has now been rapidly endorsed by the Trades Union Congress is that, in return for a general stabilisation of wages, there must be a reduction of prices and profits. In other words, the price for the stabilisation of money wages is an increase in real wages. In these circumstances, it is necessary to examine, seriously and objectively, the solution which the Chancellor proposed:

It is essential . . . that if wages and salaries are not to be increased generally, there must be a halt to price increases, and wherever possible a reduction in prices, to offset such rises as may be inevitable if there are continued increases in the prices of imported articles. Price reductions will lead to reductions both in overall and in distributed profits, and a decrease in prices is far the most satisfactory way to get that reduction of profits.

Those are the key words of the Government's proposals. They reveal in the clearest form the notion that the other factors in prices apart from wages, in particular profits, are big enough to stand—and in social justice ought to stand—the squeeze. They still suggest that high prices and high profits are a cause of inflation, while high wages merely represent an attempt on

the part of wage-earners to overtake the course of inflation. Causes and symptoms are here so hopelessly intertwined that the gravest doubt must be expressed about the logical foundation of the new policy of freezing prices—quite apart from its administrative complications. It is intended, first, to impose an "immediate ceiling" on manufacturers' prices "of all goods which come within the price control system, and have not already got a sufficiently close price control." Secondly, the Federation of British Industries and other organisations covering wholesale and retail distribution, have been asked by the Chancellor to work out, within the space of a month, "some plan for price and profit decreases."

It is hardly surprising that the FBI should have expressed concern about the magnitude of the task and the strict time limit which the Chancellor has imposed upon it. Indeed, where is its task to begin? What is a reasonable profit? And what, in a period of excessive inflationary demand, can be done to prevent "excessive profits" which, according to Sir Stafford, "upset the whole economic system and create false values"? The profits and prices are not causes; they are results. To attempt to restrict prices and profits without removing the basic forces which are pushing them up does not reduce inflationary pressure; so far as it succeeds at all, it bottles up the inflation at one point and is powerless to prevent it from bursting out at other points. That, surely, has been the lesson of all experience of price control during and since the war. Unless steps are taken through taxation or through the encouragement of an adequate volume of genuine savings to quench the excess of purchasing power that is being created, the control of prices of particular commodities merely diverts demand to commodities and services which are not controlled. And recent experience has shown all too clearly that the pressure of demand is forcing its way through the barriers of price controls and physical controls. An attempt, at this stage of inflation, to pursue a policy of deflation by public appeal can have little hope of success, unless appeals are backed by a determined policy of financial retrenchment.

It is not, indeed, that the new policy is original. It was tried in the ill-fated *expérience Blum* in France. In the United States, President Truman has on more than one occasion appealed for voluntary restraint to combat inflation. These experiments indeed had some partial success to begin with, but they failed in the end simply because they lacked the determined support of Governments to restrict credit and budget for genuine disinflationary surpluses. Nor, indeed, is it possible to put much faith in the machinery of price control, as Sir Stafford

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outlines it. All the experience of wartime—when the problems were less intractable—shows how difficult, if not impossible, it was to control prices and profits. One lesson, indeed, did emerge at an early stage—namely, the inadequacies of the “cost-plus” form of price control. As a sop to the inefficient, and an encouragement to inflation, this method has no rival. Yet it is one which, in principle, is still largely relied on. The Chancellor himself admitted that if the price is so fixed as to allow a reasonable or small profit to the less efficient producers, then the more efficient are “almost bound to make large profits, especially where demand is unlimited.” That is the rub. The source of the excessive profits lies not in greed, but in excessive demand.

There must, moreover, be grave doubts whether the submission of this problem, with all its political overtones and its intimate connection with the Government's monetary policy, to such a body as the FBI is the proper course to take. To say that is not to question the public spirit which the FBI will bring to bear on a task which admittedly it did not seek and would doubtless gladly be spared. It is, however, proper to emphasise, with all seriousness, that if price control is the only democratic “solution” of the problem of inflation, the only body which should be entrusted with responsibility for it should be the Government. The Government, in effect, is trying to reach a dual bargain—on the one side, with the trade unions to limit their wage demands, and on the other side with the FBI to produce its own notions for the control of profits and prices. The result—if indeed there is any practical result—can only be a system of prices more rigid and more artificial than exists at present.

The Chancellor has put forward these proposals as the last chance to extricate the British economy from the toils of inflation. He regards them as a great test of democracy, and asks whether we can take them in a democratic way by free choice or have them imposed by force. This is not the first occasion in recent weeks on which the Chancellor's mind has turned to the dangers of totalitarianism, and his words are beginning to take on an ominous ring. It is no accident that the only country to impose a rigid system of price and wage stops in peacetime was prewar Germany, and even in that totalitarian context the policy was not conspicuously successful. It was difficult to administer, easy to evade by depreciation of quality, and produced a brittle inflexible economy which in the end contributed largely to Germany's downfall. From such a totalitarian solution, the Government would be the first to recoil in horror. But Sir Stafford Cripps does not forbear to put it as the only

alternative to his policy, if it cannot be carried through with the consent and support of both sides.

But already it is clear that the Government's proposals provide no remedy. They contemplate, as the TUC has been quick to perceive, an increase in real wages (and perhaps some increase in money wages) and a reduction in profits—as if, in defiance of all the facts, there were some natural counterpoise between the two. Even if profits are reduced, the resulting deflation of incomes derived from profits will make no very effective contribution towards a reduction of the pressure of excessive aggregate demand. This simple fact of econometrics makes all the present bickering about the size of profits irrelevant. And the consequence of stabilising wages at the present levels, and reducing prices would increase, not diminish, the harmful effects of money demand on the controls of prices and physical resources. Any system of stabilised prices which emerged could not last very long, unless it were enforced with extreme measures.

Is there, then, no way out? Does it come down, in the last resort, to a struggle between the extremists of Left or Right who—Sir Stafford half suggested—would alone decry the possibility of agreement? Is there no middle course by which root causes, and not mere symptoms, can be tackled? Surely the real remedy is not to get an outside organisation to attempt to frame a scheme to lop x per cent off prices and then pretend that inflation has been stopped. It is, quite simply, to use budgetary and financial policy as an effective weapon to counter inflation. Every attempt to check the symptoms without removing the causes is bound, not merely to fail, but to make failure more devastating in the end. The remedy for unsound money is not to fake the price system. Patients suffering from fever are not cured by a bogus temperature chart. Inflation requires a purge, not a pretence. And the purge which the Government should now apply, at this desperate stage, is a reduction of the supply of money in the hands of the whole community—by budgeting for a large, genuine surplus, by restraining credit, and by cutting the tremendous expenditures which it controls. That would, indeed, be a symbol of self-respecting democracy, for it would show that the Government were sufficiently sure of themselves and of their supporters to pursue the simple truth that a community cannot, for very long, enjoy more than it produces, and were prepared, at last, to strip down the illusion of monetary prosperity and to expose the truth and the challenge of hard times.

Marxist Centenary

A HUNDRED years have passed since a short pamphlet was published in Germany, which, almost unnoticed and unread at the time, was destined to mark a turning point in human history. This pamphlet, Marx's Communist Manifesto, must be counted the crucial document in the development of Communism. His weightier work, *Das Kapital*, was written years after to justify and develop the main ideas of the Manifesto, but the ideas themselves already appear in this first pamphlet in the finished form in which they invaded history.

The chief features of Marx's philosophy can be briefly retold. Engels, in his preface to the German edition of the Manifesto published in 1883 declares that

The basic thought underlying the Manifesto is as follows: the methods of production and the organisation of social life inevitably arising therefrom, constitute in every historical epoch the foundation upon which is built the political and intellectual history of that epoch.

This, then, is the starting point—economics is the final cause of everything else. Property and the means of production are the fundamental economic factors in society and Marx sees the

whole of history as a struggle between classes to secure control of these levers of power. Each ruling class, by dialectic necessity, produces its opposite which is first oppressed by it and later destroys it, just as the middle-class destroyed the feudal landowners. But the coming of industrial capitalism has made property not personal but social and at the same time has welded the propertyless majority into a coherent class which must by the iron laws of the competitive system become poorer as their masters grow richer. Moreover, since private property cannot provide scope for the full productivity of the new industrial methods, society must inevitably stagger from slump to slump, plunging the workers in ever growing instability and misery. Meanwhile the same laws of competition reduce the number of masters, depress the small owners into the proletariat and transform the powerful capitalists into monopolists. Finally, a vast majority of class-conscious workers will face the small group controlling the huge mass of “social property” (i.e. capital) gathered together in the cartels and trusts. They will then expropriate the masters (who will use every method from internal violence to external war to counter the threat) and set

up a society in which, since property is held in common, classes will disappear and with classes all need for government.

This, in barest outline, is the vast panorama of history, the total philosophy of life, the stirring call for revolution and the reassuring doctrine of its inevitability that Marx unfolds in the few pages of his Manifesto. It is easy to understand the fascination it has exercised on later generations. In the first place, some of its prophecies have been fulfilled. It is difficult to picture a more apparent fulfilment of the Marxist prophecy than the speed with which two great communities—Germany and Japan—industrialised themselves, created vast cartels and trusts, became involved in industrial depressions, witnessed an increasingly discontented working class and finally created dictatorship at home and plunged into aggressive wars abroad to find some way out of the impasse of class war and economic stagnation.

Again, Marx stated no more than the truth in underlining the fact of class antagonism. For nearly two thousand years Europe has carried a contradiction at its heart—between a philosophy and a religion which teach that all men are brothers and an economic system which organises them as masters and servants. Marx took up one of the oldest instincts of Europe (“When Adam delved and Eve span, who was then the gentleman?”) and applied it to a new emergent class—the industrial workers—who, as they grew in political consciousness, were bound to seek a justification of their place in society.

Marx's explanation had everything likely to appeal to a man of this new generation. In the first place, it was aggressively and stridently scientific. It dismissed contemptuously the idealistic strivings of Utopian socialism. It claimed to be derived from a cold-blooded analysis of the structure of reality, to be verifiable as any other experiment is verifiable—by experience, by the test of fact. In a society increasingly alive to the new achievements and possibilities of the scientific method, and increasingly indifferent to older religious and moral values, Marx soon found a willing audience. Nor was the appeal of Marxism purely scientific. It appeared to dismiss idealism and moral concern, but it was able to canalise them by painting the miseries of industrial workers and by holding out the hope that in a classless society, where the state would have “withered away,” men would be brothers and a Utopia as bright as any painted by the Utopians would dawn.

The Marxist explanation fulfilled another fundamental human urge by laying the blame for everything squarely on a small, easily identifiable group of men—the monopolists. Strictly speaking, there is no room either for scapegoats or for moral indignation in the economic determinism of the Manifesto but every line of it breathes the vitriolic hatred which drove Marx's pen, as it drove his life. And, last of all, the Marxist explanation satisfied what is perhaps the deepest of all instincts in the human mind—the desire to find unity within the manifold, to discover an explanation which explains, not simply a part, but the whole. If ultimately the explanation of all events can be pursued back to the single ultimate reality of economic relationships, the trick is done. Reality is uniform. Everything is explained. To an age which was coming to regard the weighing and measuring of material things as the only source of genuine meaning, the discovery that the apparent realm of the spirit—religion, philosophy, thought itself—springs from measurable physical reality came to put a crown on the materialist view of life.

Yet it is precisely this simplicity of Marxism, these sweeping generalisations, this imposition of a single pattern on all reality that has changed it from a useful instrument to a false religion. Even a first reading of the Manifesto reveals a great deal of obvious error and nonsense. So many of the prophecies have been disproved—that machinery will increase the burden of labour; that it will lead to a progressively less skilled labour force; that the petty bourgeoisie will be swallowed up in the proletariat; that “the worker is becoming a pauper and pauperism is increasing even more rapidly than population and

wealth.” It is surely significant that in Britain and America, which as the most highly developed capitalist nations ought to have shown the symptoms soonest, none of these predictions has in fact been fulfilled.

If it is objected that these are points of detail, there are still many failures of the broad sweep of the Marxist analysis which have to be explained. The Great Powers of the century ought, as the centres of industrialisation, to conform to the Marxist pattern. In Germany and Japan, the sequence has indeed been more or less fulfilled. In Russia, the revolution which should have emerged from capitalism was imposed on a predominantly agricultural community by the chance that, in a moment of military collapse, the Communist minority alone had sufficient self-confidence to provide a Government. And being a minority, they had to impose a dictatorship which, so far, shows no tendency whatsoever to wither away. In America and Britain, the most highly industrialised, the most bourgeois communities—those therefore in which the Marxist prophecy should have been most completely fulfilled—democratic processes have progressively widened the basis of society, shared more of the wealth with the workers, raised trade unions to the rank of Third Estate and developed an ever increasing distaste for any war, imperialist or otherwise.

★

It would be tempting to pursue at some length the question why two capitalist Powers, Germany and Japan, have behaved in a totally different fashion from Britain and America, and why Communism should have come to that community which was least fitted to receive it. But it is sufficient to establish the fact of these profound differences to discredit Marxism as a total explanation of reality. If the common capitalist economic structure of these societies did in fact determine all the rest—social patterns, political theories, diplomatic practice—presumably their behaviour would be as similar as has been that of Germany and Japan. But clearly other factors have to be taken into account, among them the length and strength of their democratic and Christian tradition, their degree of economic *lebensraum*, their freedom from feudal survivals. Marx's claim that economic structure in the last resort conditions all the rest must be reduced to the much more modest and self-evident claim that one factor influencing society is its class and economic structure and that one element in the dynamics of history is the struggle between the classes.

Let no one think that these distinctions are the concern only of academic hair splitters. Unhappily, they are the very stuff of modern politics. What single factor in the last two years has influenced history more than the growing antagonism between Russia and the United States? And what more fundamental cause of this antagonism is to be found than the dogmatism of the ideologues in the Kremlin? Looking out on to a world they know only through the distorting lenses of Marxist theory, they see the United States, a powerful, advanced capitalist nation; they immediately infer, from their Marxist definitions, that it must be an imperialist aggressor only biding its time to attack the Soviet Union. It is against all the canons of sound Marxism that America should be in reality profoundly pacific, profoundly isolationist and only to be provoked from a strict attention to its own affairs by actions as crass as those which Russia's imaginary terrors and suspicions have inspired. There is no more tragic example of the triumph of ideas over reality, of theory over fact, of fear and dogmatism over common sense than the policy which the masters of Russia have pursued since 1945. Out of the present smouldering fears and counter-fears, a new imperialist conflagration may indeed burst. But what consolation will it be, to Marxist and non-Marxist alike, if the false prophecies of Marx become one of the main instruments in making one of his forebodings true—that out of the final struggle may come, not a new society, but a “common ruin of the contending classes”?

Third Party or No Party?

(By a Correspondent)

THE preceding article in this series showed how very little hope there is that either of the existing two large parties will be able to work out the sort of consistent policy of economic regeneration, bold and yet balanced, that the country requires. They might be brought, over the years, to appreciate more highly than they do the strategic political position of the professional middle class, and to pay it court instead of flouting it as now. But it is almost out of the question that either of them should win the enduring respect of the professional man and woman by the policy they pursue. For both of them are tied to particular interests—the Labour Party indissolubly, the Conservative Party by bonds which give no present sign of loosening. The Labour Party is a trade union party; the Conservative Party is a businessman's party. It follows that neither of them can be the party of the professional middle class or can seek with complete impartiality the interest of the whole community.

It cannot perhaps be taken quite for granted that the interests of the professionals and those of the whole community are identical. Indeed, they are sometimes at cross purposes, and it is not unknown for a particular professional group both to organise itself against the community and even to go on strike. But this does not happen very often, and there are three good reasons for believing that the professional class can, on the whole, be better trusted with the national interest than either the trade unions or the business man. The first reason is precisely that they are in the middle and unlikely to run to extremes. The second reason is that they are, or at least ought to be, better at the clear thinking that was set up in the preceding article as one of the two main requirements of a sound policy. This is not by any means always so; the very intellectualism of the educated man makes him prone to prefer logic to common sense, often with bad results. The phenomenon of the *trahison des clercs* is not unknown. But on the whole his record for distinguishing the essential facts from the mass of irrelevant data, and for keeping his emotions under control, is, as it ought to be, better than that of the other classes. And thirdly, the professional man is—or, again, ought to be—in a better position to show the moral courage that is the second main requirement. The particular interests of the professions, though they exist, are far more closely identified with those of the community, or at least far less likely to obstruct them. It is possible for doctors to go on strike over a particular issue. But it is hardly possible for doctors or accountants or even lawyers to flourish except when the whole community flourishes. A particular business firm, and even a particular trade union, can hold the community to ransom; a single profession—and even more so the whole professional class—cannot do anything of the sort. Individually, the professional man has more resources than the wage-earner and can therefore more easily take the long view. But he is rarely encumbered with great possessions and does not therefore suffer from the retentive timidity of so many property owners.

These arguments are unlikely to convince either the trade unionist or the business capitalist. But it is the contention of these articles that the professional class has something special to offer to the political life of the British community and that its efforts to do so are at present frustrated by the shape and structure of the party system. The question to which this concluding article has to address itself is what the professional middle class can do about it. One obvious recourse is that the managers, the professionals, the salariat should rally wholesale

to the Liberal Party, whose tenets are at all events reconcilable with the necessary policy discussed in earlier articles. It is an attractive idea, and has elicited an impressive display of pertinacious hard work and courageous defiance of misfortune on the part of Liberal supporters. But it has become depressingly clear how ineffective such a course is likely to be. Only in very small degree is this the fault of the Liberal Party's own defects—though it has to be said in all candour that its inability to shake off its old Whig wing is a handicap for any party that wishes to face the twentieth century in a spirit of scientific foresight.

The real trouble is to decide in what circumstances any third party can be expected to do more good than harm to the cause it champions. There is only one example in British political history of a small third party gradually displacing one of the major parties—and that one exception was not in the middle and it had the funds and the membership of the trade unions behind it. The traditional way in which new political groupings occur is by splits among the leaders of the existing parties—the Peelites, or the Liberal Unionists. One can indeed imagine a simultaneous split in both Labour and Conservative ranks, a breakaway of liberals without the capital letter, inspired by the old passion for freedom and by a new and equally powerful determination to put efficiency and hard thinking before protection and prejudice; a rally of the Free British, so to speak, to which the Gallant Liberal remnant would gladly adhere. One can imagine it; it is, after all, good clean fun. But short of this most improbable consummation the prospects for a new Centre Party are nil. The difficulty of any new party, under the British voting system, is to persuade voters that it is worth while casting what will almost certainly, for many succeeding elections, be a wasted vote. Apart from the ordinary human reluctance to get laughed at for supporting an organisation of inveterate depositors, there militates against it the quite reasonable desire to apply one's weight where it will count in pushing events, if not in just the direction which one likes, at least away from that which one loathes. Few of the stalwarts who launched the Labour Party lived to see it come to power. If the country is to wait a generation to be saved by a new Centre Party, it may well be past saving.

Nor is this negative consideration the only one weighing against a third party—whether Liberal or other. There is also the very positive disadvantage that liberal opinion, attached to a third party and labelled with its name, actually gets much less consideration when the major parties are framing their policies and choosing their candidates than if it were freely "floating." Why, say the party managers in effect, worry about these people who would not vote for us if we spoke with the tongues of men and of angels? Up for auction in each constituency, the liberal vote is worth cultivating; enrolled under its own party banner, it is plainly marked in their eyes as valueless and negligible. Below a certain proportion of established voting strength, a level beneath which the Liberal Party has unmistakably sunk and which any new party might take a lifetime to attain, autonomy is sterility. This is not to say that the professional and managerial class must toe the party line on pain of political impotence. It has a much more positive and hopeful task. That task falls into three parts: first, the framing of a standard by which policy should be judged—the resolute setting in order of its own ideas; next, the propagation of those standards and the building up of a body of intelligent, coherent and disinterested public opinion; and finally, the

bringing to bear of that opinion, through every organ of political action, on the policy-makers of the parties themselves. The totalitarians, abhorring the party system, formed the Party to end all parties; the professional class, which has such good reason to abhor the influence of vested interests, must form the pressure group to end all pressure groups.

It is not difficult to sketch this three-fold programme. But it would be very difficult to carry it out. The formulation of a policy should not be an impossible task; there is already an impressive body of agreed opinion which only awaits the pen and the voice of a prophet to take on the guise of a rounded body of doctrine. But the creation of a body of voters who would act together, without being a party of their own, is always

NOTES OF THE WEEK

The Doctors' Vote

Whatever views may be held of the proposed National Health Service in general and the points at issue between the British Medical Association and Mr Bevan in particular, one thing is certain: the results of the doctors' plebiscite are a remarkable professional demonstration against Mr Bevan and the Labour Government. The size of the vote is itself telling, and is a complete answer to Mr Bevan's attempt to discredit the plebiscite in advance by his insinuation of intimidation because the ballot papers had to be signed. As many as 82 per cent of the doctors to whom plebiscite forms were sent—and this includes all doctors on the register—voted. The only class from whom a poor return was obtained was the small group of alien doctors who are on the wartime temporary register.

Every doctor was asked to say whether he approved of the National Health Service Act in its present form or not. Disapproval was expressed by 40,814, and approval by 4,735; or, if the vote of Service doctors is excluded because it is not yet complete, 38,534 disapproved and 4,479 approved. Most interesting in this section of the plebiscite is the attitude of the doctors in full-time public service, including Government service and local authority service. Six out of every seven doctors in Government service (634, against 127) expressed disapproval; doctors working full time in local authority hospitals voted against the Act by 1,984 votes to 391; and doctors working full time in the public health service voted against it by 1,928 votes to 316.

Consultants and specialists, general practitioners, and doctors working whole time in voluntary hospitals were also asked to state whether they intend to join the health service in its present form or not. Consultants and specialists declared that they would not join it by 5,069 votes to 971, and general practitioners—principals and assistants—by 17,037 votes to 2,500. Those working whole time in voluntary hospitals, who, like general practitioner assistants, are predominantly young men, either newly qualified or working on ex-Servicemen's training grants, stated that they do not intend to join the service by 3,234 votes to 613. (Full tables are given in this week's *Records and Statistics Supplement*.)

In fact, from whatever angle the vote is regarded, the result is a big majority against the Government. Youth and crabbled age, Serviceman and civilian, salaried and non-salaried, public and private practitioner, specialist and general practitioner—all have decided, by a large majority, to put professional solidarity first. This is a fact which Mr Bevan cannot ignore. He may expect—and he may be right—that when the time comes far more doctors will join his service than at present say they intend to. But he cannot shut his eyes to the fact that his attitude has antagonised virtually a whole profession. There should also be some heart-searching at BMA House. The BMA has secured far more than the large majority it wanted to justify its continued opposition to the service. But its leaders should ask themselves exactly what they hope to gain by it. They have won an overwhelming victory, but that does not mean that they have the support of the public at large. On what has come to be a political issue it is the public which should have the deciding vote.

Electoral Reform Bill

The chief interest in the second reading debate of the Representation of the People Bill in the House of Commons centred on the passage of arms between Mr Churchill and the

a difficult task, and particularly so when it concerns a class of people who, by definition, think for themselves. It has been done before, and successfully, by the Anti-Corn Law League, though the front of attack was then much narrower.

Perhaps a Cobden could do it again. But in waiting for his appearance, there is one thing that the professional middle class can do for itself. It can recognise its own existence, and its own importance, and the unique contribution that it can make to the community—a contribution without which the great twentieth-century experiment of combining individual freedom with an exertion of deliberate control over the economic environment in which the individual lives will certainly fail.

(Concluded.)

Prime Minister. Mr Churchill charged the Government with a breach of faith in not adhering to the agreement reached by the Speaker's conference in 1944, which included neither the abolition of the business vote, nor of the university seats, nor of the constituency of the City of London, against which the City itself in the person of two sheriffs lodged an official petition. Mr Attlee repudiated this charge on the ground that the agreement reached by the conference dealt only with legislation to be introduced in that Parliament and could not, therefore, be held to bind a future government to any particular legislation.

Now even granting the Government the benefit of the doubt—and there would appear to be some doubt as to the exact nature of the bargain, if any, struck between the parties in 1944—the fact remains that in introducing these changes the Government has transgressed what may now rightly be considered an unwritten law of constitutional procedure, a matter of far greater importance than the doctrinaire maintenance of the abstract principle of one man one vote, which is today accepted by all parties as a general rule. And the very fact that Mr Churchill has refused to bind the Conservative Party to the acceptance of the abolition of the City of London and university constituencies is in itself a proof of the unsatisfactory nature of this type of constitutional tinkering. Nor can any urgent public demand be alleged as an excuse to justify the levity of this procedure. It is true that the business vote has become an anachronism, and if the Government had confined itself to the abolition of this, the most conspicuous form of plural voting, it would have been difficult to raise any very strong objection. But the abolition of the university seats disquieted a large and representative body of opinion representing almost all except extreme party views. Even some Labour members like Mr Skeffington-Lodge appear to have their doubts. And though the granting of a special franchise to the holder of a BA degree might be a little difficult to defend on purely theoretical grounds, this fact cannot be made to excuse the wanton destruction of an institution which does in fact contribute an element of independence to our Parliamentary representation, the absence of which will be increasingly missed. But independence, as Mr Dalton pointed out, is just what the Labour Party dislikes. And Mr Woodburn let the cat out of the bag in his monstrous description of the university seats as Conservative pocket boroughs. It is revealing to learn from a Minister's lips the real motives of the Government's action.

Mr Churchill's Valentine

Mr Churchill's political broadcast last Saturday (St. Valentine's Day) should have put an end to the loose rumours which have been floating about in certain quarters of the formation of another coalition in the near future. Though the shriller tones of party polemics were very largely excluded from his discourse, in view of the critical time through which the nation is passing, the leader of the Opposition left no doubt about his eagerness to face a general election. It was, however, difficult to discern any constructive elements of national leadership in his criticism of the Government's policy, which followed rather distressingly conventional lines, and the accusation that they had slushed away the American loan and given or lent £750 million to other countries in the last two years was hardly very convincing. The Government have indeed made mistakes enough

The committee has completed its work; its plan seems sound; and Sir Stafford has told the FBI that he considers it "workman-like" and is prepared to give it a year's trial. All that remains to be seen is how closely the business-world will co-operate.

The plan is not on such a scale as to upset the existing economics of advertising. In the first place, it refers only to advertising of certain classes of goods: rationed consumer goods, fuel, drink, tobacco, and articles subject to purchase tax at the higher rates. Firms which spend less than £2,500 a year in advertising goods of these kinds will be left undisturbed. Advertisers who spend more are being asked to reduce their spending by 15 per cent, though they need not reduce it below £2,500. Exceptions for new advertisers and for those whose expenditure has been limited by special reasons in the recent past are provided in a sensible manner. The general sentiments incorporated in the plan are not the least important part of it. Advertisers are asked to undertake to observe the spirit as well as the letter of the scheme—and the spirit is "to refrain from increasing inflationary pressure of demand for scarce or rationed goods and services, and where possible to encourage the attainment of the country's export and production objectives." Forms of reply to embody these undertakings have been sent to trade associations by the FBI, and will eventually reach the individual advertiser. Controllers of advertising space are being similarly invited to endorse the plan in writing. On this matter the FBI has done an efficient job.

Commonwealth Consultation

On Tuesday the House of Lords, at the instigation of Lord Bruce of Melbourne, had an excellent debate on the question of consultation within the Commonwealth. Drawing upon his own experience as Prime Minister of Australia and Australian High Commissioner in London, Lord Bruce doubted whether co-operation between the Dominions and Great Britain is as thorough as after-dinner speakers like to claim. He pointed out that interchange of information, however perfect, is not the same thing as an exchange of views, developed in time to ensure real integration and mutual understanding of national policies. "I can say from bitter experience," he declared, "how impossible it is to get any official indication of the United Kingdom's policy on any great question during the formative period when that policy is being created." Lord Bruce has hit on a sore point, and may well have made Mr Bevin wince. For consultation with the Dominions has been far from adequate during the gestation of his new policy in Europe.

Lord Bruce advocates a revised version of the Curtin plan of 1943, which called for a Council of the British Nations, with a permanent secretariat to replace the Imperial Conference. The plenary sessions, held where most convenient, would summon together the Prime Ministers of the self-governing nations; its special sessions would deal with specific problems of co-operation, and an ordinary monthly session would meet in London, with the Dominion High Commissioners and the British Prime Minister as permanent members.

Other speakers were obviously unwilling to give more than qualified support to a project which might revive in minds overseas the old spectre of Joe Chamberlain. They argued that there are few subjects, except imminent war or the kind of economic collapse which produced the Ottawa agreement, that interest the Commonwealth as a whole; they favoured therefore regional co-operation, with Britain as an interested participant in each group. Lord Addison was anxious lest the existing structure of co-operation should be damaged by formalising the arrangements, a venerable point of view which has been echoed with remarkable alacrity by General Smuts.

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There is one solution worth canvassing. If consultation is imperfect at the stage where policy is being thought out, and if the Foreign Office and Treasury will not yield up their secrets for transmission to the Dominion representatives, a strong case could be made for giving the Prime Minister charge of the business of the Commonwealth Relations Office. With competent under-secretaries, it is not an exacting administrative office, and it would give the High Commissioners direct access to the fount of British policy without necessitating new constitutional machinery.

Moreover, the suggested Council of British Nations would now represent only a fragment of a Commonwealth which includes India, Pakistan and Ceylon. The next few years will show whether the idea of Commonwealth, implying a high degree of confidence between nations and the outlawry of force as a weapon of negotiation between them, can be applied only to nations bred in the British tradition, or whether it has a more general validity.

The Real Aggressor in India

In the eyes of the world at large the struggle in Kashmir, which has led to the Indian appeal to the Security Council, is essentially a conflict between India and Pakistan. All who are maliciously inclined towards the British Commonwealth watch with satisfaction the spectacle of the other members of that association vainly trying to compose the quarrel between two Dominions. In reality, however, the situation is somewhat different. Although Pakistan cannot escape the responsibility for allowing armed bands to pass through its territory into Kashmir, and may have given them positive aid and encouragement, nevertheless, these raiders have come from the tribal territories in the North-West Frontier, which are outside Pakistan itself and which are potential sources of danger to Pakistan as well as to India.

The old djinn of Pathan tribal lawlessness has put its head out of the bottle in which the British Raj with great difficulty confined it, and it is in the long run in the interest of all plain-dwellers east of the Indus, Hindu and Moslem alike, to push it back again. It is open to Pakistan at any time to repudiate the Pathan adventure, which it has never officially recognised, and to order all armed tribesmen on its territory back into their own tribal areas; such bold action might involve Pakistan in immediate local trouble, but would be likely on a longer view to improve Pakistan's internal stability and international standing. Moreover, by taking a firm line with the raiders, Pakistan would put itself right with the Commonwealth and create at once Commonwealth solidarity in common defence; for from the moment Pakistan positively opposes the raiders, two Dominions would stand together under external attack, and would have the right to expect full support from other members of the Commonwealth against an invader. What is now needed is not a judgment on Pakistan's past actions or inactions, nor even a scheme for settlement in Kashmir, but action by Pakistan to put a stop to the Pathan campaign in Kashmir.

Mr Jinnah would no doubt object that this would merely leave Moslem Kashmir at the mercy of the Dogras and the Indian troops now in the country, and would destroy Pakistan's hopes of obtaining the accession of Kashmir or any part of it. But no proposals for settlement are likely to be accepted by India while the fighting continues; India feels itself the aggrieved party, and is more and more resentful at what is regarded in Delhi as a denial of justice due to British efforts at conciliation at Lake Success. Pakistan must make a positive contribution to restore the goodwill which is essential for reaching an equitable agreement on Kashmir, and should not doubt that the good offices of all members of the Commonwealth would be used to ensure a fair deal now and later.

Mr Jinnah in Baluchistan

Mr Jinnah is certainly not unaware of the many problems which have fallen to Pakistan as heir to the old North-West Frontier of a united India. He is anxious to preserve as far as he can the structure of law, order and strategic defence handed over to him. In the southern sector of the Frontier the tribal elements are less bellicose than in Waziristan or Swat; but the juridical problem is peculiarly complicated by the Khanate of Kalat—a large state which claims to be completely independent—and by important pieces of territory, including the town of Quetta, which were held by Britain from Kalat on lease. (An account of the little-known country of Kalat and its present

crucial position in relation to Pakistan, Afghanistan and Iran is given on page 307.)

Kalat has now come into the news with a spectacular progress of Mr Jinnah into Baluchistan. His object was to tell the Baluchis that they are under his "special care" and to bid for the accession of Kalat to Pakistan. So far the Khan has avoided giving a definite reply, and has asked for "time to consult his Houses of Parliament," by which is meant the subordinate chiefs of the Khanate.

The poverty of the Khanate, which consists mostly of mountains and deserts, provides strong arguments for accession; on the other hand, what has happened in India is not likely to encourage the idea to a state so addicted to independence as Kalat. There the Indian Government has just taken over by decree the administration of Alwar and Bharatpur, on account of support alleged to have been given in their territories to the organisation alleged to have planned the murder of Gandhi. It remains to be seen whether Mr Jinnah has been able to convince the Khan that accession is a good bargain, or whether the map will now have to show on the northern coast of the Arabian Sea a large and vulnerable area subject to no internationally recognised sovereignty.

The Party Melodic Line

The word has gone forth from Moscow. Shostakovich and Prokofiev are convicted of "journalistic perversions" and "anti-democratic tendencies" and will now presumably follow the humourist Tostchenko and the historian Varga into obscure silence. There may be an alternative open to them. Positive instruction has accompanied condemnation, a demand that music shall sing a democratically comprehensible tune; and the censured composers may work their passage home to respectability by an adequate output of hummable melodies, such as *My Little Grey Home in the Urals*, *After the Purge was Over*, the *War March of the NKVD*, and the *Harmonious Stakhanovite*—finally demonstrating their political soundness with a Marxist version of *Gott Straf England*. One's heart goes out to them. Imagine Mr Dylan Thomas, convicted of unintelligible cacophony, forced to redeem himself by a reversion to the style of Lord Tennyson or—since democratic appeal is to be the supreme test—Miss Wilhelmina Stich. Conceive Mr T. S. Eliot offering as his neck-verse a new *Absent-Minded Beggar*. One would not put it past Picasso to get a lot of quiet fun out of his penitential *Monarch of the Glen*, and Sartre might contrive to slip an existentialist message, under the censor's nose, into a modern *Silver King*. But "Oh, what labour! Oh Prince, what pain!"

This lamentable business, however, may yield good in the long run. It indicates to the Western world a hitherto unnoticed channel of access to Russian public opinion. The crime of Shostakovich and his fellow-sinners was that they were Westernisers, corrupted by the approval and applause of the Fascist beasts who read the *New Statesman* and frequent Carnegie Hall. The praise of the Western critic spells professional death to its object. Well and good. Let the Foreign Office brief the critics, and let them do their stuff. Let them ecstatically analyse the oratorical cadences of Mr Zhdanov, and prostrate themselves before the monolithic magnificence of Mr Molotov's *Eviges Nein*. Let them demand for Mr Gromyko a pedestal in Trafalgar Square, and public celebrations on the birthday (if discoverable) of the news editor of Moscow Radio. The public, once aware of its rôle, will surely back them up, directing a barrage of fan-mail on the selected targets, and offering large sums by advertisement for any available locks of Mr Molotov's hair. Who can doubt the result? One can at least be certain that the Russians will not retaliate by sending a mission, on behalf of their art galleries, to negotiate the purchase of a steady supply of landscapes by Mr Churchill.

University Grants

Oxford University managed to step into quite a patch of limelight last week by the assertion that its development plans will have to be remodelled because of "substantial reductions in the amounts to be received from the University Grants Committee." In actual fact no reductions after approval have been made: all that has happened is that the committee has not approved in the first place the first estimates of expenditure asked for by the university. There will probably be some argument about how far Oxford over-estimated its demands, but there is good reason for thinking that the university was over ambitious, and assumed much too readily that the Government would foot any bill it put forward. No one should, therefore, conclude from this incident that there has been any change in Government policy towards the universities. The total sum

for recurrent grants remains unchanged: it is only the allocations between the universities which are being negotiated.

This incident has coincided with the publication of the amounts of capital grants given to the universities over the past three years. These grants are to cover the cost of schemes of physical expansion: so far all but £9,000,000 worth of expenditure has been approved and £2,000,000 actually spent. Out of the total allocation, London University receives almost £2,000,000, Durham £1,200,000, Birmingham £744,000, Oxford £623,000, Manchester £464,000, Leeds £436,000, and Cambridge £202,000. Since the recurrent grant for Oxford University is £465,000 for 1947/8 Oxford's share is substantial. Before the war all the universities together only received £2,500,000 a year from the Government.

The prospects for the capital programme are not good, although fair progress has been made in getting schemes started. The labour force allocated for all university projects is only 3,000, and even this small allocation may be reconsidered next summer. The universities asked for a capital programme of £40 million over the quinquennium: although the schemes were approved in principle it was reckoned last March that only £20 million of these could be carried out in the time. It now looks as if even this more modest target would not be reached.

Who Will Intervene in Palestine?

The problem of Palestine is now before the Security Council, which will begin discussions next Tuesday. In its second report the Palestine Commission of five has told the Council formally that, unless provided with an armed force, it cannot carry out its task. The moment for facing facts has come, and it is above all America which has to face them. It is now clear that events in Palestine have helped to bring about a big change in Washington since November 29. The reckless partisanship with which President Truman mobilised the Assembly's votes for partition has given way to the sober misgivings of the Departments of State and Defence.

In answer to four questions on Palestine put to him last week by thirty Congressmen, Mr Marshall could only reaffirm America's determination to see the provisions of the United Nations Charter complied with—he did not say "the Palestine resolution." In advance of the Commission's second report he could not say what instructions would be given to the US delegate on the Security Council.

Recently, American columnists, not hitherto unfriendly to Zionism, have given a warning against the dangers of intervention. In addition to the obvious reasons—oil and Middle East security—the *New York Herald-Tribune* suggests the danger of anti-semitism in America if there were a serious proposal to send American troops. Equally "unthinkable," it may be guessed, to the Americans would be the sending of Soviet troops to Palestine.

A decision of the Security Council requires seven affirmative votes and the absence of a negative vote by any of the five permanent members. Of the 11 members, Britain will continue to abstain; Syria will certainly oppose enforcement. China, Colombia and Argentina abstained in the Assembly; only six, the USA, USSR, France, Belgium, Canada, and Ukraine, voted for partition, and of these France and Belgium had previously abstained in committee. Mr Trygve Lie has pleaded that the prestige of the United Nations—taken more seriously in the USA than elsewhere—is involved in enforcement. But even if small powers can be found to risk their prestige in contributions to an international force, and if seven votes can be mustered in the Council, it will still be too little and too late. The Council is not bound by the Assembly's resolution, and it would better serve the United Nations' prestige by shaping its policy to events than by attempting enforcement which must be ineffectual.

America has banned the supply of arms to Jews and Arabs. Britain's treaties with the Arab States, it is now thought, do not require the supply of arms for guerilla war in Palestine. None are in fact being sent, and this will no doubt be notified to the Council. For what it is worth, the Arab League has given a promise not to use the armies of the Arab States in Palestine unless an outside force intervenes there. It has not objected to the foreign consulates in Jerusalem being provided with guards for their own protection. It might, on terms, agree to their policing the city when the British leave. There is therefore still hope that the city under trusteeship may be preserved as an international sanctuary. All the makings of an effective policy of non-intervention are here. The Security Council will do the United Nations more honour by seizing this chance than by futile intervention in support of a policy which cannot be carried out.

for so long been the sacred calf which American industry worshipped that any attempt to bring it into balance with the realities of current international relations had to be undertaken with the utmost persuasiveness and caution. Will prices now fall so far and so fast that repair crews will start at once for the tariff dykes? And if they do, what will happen to the international dealings of which tariff reduction forms an integral part?

Meanwhile, the atmosphere of foreboding which overhung most of 1947, from the price breaks in the early spring until November proved that the long-anticipated crisis would not materialise last year, has now returned. Night clubs in New York are showing long stretches of untouched table cloth; theatre seats can be bought without the need to pay speculators' prices; Florida reports a disconcerting proportion of very moderate spending. Americans who are profiting look gloomy lest they cease to profit, and those who are not look gloomy by reflection. But even this is not so much depression as a rain-coat worn out of superstition to ward off a disaster whose inevitability has become a national fetish. So far, it shows few signs of becoming a national and hence an international fact.

The Public Domain

[FROM A CORRESPONDENT IN COLORADO]

MORE through inadvertence than design, the American people, through their government, have retained joint public title to one-fifth of the land of the continental United States or some 400,000,000 acres. During the war public domain grew, owing to takings for training-camps and other military or related purposes.

These lands are in public ownership for many reasons. The predominant one, however, is that the Government retained its title because these acres were too dry, too high, too poor or too remote to interest settlers. All or almost all were originally open to conversion to private ownership through the Homestead Act and its numerous predecessors and successors. Many millions of acres have since been withdrawn from the "vacant and unappropriated public domain," and converted to specific purposes, such as the national forests, national parks and monuments, and the reserves of oil, coal, and shale. Of such public domain there remains about 200,000,000 acres; that which is at all suitable has been dedicated to a great degree to the summer grazing of cattle and sheep under a special permit-system by which private stockmen may take a specified number of sheep or cattle on to the public lands for a certain period for a small fee. Thus a Western ranch, at least in some 31,000 instances (there are about 21,000 permit-holders on open lands administered as pasture, and about 10,000 on open glades in US forests), includes as a part of its rounded economic worth the privilege of such public grazing, and can support many more animals than if the owner were restricted to the lands which he owns. And therefore the tendency is to count the public lands as actually part of the ranch lands, and to include in the sale-price the value conferred by them.

The Grazing Service (now a part of the Bureau of Land Management), which administers grazing on some 145,000,000 acres, was instituted during the "dust bowl" days in part to save the public lands from going to dust and desert through overgrazing. The Forest Service also found its lands were being overgrazed and in some forests has drastically cut down the number of animals allowed to graze. Stockmen in both cases have advisory councils that work with the federal authorities. Now that lush pasturage is back (at least temporarily) they

feel they should be allowed to graze more animals, not less.

Forest and grazing officials, with an eye to a possible return of drought, and to other valuable uses of high plains and forests (such as generators of water for irrigation and municipal use), dissent. Stockmen are also very critical of the enormous increase in the big game population through conservation measures adopted on the public lands.

All these irritations, major and minor, came to a blazing focus after V-J Day, and the Western stockmen's two large organizations, the American National Livestock Association and the National Woolgrowers' Association, named a joint committee to determine, not the wisdom of turning over the public lands to private exploitation, but the best way to go about it.

Little attention was paid for some time, especially as the committee worked without publicity. There was considerable local sentiment in the stockmen's favour. More than 50 per cent of the area of the 11 Western states is still in public ownership. This is a traditionally sore point with officials of State and local governments who are unable to tax such lands, and who regard lieu payments by the federal government and its upkeep of roads and other public utilities, as insufficient recompense. The stockmen sought to take shrewd advantage of such feelings. But when their recommendations finally became public, a roar of wrath arose.

They proposed, in brief:

That ranchers who now hold grazing rights on public lands (for the present, only the grazing lands, not those included in national forests) should have first priority in buying the lands they use, and must be allowed to buy.

That the price-scale should run from 9 cents an acre to \$2.80 an acre, based on the ability of the land to feed stock. (The land worth less than 9 cents an acre does not interest them—they would leave to the nation the barest peaks and the driest desert.)

That they should pay 10 per cent down and have 30 years to pay the rest at low rates of interest. That only this 10 per cent should go to the federal government, the rest going to the states in which the land is situated.

The stockmen have found public sentiment against them, even in quarters where they expected support. Owners of "dude ranches," ski resorts, and other vacation spots are hostile. Western mining men have gone on record against the proposal, even though the stockmen are willing to leave mineral rights untouched. Conservation societies, hunters' and fishermen's associations (who visualise miles of fishing-streams with "No Fishing" signs; and hundreds of square miles of game territory closed off to hunters) are critical. Federal officials in charge of the lands insist that there is still overgrazing, and that the land would rapidly go to pieces under private grazing. President Truman again and again has emphasised the importance of conservation of national resources.

A large factor in the opposition is that the proposed plan would create a group of permit-holders with a vested right to take over the land without competition or bidding. Since it is owned by all the people of the United States and since there are hundreds of thousands of land-hungry veterans, a policy which would shut out veterans is unpopular. Stockmen have been badly led and advised. Shut off in isolated ranches as they are, hearing little but the general righteousness of their cause as fed to them by their own officials and propagandists, they have been genuinely hurt and surprised by the vigour of the opposition. The stockmen thought they saw their opportunity in the election of a Republican Congress supposedly dedicated to the strengthening of private enterprise. They missed their guess so badly that none of their Bills introduced in the 79th Congress were revived in the first session of the 80th Congress. But the stockmen are persistent and may yet win their objectives by indirect means. A sub-committee of the House Committee on Public Lands held hearings across the West this autumn, which in effect arraigned the Forest Service for its unco-operative attitude toward the sheep and cattle interests; and cuts in appropriations for the Forest Service and the Grazing Services—in the sacred name of economy—may break down the barrier to exploitation almost as effectively and much less conspicuously than a new law.

American Notes

Trial Run for the Plan

The Senate Foreign Relations Committee has formally and unanimously approved its own draft of the European Recovery Bill, and debate on the floor of the Senate will begin on March 1st. The Bill shows every sign of having been constructed by a masterly political architect, who knows how to conciliate without giving way on the substance of the programme. The Administration has been almost embarrassingly enthusiastic. Two feats of political engineering stand out. The first is the decision to authorise the Plan for a year, rather than fifteen months. This automatically reduces the immediate cost from \$6.8 billion to \$5.3 billion, and offers the opportunity of a realistic review of the Plan as soon as the new Congress reassembles in January, 1949. It satisfies those who insist that one Congress cannot bind another, and appeals equally to those who anticipate a Republican, or a Democratic, sweep in November. By that time the Committee feels that Congress will be better able to judge, being able to draw on the experience of the administrator and his staff, as well as the views of the "watch-dog" committee of the House and Senate which is to be established. By suggesting that Mr Herter, the House expert on foreign aid, should head this committee, Senator Vandenberg may have captured the most effective leader of the friendly opposition. By 1949, too, crop conditions will be clearer, and there will be more information on "the extent to which foreign nations are co-operating on a self-help basis."

How to reconcile the Marshall expenditures with Republican plans for tax reduction in the next fiscal year has also been ingeniously solved. A sum of \$3 billion is to be set aside from this year's budget surplus, leaving only \$2.3 billion to come out of the revenues in the fiscal year 1949. This exemplary financial caution, which might be called pay-as-you-learn, will retard debt retirement and the contraction of credit; but the fall in the markets provides a timely and plausible excuse.

A variety of other objections have been recognised, and, in the main, turned away by soft answers. The demand that raw materials should be made available, free, by the European countries is reflected in the change from the provision that foreign countries should "facilitate the sale" to "transfer by sale, barter, or otherwise" of raw materials, but the decision is left to the Administrator. The transfer or sale of 500 ships, opposed with such energy by the maritime unions, has been altered to the chartering of not more than 300 ships, on the condition that they shall be dry cargo ships not in current operation. The countries of Marshall Europe are directed to balance their budgets as soon as possible, and to make every effort to "locate and control" the assets and earnings of their citizens in the United States in the interests of ERP.

The Marshall Plan has survived its launching intact. Mr Marshall has given a warning that there will be no second chance, and even Mr Dewey has hastened to break a bottle of New York State champagne across its bows as it went down the slipway. There still lie ahead the Senate debate—and Mr Taft still insists that the total is too much—passage through the more hostile House, and through the appropriations committees. But the omens are favourable.

* * *

Early Diagnoses

Over the past week, the stock and commodity markets have clearly reflected the degree of disturbance and the mood of caution which have followed from recent waves of liquidation. Intermittent support has appeared, but there has been no sustained rally, and irregular movements have left many quotations lower on balance, although the Moody index of staple commodities at 407 shows modest improvement. Elsewhere March wheat is \$2.39½ (\$2.43 last week), September, \$2.20 (\$2.16½), May maize, \$2.10 (\$2.05½), March rubber, 19.90 cents (\$20.10c) and spot cotton, 33.07c (32.35c).

Knowledge that the Government is committed to price support throughout the rest of 1948, and that the farm bloc is unlikely to miss the challenge presented by current price-levels, are factors which have assisted bolder operators in Chicago. But more than one official spokesman, apparently, now stands committed to the view that \$3 wheat is not likely to reappear, and industrial interests in Congress are reminding the farm bloc that present support levels could be very dangerous under conditions less abnormal than those of recent years.

General diagnoses are justifiably cautious at this stage. The most definite note of optimism has been the declaration by Mr

John Snyder, Secretary of the Treasury, that there "is still a lot of inflation," and that the United States has "all the elements of continued prosperity and production." President Truman, though non-committal on the longer-term significance of the price fall, has repeated his demands for inflationary controls and has requested the Council of Economic Advisers to report on the new situation. And Congressional committees, with typical flexibility, have turned from their studies of price inflation to brand-new allegations that the Government is concerned to "let the bottom fall out of grain prices." The rest of the commentators repeat, in fairly general terms, the widest range of predictions, from Mr Chester Bowles, formerly head of the Office of Price Administration, who believes that Mr Truman and Congress are now reaping the whirlwind, to those sturdy optimists who assert that depression can never occur with "demand high, and unemployment low, as now."

*

It is, so far, too early to discern any marked change in official policies, and the conflicting forces which pull the Federal Government in election years will, no doubt, continue to favour indecision, as they have done in the battle against inflationary forces. One factor which seems altogether likely to emerge quite quickly, however, is the abandonment of further restrictive moves in the monetary field. The Senate vote on ERP, indeed, with its proviso that the Treasury surplus over 1947-48 (to the extent of \$3 billion) shall be earmarked for foreign relief, is presumably a guarantee that these accruing funds will not be used to retire government debt, and exert a continuing pressure, to this extent, on commercial banking reserves. Had such a proposal not been made in Congress, however, it seems likely that the Treasury itself would have moved very cautiously in bringing new pressure against banking reserves.

The extent of the downtrend still cannot be forecast with any degree of precision. But the week's movements still support the view, given here last week, that more than a market flurry is involved, and that more basic indicators of recession will appear later on. A business boom of recent proportions gathers a certain impetus as it nears the climax, and time must be allowed for commodity and stock market declines to exert their full weight on other sectors of the industrial front.

* * *

Southern Democrats and Civil Rights

At last week's conference of the Southern State Governors, all Democrats, Governor Wright of Mississippi duly proposed that an independent Presidential convention should be held, as a protest against President Truman's civil rights programme. His colleagues gave him no support—but may change their minds in 40 days. They are pledged to meet again within that period to consider the report of a special committee which is to recommend joint action to make the South's displeasure felt in Washington. This displeasure appears to focus on the President's request for the abolition of racial segregation on interstate transport facilities, and there were rumours, and White House denials, that this point might be dropped when legislation was presented to Congress.

As always, even those Southern Governors who genuinely support the objects of the President's programme are united in condemnation of Federal interference with States' rights and of the Democratic Party's disregard of its Southern backbone. This year their protests can be supported by more than oratory. While it seems unlikely that the threat to "bolt the Party" will become irretrievable action, it can seriously embarrass the Party managers at the July convention. Meanwhile, the Governor of Arkansas is proposing to withhold the proceeds of his State's annual Jefferson-Jackson Day dinner from the Party treasury until the civil rights issue is decided. His example may be followed, and the Southern States are among the most substantial contributors. Finally, unless the President relents, the Administration may find many of its Southern supporters in Congress even less amenable than usual during the unavoidable controversies of the next few months.

THE ECONOMIST BY AIR

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There is another new factor on this occasion. In the past the Republicans have been well pleased that the inevitable Southern filibuster should defeat all legislation on fair employment practices, poll taxes and so on. Being in the minority, they could take a righteous stand on the very substantial plank on these subjects in their Party platform. But now the time is approaching when they will have to explain why they have not used their opportunity to convert this plank into something more effective than a floor board. In Washington it is believed that the necessary two-thirds majority can be obtained in the Senate to end a filibuster on Bills implementing the President's programme. If this happens and the legislation is passed, Mr Truman will have alienated the Southern section of his Party to a degree unknown in recent years, and the Republicans will gather the electoral fruits of his programme from the Northern negroes, if not from the liberal voters.

* * *

Regional Colleges for the South

It is doubtful whether the President's programme would in practice do much to improve the status of the Southern negro. Well-informed and sympathetic observers believe that the answer to the problem can only be found by the efforts of the Southerners themselves and as the result of gradual social development. They are agreed that one of the most helpful influences would be a higher standard of negro education, and it was to consider a scheme which may be of real use in this connection that the Southern Governors met last week. In spite of the civil rights outcry, they did deal with their main business and signed a compact for the establishment of co-operatively financed colleges for the whole Southern region. This compact must, however, be approved by the legislatures of at least six of the States concerned before it can take effect. It is hoped that there will be about five of these regional institutions, which will provide higher education, especially in professional and technical subjects. No estimates of cost are available, but the scheme will be financed by an unprecedented pooling of State funds. The existing Meharry Negro Medical College at Nashville, Tennessee, may become the first of the regional colleges.

The scheme has been in the air for some years, but the solidity of its present form is due to the series of Supreme Court decisions, culminating in the recent Oklahoma Law School case, which oblige the States to provide equal educational opportunities for both whites and negroes. So long as educational segregation is practised, the financial strain of this obligation is greatest in the professional and technical fields. The regional college scheme is an attempt to maintain segregation while meeting the Supreme Court's attack upon it, without either the increased taxation which is hardly feasible in the South or the lowering of the already low standard of white education.

Nevertheless, it is definitely a scheme for white as well as negro colleges, although not for joint institutions. Indeed, if only negro colleges are set up, the Supreme Court will almost certainly have something more to say. It may in any case, since the Court has laid down that equal facilities for negroes must be provided within the State's own boundaries and not by granting scholarships to enable the negroes to study at colleges in other States. The success of the new scheme turns upon whether these regional colleges develop into educational Harlems, with not only the segregation but the low standards which that implies, or into the first-class training centres which the South needs so badly for both its white and its coloured students.

* * *

A Draft for Vandenberg?

General Eisenhower's renunciation created a temporary political vacuum, which has been turned to the immediate advantage of Mr Harold Stassen. The most recent Gallup poll shows him to be, at the moment, the President's most formidable challenger and leading outside the discontented, but still Democratic, South. Mr Stassen's view that running for the presidency is a long-term and full-time job is paying handsome dividends. In the probable event of a deadlock between Senator Taft and Governor Dewey at the Republican convention, his chances of becoming a compromise candidate cannot be dismissed.

But the convention is still four months off; and nominations are not decided by Gallup polls. Mr Stassen's public taunting of both Mr Taft and Mr Dewey does not suggest that he would be very likely to secure the reversion of either of their delegations, given a deadlock convention. He is relatively inexperienced;

young, just over forty; and, from the point of view of the Old Guard, an alarming phenomenon rather than a reliable member of a team. He is unpopular with labour for his espousal of the Taft-Hartley Act.

A new name is already coming up. Senator Vandenberg's name is "new" only because it has been believed he would not run. As in Poe's famous story, "The Purloined Letter," he has been in full view all the time: a trusted party man with an appeal far outranking party. He has immense political experience. Since the war he has proved himself the real leader of the party, a patriotic statesman who towers above the rest. The public response to the possibility that General Eisenhower might run was significant chiefly as showing how dissatisfied the average Republican, and particularly the independent voter, is with the stale choice between Senator Taft and Governor Dewey.

A year ago, Senator Vandenberg renounced all presidential ambitions, an act which has stood the bi-partisan foreign policy, and the European Recovery Programme, in good stead. He is a politician, however; in his case there are no high grounds of principle for abdication, and the presidency would be a fitting crown for so distinguished a public career. In Michigan a "draft Vandenberg" movement is in full swing. It is already rumoured that should he accept he would confine his presidency to a single term. His age and his health would rule out the political strains and electioneering which must be assumed by a man running for a second term during much of his first. Such a decision would also, it is argued, give him a freer hand in the public interest.

Mr Stassen has always indignantly denied the political partnerships arranged by benevolent rivals which cast him as the junior member of the firm. In recent speeches, however, he has gone out of his way to pay tribute to the leadership of Senator Vandenberg. The vice-presidency is usually regarded as a political blind alley! Mr Stassen may reflect that Mr Truman and a number of other vice-presidents, including Theodore Roosevelt, have found it a stepping-stone to the highest office in the land.

* * *

Pensions for Miners?

The pension issue, which was dropped by the Ford workers this autumn in favour of more earnings, has been taken under the wing of Mr John L. Lewis, who has demanded that the miners' welfare fund be used to provide pensions of \$100 a month at the age of 60 for miners who have had 20 years in the pits. This fund, which was established in July last year, has on hand about \$30 million, derived from the 10-cent a ton royalty paid by the coal owners. The employers' representative on the board controlling the fund has refused to accede to this demand, urging that pensions on such a scale would require contributions at three or four times the present rate. Mr Lewis has thereupon announced that the "integrity of the contract" had been infringed and that he reserved the right "to take any independent action necessary to the enforcement of the contract."

Is this a strike threat? More specifically, would it satisfy the requirement of the Taft-Hartley Act that notice of 60 days must be given of a strike in an essential industry? Is it more than bringing pressure on the owners through the Government, which would be reluctant to see any coal stoppage just as the Marshall Plan goes into effect, with its schedule of 3,000,000 tons of coal exports every month? The present contract runs until June, 1949; but no one has forgotten Mr Lewis's famous victory in forcing the owners to insert in the contract the provision that the miners would work only so long as they were "willing and able." If Mr Lewis is bent on a strike, will that little phrase enable him to evade the section of the Labour Law which lays down an 80-day strike stand-still and empowers the Attorney-General to seek an injunction against further stoppages?

The steel companies, which last year through their ownership of the "captive mines" brought pressure on the other coal owners to make concessions to Mr Lewis, fear this year that any encouragement to pensions in coal mining might sell the pass to pensions in the steel industry. How much it would cost to pension the nation's miners is unknown; calculations are being frantically made. As at present phrased the demand covers miners who have left the pits for other employment. Neither the coal nor the steel industry can regard any interruption in production without an inward shiver. And whatever happens to the cost of living, present profits, even in the coal industry, invite wage demands as forcibly as a red flag invites a bull. The "third round" of wage increases may prove the last. If Mr Lewis can bring off his pension coup at the top of the boom, he will add a crowning victory to a remarkable career.

THE WORLD OVERSEAS

Neighbours of Afghanistan

(By a Correspondent)

A LITTLE way to the west of the broad stream of the lower Indus a wall of arid mountains rises from the flat plain of Sind and buttresses the desert plateau of Baluchistan. Baluchistan occupies a large area on the map, but it has hitherto figured very little in history because of its unproductiveness, difficult communications and small population. Barren as it is, however, it cannot be altogether ignored in a world where even deserts and polar ice caps can be objects of acquisition because of possible minerals or strategic passes and bases. Baluchistan is believed to contain beneath its stony soil reserves of coal and oil which may some day become economically important; it also affords one of the two main approaches to India from the north-west—that by way of the Bolan pass—and access from the north to a potential port on the seaboard of the Indian Ocean. It remains today an out-of-the-world land of parched wastes and sparse semi-nomadic inhabitants, but it is not without its local politics, and these politics are inevitably entangled with the problems arising out of the termination of the British Raj in India.

The political configuration of Baluchistan is about as complicated as it can be. The whole country, which is between two and three times the size of England, was divided before last August into six parts:

- (1) British Baluchistan, in the strict sense, consisting of territory directly annexed by Britain after the Second Afghan war;
- (2) tribal territories under partial British administration;
- (3) districts held on lease from the Khan of Kalat on an annual quit-rent;
- (4) the Khanate of Kalat;
- (5) Lasbela; and
- (6) Kharan, states under the formal suzerainty of Kalat.

As regards population, British Baluchistan in the wider sense, including (1), (2) and (3) above, had about 500,000 inhabitants, Kalat 250,000, Lasbela 69,000 and Kharan 33,000. The preponderance of population in the British-controlled territory, comprising less than half the total area, was due to the inclusion of the Nasirabad irrigated tract, which belongs geographically to the Sind lowland, and of the garrison town of Quetta, which had a population of nearly 40,000 apart from troops and was the only real urban centre in the country.

This curious political patchwork was the result of a series of military and political expedients over a long period. The main British interest in Baluchistan was to safeguard the Bolan pass and its approaches as one of the gateways of India, and to restrain tribal unrest on the Sind border; there was little or no reason for interfering with the remote Khanate of Kalat or its vassals, and indeed the traditional British view has been that Kalat is an independent State like Nepal, not included in the system of "Indian States" under British paramountcy, though its status has never been very precisely defined. In various ways, however, British policy has reduced the realm of Kalat, even though the process has hitherto been far from painful for the Khan. The areas which the British wanted for the defence of India were leased from the Khan for rents which were extremely welcome to the impecunious monarch of a barren hill country, and he did not have to worry about the regularity of the payments; on the other hand, some of the leases were permanent and in terms which could be interpreted as

cession when the question of their transfer to another nation arose. Moreover, for purposes of administrative convenience, the British authorities took to dealing directly with Kalat's vassal states, Kharan and Lasbela; and though this meant no immediate injury to the Khan of Kalat, who by custom left them to manage their own affairs, it provided precedent for treating them as completely separate political entities in an age forgetful of the niceties of feudal relations.

With the approach of the transfer of power in India the Khan of Kalat, a man of ability and resolution, began to be concerned about his legal rights. He took the view that the leases of territory to Britain were not transferable and would revert to the Khanate on the termination of British sovereignty in India unless re-negotiated with the successor authority; he was also determined to reassert his authority over Lasbela and Kharan and control their foreign relations in future. In order to get a ruling on his position before the British left India, he appealed to Delhi for a declaration of the British view, but his application received no answer; those acquainted with the bureaucratic talent for passing the buck will not be surprised that British officials who were packing up for departure preferred to leave the legal tangles of Kalat as a bequest to Pakistan.

Mr Jinnah has from the beginning regarded Pakistan as the full heir of all British rights in Baluchistan, including the leaseholds, and is determined to obtain the accession of Kalat and its vassals. It has not so far, however, proved so easy for the Karachi Government to deal with the Khan. There are several reasons for this. In the first place, the Khan is not an autocratic monarch, detached from his subjects and liable to be undermined by a popular mass movement worked up from outside. He is not even, strictly speaking, a hereditary ruler, for he is the elective head of a confederacy of tribal chiefs, though by custom the electors may not go outside a clan (of Arab origin) which has held pre-eminence for over a century. The Khan regards himself as head of the Baluchi nation, and though the word "nation" can hardly be used in the modern European sense, it is not altogether inapplicable. The Baluchis speak two different languages—Baluchi,



which is an Iranian tongue, also spoken in part of south-eastern Persia, and Brahui, which is classified as a Dravidian speech, allied to Tamil, Telugu and other languages of South India, but geographically far separated from them. Both languages of Baluchistan are quite distinct from Sindi and Punjabi, and there is a certain common consciousness among both Baluchi and Brahui tribes of their separateness, as a pastoral hill people, from the peasants and townsmen of the Indus lowland. Although the population of Baluchistan is entirely Moslem, except for a few Hindu and Sikh traders and shopkeepers, there is very little inclination to accept administration by Pakistan officials from Sind or the Punjab. The Khan has thus substantial popular support—which can find expression through the tribal councils or *jirgas*—for a policy of resistance to any attempt at centralised control from Karachi. There is fear lest accession to Pakistan might mean a change from King Log to King Stork.

Further, the Khan has become dissatisfied with the terms of the old leases and has wanted to have them revised in his favour. He is aware that his patriarchal court lacks the administrative personnel to take over places such as Quetta, nor would he wish to have sole military responsibility for the frontiers with Afghanistan and Persia, but he insists that his basic sovereignty in the leased areas, and particularly his mineral rights, should be recognised. Pakistan has been very reluctant to accept these claims, but it will be wise to go a long way to meet them, because it is very much in Pakistan's interest to have a strong and friendly Kalat on its flank. If Pakistan intends to hold the Bolan pass, Quetta and the light railway westward to the Persian border, thus keeping up the system of defence along the southern frontier of Afghanistan, it is essential to have no trouble with the tribes

in the interior of Baluchistan, and the authority of the Khan is the best guarantee for order there. Even if Pakistan were to drive out the Khan by force from his capital, direct administration of this vast, mountainous area would be a task imposing a most severe strain on the financial and administrative resources of Pakistan at a time when Mr. Jinnah's regime faces many other formidable problems. It is to be hoped that a compromise will be reached making Kalat a firm ally of Pakistan without undue encroachment on its independence and that no fresh focus of disorder will be added to those already existing in Asia. Should Kalat bid for Afghan support in order to resist Pakistan pressure, a situation with possible serious complications might arise.

Economically the rents hitherto paid to Kalat for the leases and forming a large part of the total revenues of Kalat will in future be a charge on the treasury of Pakistan, as will be also various other payments and subsidies formerly dispensed on the Frontier by the Central Government of India. Pakistan, given a period of tranquillity and orderly economic development, should be able in time to carry the burden of what are really distressed areas from Chitral down to the Makran coast. But Pakistan is not yet in sight of tranquillity, and if it is unable to meet its liabilities towards the hill people, the latter will quickly revert to old-fashioned marauding as an outlet for their energies. The problems of Baluchistan, like those of the Frontier further north, are thus dependent for their satisfactory solution on the solvency of Pakistan. Kalat is not a country which can make any progress or support a civilised administration and social services from its own resources, and its inclination to accede to Pakistan must be conditional on its estimate of Mr. Jinnah's capacity to provide for his dependents.

Report from Havana

(By a Correspondent)

SINCE November 20th the representatives of 59 nations, meeting in Havana, have been discussing the charter of the proposed International Trade Organisation. Their progress has been slow, but it is now reasonably certain that success will ultimately crown their labours. Little news of the meeting, known as the United Nations Conference on Trade and Employment, has appeared in Britain. The proceedings of the preparatory committee, first in London, then in New York and finally in the seemingly endless Geneva session last year, were too diffuse and too concerned with subtle points of drafting to seize the general interest. The Geneva meeting came to life with the signing of the General Agreement on Trade and Tariffs by the 23 "nuclear" countries represented on the preparatory committee; but it was on the practical issues of tariff and preference concessions that interest tended to focus—especially as it was known that the work on the draft charter would have to be started all over again at the Havana conference.

Some of the difficulties which have arisen at Havana could have been foreseen. They were due to the fact that the 36 nations at Havana which had not been among the 23 which laboured in Geneva were naturally inclined to suspect a code of commercial behaviour in the drafting of which they had played no part. The resistance to a *fait accompli* found extremely vocal leadership in the Argentine delegation. This leadership of the "unrepresented" became also leadership of the "under-developed," i.e., of the primary producing countries which wish to diversify their economies and will brook no interference from any international body in the means they choose to foster their industrialisation. The role of rebel leader also admirably suited the political strategy of the Argentine delegation. It enabled Dr. Molinari, its leader, to portray the form of capitalism represented in the Charter as "typified by the dollar sign, the gold at Fort Knox, international cartels and a spider web of Shylocks squeezing the heart of hungry multitudes."

These inflammatory opening speeches were soon over; but the basic differences they revealed have persisted through the long debate. Its "first reading" stage closed about six weeks ago. Since then the committee stage has been proceeding and working parties have been redrafting certain clauses of the charter. Progress has been made in these crucial stages of the conference, and delegates should be dispersing before the end of this month.

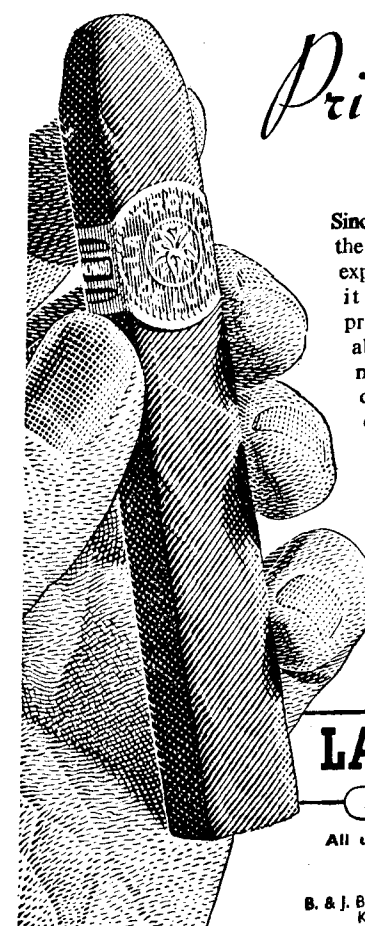
Prising the Charter Open

The main differences that still remain emerge from the desire of the under-developed countries to have a free hand in fostering new industries and diversifying their economies. They demand

first the right to use import quotas for protective purposes, and second freedom to create new regional preferential systems, with the consequential right to discriminate. The Geneva version of the charter allows members to impose quotas or other quantitative restrictions on imports when they are in balance of payments difficulties. Moreover, the draft charter makes liberal provisions for discriminatory application of such restrictions. Until 1952 discrimination can be applied, subject only to posterior disapproval by the ITO. After 1952 the machinery tightens up somewhat and prior approval of the ITO will become necessary. The broadening of these provisions was largely the work of the British delegation on the Preparatory Committee. But the wedge inserted by British initiative is being used as a lever by other countries to prise the charter open to much wider toleration of quotas. Britain, as the largest *per capita* exporting country in the world and as a large exporter of relatively inessential manufactures, has reason to fear import quotas, the one obstacle to imports over which price and efficiency cannot prevail. So at Havana the proposed use of quotas for protective purposes has been opposed by Britain with great vehemence.

The Latin-American and Middle Eastern countries resent the fact that the draft charter recognises existing preferential systems while restricting the formation of new groups. Admittedly the charter opens the door to new preferences designed to aid economic development; but any such development would require the sanction of the ITO. Here again, the issue is between "prior approval" and "posterior disapproval." These groups of under-developed countries want freedom of action subject only to the limitations of subsequent recall by the ITO. The British delegation has persistently resisted the principle of "posterior disapproval" because once a country has decided upon a certain policy and implemented it by launching new protected industries or instituting new discriminatory tariff arrangements, it will be doubly difficult to retrace those steps, however artificial they are, and however serious the damage caused to other members of the ITO. The British Government supports the general aim of the under-developed countries, and appreciates that more trade may ultimately result if those countries diversify their economies and raise living standards. But this should be an orderly and balanced process, not a scramble leading to the mushroom growth of uneconomic industries. The prior approval of the ITO for the protection of quotas for infant industries should help to prevent costly mistakes.

But how will the ITO arrive at its decisions in such matters? That question leads to the issue of voting power on which there



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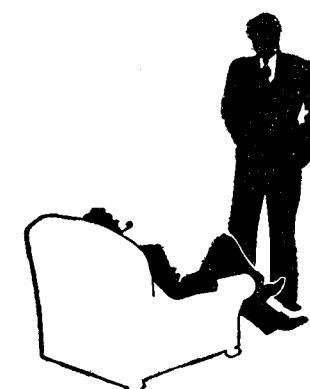
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has also been considerable, though one-sided contest at Havana. The British delegation has supported the principle of weighting the voting according to the economic importance of each member. But though that rule was followed at Bretton Woods, the overwhelming majority at Havana is against it and favours equal voting rights for all. The dangers and frustrations of this particular form of international democracy may in part be avoided by reserving a certain number of seats on the executive board for the most important member countries.

Other outstanding points of difference concern the grant of export subsidies (which the United States strongly favours); the problem of relations with non-members, i.e., whether they should be specifically deprived of any extension through the most-favoured-nation clause of the benefits exchanged between members; and finally the very special and difficult problem of a country like Switzerland which, not being in balance of payments difficulties, would be called upon to dismantle most of her economic defences when surrounded by countries to which no holds would be barred for at least four years.

On the very topical problem of customs unions the new version of the Charter is likely to show some interesting changes. In particular, it will introduce the concept of a free trade area, i.e. a group of countries among which trade will be free but which will retain their own separate tariffs in their trade with countries outside the group. No such group could be formed if it held within it substantial variations of import duties. In that case imports for the whole group would tend to be canalised to the lowest tariff country and then be re-exported, without paying further duty, to the other members of the group. But if the new conception can help to avoid some of the technical difficulties of elaborating common tariffs, it should do valuable work in serving the objective of freer trade.

Ideals for the Future

This list of the various points still in dispute at Havana does less than justice to the wide area of agreement revealed at the conference. It is certain now that an International Trade Organisation will be launched. Its membership may show some notable gaps, but they are the gaps to which the world is becoming accustomed—notably the absence of Soviet Russia—though it should be noted that Poland and Czechoslovakia are represented at Havana and have been pulling their full weight. The charter, as it will emerge from Havana, will be concerned with exceptions as much as with positive, basic principles. The price had to be paid for launching an organisation of this kind in trading conditions so abnormal and unbalanced as those which lie immediately ahead. At least the charter will ensure that, whatever shifts and devices of bilateralism and discrimination the nations of the world will be driven to, the ideals of a saner system of multilateral and non-discriminatory trade will be kept before their eyes. That should prevent the habits formed in these abnormal times from becoming incurable.

Prospects for the Pipe Lines

[FROM A SPECIAL CORRESPONDENT]

RECENT events at Haifa, and along the pipeline that comes out there, have given all Middle Eastern oil companies reason to worry about security. If existing pipes and terminals are in jeopardy, are new ones worth laying? Economically, the answer is yes. Pipelaying specialists from America calculate that a 30-inch steel pipe from the Persian Gulf to the Mediterranean will repay the huge cost of its construction within a year. It is a far more profitable proposition than the long haul by tanker round Arabia.

But politically the outlook has become problematical. Security through miles of desert depends upon local, even tribal, good will. What if Arab hostility to the west over Palestine leads to continuous sabotage? So far, stoppages caused by saboteurs have proved easy enough to perpetrate, but equally easy to mend. Machines at the nearest pumping station automatically register the exact locality of the break, and the damaged section is replaced in a few hours. But will such mends be feasible in face of wrecking by bands large enough and purposeful enough to baulk the repair gangs? Oil men in Palestine say no.

The facts which have induced this gloomy conclusion are as follows:—Though several companies are planning to lay pipelines, one only has a pipe in operation. This is the internationally owned Iraq Petroleum Company, pumping from Kirkuk in Iraq to the Mediterranean. Its pipe is a 12-inch affair (stigmatised by post-war American engineers as "macaroni"). After crossing the Euphrates, it forks like a wishbone, and pumps half of its

four-million-ton annual output via Syria to Tripoli in the Lebanon and half via Transjordan to Haifa. The Tripoli consignment is, except for a small amount refined for local use, exported in crude form. The Haifa consignment is refined on the spot by a British concern called Consolidated Refineries, Limited. This is capable of handling over four million tons a year, and is, or was, expanding so as to handle the contents of a new 16-inch pipe from Iraq. Palestine depends entirely on this refinery for its supplies. Recent happenings have focused attention on the complete interdependence of the Haifa installation—the pipe, the oil dock, the refinery, the storage tank farm on the beach. To knock one out is, after a few days, to paralyse the rest. Lately, the refinery was reduced to inaction by an upsurge of political feeling between its Jewish and Arab employees—an outburst provoked by the wanton throwing of a bomb at an Arab queue of workmen at the gate from a passing Jewish taxi. Oil that is due to be locally refined cannot be exported crude in a flash. The world is short of refineries. By an admirable feat of organisation of the storage tanks, pumping was able to continue uninterrupted, and the refinery is now back at work. But longer interruptions threaten daily. Since the Jewish community is far more dependent upon oil than the Arab, the likely perpetrators are Arabs. The outlook when the British troops go is black.

Problem of Haifa

But is it black for more than the Haifa branch of the Iraq Petroleum Company's pipe? Cannot companies that are planning lines to terminals outside Palestine continue to plan? Undoubtedly the prospects for the Haifa fork are the blackest. Haifa is in the projected Jewish state. The Arab states through which the pipe to it passes—Arab Palestine, Transjordan, Iraq—are not going to sit by while oil courses through to feed the Zionists. The IPC took a decision that was sound enough economically when it decided to use its first post-war allocation of steel pipe and dollars to double the Haifa branch of the fork. (By this operation, which is approaching completion, the Haifa refinery was to handle 3,000,000 tons of crude oil from Iraq by late 1949 and 6,500,000 tons by mid-1950.) Politically, it would have done better to double the Tripoli fork while awaiting Palestinian developments.

For though Haifa is virtually bound to be inoperable so long as the Jew-Arab fight continues, there is no comparable Arab reason for damaging the other fork. This, through a small refinery at its terminal, furnishes Syria and the Lebanon with the bulk of their day-to-day requirements. It also pays port dues and an ex gratia payment into the Lebanon's all but empty coffers. It pays Iraq to the tune of 4 shillings gold per ton pumped. It is 120 miles away from the Palestinian frontier. It is in danger chiefly from gangs who dub all oil installations as "American" and therefore pro-Zionist. Provided that no Arab government along the route is in a similar mood, preferring vengeance to royalties, there is no reason why it should be subject to interruptions of more than a matter of hours.

One conclusion that has already been drawn by the other companies planning pipes to the Mediterranean is that Palestinian terminals are out of the question. Other conclusions are now being framed. A first is that, since the ill-will of one state can baulk a whole pipe, prudent companies should choose lines that cross a minimum of frontiers. A second is that the prospects of security outside Palestine depend on more thoughtful American handling of that problem than has hitherto been displayed.

The Foreign Office is to be congratulated on preparing and publishing a report of 57 pages [Cmd. 7320] on the stormy second session of the General Assembly of Uno, which lasted from September 16th to November 29th last year. It records the evidence of an unbridgeable division between the Soviet bloc and the Western Powers, the open breakdown of the hypothesis of unity between the leading Powers on which the whole theory and practice of the United Nations was to have been based. The speech made by Mr McNeil on September 22nd, following the provocative tirade of Mr Vishinsky four days before, marks the turning point in British policy which Mr Bevin defined more clearly in the foreign affairs debate a month ago. The Greek Assembly, the decision to partition Palestine all come within the scope of the paper, but disarmament, control of atomic energy and the creation of Uno forces were not discussed.

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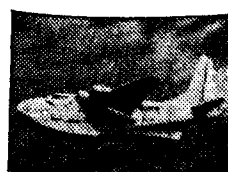


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THE BUSINESS WORLD

The Argentine Agreement

THE trade and financial agreement with Argentina was formally concluded by an exchange of notes this week. It is a complex arrangement which involves a complete re-casting of the payments machinery between Britain and Argentina; on the commercial side, it conforms to the new pattern of semi-barter agreements, though it inevitably fails by far to reach that bilateral equilibrium which is so desired by our present-day commercial negotiators. In order to get the new agreement in proper focus it may be well to step back a little and look at it from an historical viewpoint. Before the war, Britain bought a good deal more from Argentina than it exported to that country, but the balance was largely made good by various invisible items, the most important being interest on capital invested by Britain in Argentina. During the war the traditional disequilibrium in the merchandise trade between the two countries was considerably accentuated, and as a result Argentina built up substantial accumulations of sterling.

The agreement of September, 1946, was negotiated to deal with these accumulations and to arrange the future mechanism of current trade payments between the two countries. The Argentine balance was struck as at September 17, 1946, and the amount of £130 million was blocked, receiving interest at $\frac{1}{2}$ per cent, and to be released at the rate of £5,000,000 per annum. These balances, which had the protection of a gold guarantee, were also available to finance the purchase by Argentina of British-owned assets. The 1946 agreement provided that currently earned sterling held on Argentine account was to be fully convertible. It also provided for an extension of the meat contract and sketched the main outlines of the purchase of the British-owned railways.

The suspension of convertibility of sterling last August involved a fundamental and unilateral change in this agreement. It affected the convertibility both of Argentina's currently earned sterling and of the prospective releases of £5,000,000 per annum from the accumulated sterling balances. The world-wide events of which the suspension of sterling convertibility was a part also had their inevitable direct effects on Argentina. That country had suffered considerable pressure on its gold and dollar reserve, and for that reason felt increasing reluctance to use its accumulated sterling, which carries a gold guarantee, in order to finance the railway purchase. As matters stood, that sterling had become an essential part of the statutory reserve for the Argentine note circulation. The new agreement which had to be negotiated was, therefore, concerned with the new commercial contracts, with the machinery for financing current payments between the two countries and finally with the completion of the railway deal.

On the commercial side, the agreement which takes effect from the date of signature this week and covers the period until March 31, 1949, provides for the purchase by the United Kingdom from Argentina of essential foods and animal feeding stuffs valued at £110 million. Of this, £100 million is represented by the price of supplies to be bought in the period, while the remaining £10 million is an *ex gratia* retrospective payment by the United Kingdom. In addition to these contracts, which are being handled by the Ministry of Food, a

programme of additional imports from Argentina has been arranged to a total of about £20 million for the period.

There are two interesting points on the food side of the agreement. Under previous contracts, Britain purchased supplies for other European countries; the new contract relates only to the United Kingdom and dependent areas. Secondly, wheat has not been included. After Britain's recent purchase of 80 million bushels of Australian wheat, there is possibly no urgent need to buy additional supplies before the summer. By then more definite information may be available about the Marshall Plan. The main items covered by the new contract are 500,000 tons of meat, over 1,200,000 tons of coarse grain, consisting almost entirely of maize, 100,000 tons of oilcake and some linseed oil, believed to be about 20,000 tons. In addition, quantities of wheat offals, tallow, edible beef and mutton tallow and lard have also been purchased. The new quantities are similar to those purchased in 1947, so that the new agreement is unlikely to affect British rations, although the weekly two-pennyworth of corned beef may be reintroduced. No details have been published of the new contract prices or of the cost of individual items. But the meat purchases will probably account for £45 million, maize for about £42 million and linseed oil for a little over £3,000,000.

If this division is correct, the new contract price for meat shows no increase over the previous one (ignoring the £10 million retrospective payments), while the price of maize has been raised to about £35 a ton, compared with the current Chicago price of around £22 a ton. This is indeed a sharp increase and the inference to be drawn is that the higher prices asked by Argentina have been wholly shifted on to maize, to prevent a general rise in the contract prices of meat from other sources.

Over the period of thirteen months covered by the agreement, therefore, the United Kingdom will have to make payments of approximately £130 million to Argentina in respect of current transactions. On the other hand, a long and detailed programme has been drawn up of exports from the United Kingdom to Argentina. The British Government has agreed to facilitate the supply of certain essential commodities, including 1,000,000 tons of coal and 2,000,000 tons of petroleum products valued at £25 million. The Argentine Government has in turn agreed to grant licences to the value of £10 million for the import of certain non-essential consumer goods from the United Kingdom including rayon goods and motor cars. In addition, exports of capital goods valued at £10-15 million from the United Kingdom are being arranged bringing the prospective total of British exports to between £45 and £50 million. Including remittances from Argentina to the United Kingdom on "invisible" account, it is estimated that Argentina will have to find about £60 million sterling for current payments during the period of the agreement. On balance, therefore, the current account will involve a net payment of about £70 million from the United Kingdom to Argentina—apart from the capital item of £150 million which Argentina has to remit to Britain this month in payment for the British-owned railways.

For the finance of these diverse transactions, Argentina has

in hand at the moment £117 million in the blocked "A" account at the Bank of England, which is protected by a gold guarantee, and a further £35 million representing current accruals of sterling under the 1946 agreement and held in the "B" account at the Bank of England. For reasons already explained, Argentina does not wish to exhaust its accumulated sterling as it would have to do if the balance in the "A" and "B" accounts were used to finance the railway deal. A way around this difficulty has been found by an arrangement under which the Ministry of Food is to make an immediate pre-payment of the £110 million which is due on the whole of the food contracts up to the end of March, 1949. This sum is to be credited immediately to the "B" account, and will raise the balance on that account to £145 million. The remaining £5 million needed to make up the required £150 million for the railway purchase will be provided by a draft on the balance in the "A" account which will thus be reduced to £112 million. The sterling in this "A" account will then be the only resources immediately available to Argentina to meet current payments due to Britain. These payments will amount to £40 million over the period of the agreement—namely, £60 million due for visible and invisible imports, less £20 million exports to Britain for which pre-payment is not being made. To enable Argentina to make these current payments, it has been necessary to unblock the balance in the "A" account. This balance is, in fact, being made available to meet current payments in any part of the sterling area. The net payment of £40 million due to the United Kingdom will reduce the balance in this account to about £72 million by the end of March, 1949; but in fact, the draft on the balances may be greater since Argentina will have the right to finance purchases from other sterling area countries by drawing on these resources.

The sterling remaining in "A" account will continue to enjoy the benefit of the gold guarantee which, it should be emphasised, is not a guarantee to pay in gold but to adjust the sterling balances to allow for any revaluation of sterling in terms of gold. The Argentine negotiators succeeded in extracting a similar guarantee for any sterling which they might accumulate at a later date in the "B" account. This is not an eventuality which is likely to affect either country during the next 13 months, since over this period Argentina will have no net current sterling earnings. Looking beyond the period of the present agreement, however, it is evident that the precedent which has now been set in granting Argentina an exchange guarantee on currently earned sterling may acquire

considerable significance. This is the first occasion on which such a guarantee has been given, for the only other essays in this direction are the strictly bilateral guarantees given to Belgium and Sweden, which operate only if sterling depreciates in terms of the other currency concerned. The guarantee to Argentina operates without qualification if sterling depreciates in terms of gold, irrespective of anything that may happen to the sterling-peso rate of exchange. The agreement also involves the grant to the United Kingdom of an informal preference by the Argentine Government, which has undertaken that its departments will, other things being equal, give preference to British firms when placing contracts abroad.

What emerges from this complex of commercial and financial arrangements? The basic fact remains that Britain is throwing in one of its last remaining assets in Argentina in order to maintain a level of current imports far higher than could be financed out of current income. Contrary to first impressions, the £150 million capital transaction will not be engulfed in one fell swoop by a single year's deficit on current account; the full details of the agreement show that it represents about two years deficit at the 1948 rate. But whether it will do duty for another 12 months beyond the period of the present agreement depends on whether the Argentine authorities are prepared once again to build up their sterling balances to somewhere near the £152 million at which they stand today. That, even with the help of the gold guarantee, is a doubtful prospect.

As regards the financial arrangements, the most important feature of the new agreement is the freeing of the whole of the sterling accumulated by Argentina during the war and now held in "A" account. This gesture is not calculated to help negotiations with other countries whose accumulated balances Britain may wish to immobilise. Nor is the freeing of Argentina's accumulated balances a formal gesture. This sterling, as already noted, will be available to finance Argentine purchases in sterling area countries other than the United Kingdom. If, at the same time, Argentina persists in its present policy of demanding dollar payments for exports of cereals and other essential materials to sterling area countries such as India, the sterling area's use of the remaining dollar reserves will be correspondingly increased. At the same time, if Argentina succeeds in obtaining greater supplies of essential imports from sterling countries—for example, jute from India—these accumulated balances may in fact run away rapidly, in spite of all the arguments which the Argentine authorities have just used about their indispensability as currency reserve.

Economics in Fleet Street

STEEP increases in newsprint prices have recently caused much calculation in Fleet Street about its economic problems—its future profits or losses and the readjustments which may have to be made at the next turn of the screw of rising costs. In most newspaper offices, the balance between profit and loss has now become extremely precarious, for the various economies by which the newspapers have cushioned repeated shocks since 1939 are almost exhausted. And now *pro forma* accounts are being drawn up in an attempt to answer two questions—What will happen when the next increase in newsprint prices occurs? How can the cost of larger papers be shouldered, in the more distant future, if and when the Government agrees to a larger dollar expenditure on newsprint imports? Already the full-size dailies are said to be toying with the idea of half-size or "tabloid" issues, or of raising their price.

Unfortunately for the economist or investor, competition between the various papers is so fierce that their internal finances are shrouded in the utmost secrecy and it is extremely difficult

to arrive at any reliable estimate of changes in revenue and expenditure. The Daily Express, with a gesture of urbane open-handedness, has from time to time published figures ostensibly designed to enlighten its readers about its financial position (one set of such figures was published a few weeks ago); naturally enough, however, the figures stop short of revealing any vital information to competitors, and they have, therefore, only limited value as an illustration of the trends of newspaper finance over the past ten years.

Table I sets out in rough outline the analysis of costs provided by the Daily Express in 1937 and 1947. In 1937, newsprint cost £10 a ton; even so, paper and ink accounted for 27 per cent of the expenditure of the undertaking. As a result of the most recent increase in January, the cost of newsprint is now £43 a ton. Such a huge increase has been absorbed only because of the reduction in the size of the newspapers from about twenty pages to four. When allowance is made for the increases in circulation shown in Table II, most papers must

The price of newsprint to British papers charged by the Newsprint Supply Company Limited is calculated by weighting the average of the prices of imported supplies and home produced newsprint. At the present prices of £32 per ton for Canadian newsprint and over £48 for home supplies, the average cost is £43 a ton. Before the recent increases, the

	1937			1946-47	
	£'000s	Per Cent		£'000s	Per Cent
Paper and ink	1,375	27	Paper and ink	1,582	26
Production (wages of mechanical workers)...	700	14	Staff wages and salaries	2,674	44
Editorial (including col- lection of news).....	600	12	Home and foreign news and news services...	237	5
Distribution (two-thirds to railways)	650	13	Carriage and distribu- tion	475	8
Canvassing and publicity (including £100,000 for readers insurance)....	500	10	Promotion and publicity	56	1
Miscellaneous	1,200	24	Marcellaneous	961	16
	5,025	100		6,045	(100)

	Pre-war	Average of Last Six Months of 1947
<i>Dailies :—</i>		
"Daily Express"	2,329,000	3,860,000
"Daily Mail"	1,589,000	2,078,000
"Daily Herald"	over 2,000,000	2,131,000
"News Chronicle"	1,324,000	1,625,000
"Daily Mirror"	1,557,000	3,706,000
"The Times"	192,000	242,000
"Daily Telegraph"	637,000	915,000
<i>Sundays :—</i>		
"News of the World"	over 3,000,000	7,891,000
"The People"	2,400,000	4,671,000
"Sunday Express"	927,000	2,355,000
"Sunday Dispatch"	1,197,000	2,065,000
"Reynolds News"	420,000	717,000
"Observer"	201,000	335,000

The present policy of the newspapers on advertising and the alternatives before them will be discussed in greater detail in a second article. Meanwhile the trends revealed in the other main items in the Daily Express statement of expenditure call for examination. The first main head of expenditure is production. Wages of workers engaged on the mechanical processes of newspaper production have risen since 1939 by about 25 per cent for the highest paid workers and by about 37½ per cent for the lowest. These increase in rates of pay have, however, been greatly offset by a reduction in the numbers of workers employed: the reductions have not been proportional to the decrease in the size of newspapers, but they have nevertheless

"Daily Mail" Group—"Rothermere")—
 "Daily Mail," "Evening News,"
 "Sunday Dispatch," 10 Provincial
 Evening.

Kemsley Newspapers—
 "Daily Graphic," "Sunday Times,"
 "Sunday Graphic," 7 Provincial
 Morning, 9 Provincial Evening,
 4 Provincial Sunday.

Express Group—"Beaverbrook")—
 "Daily Express," "Evening Standard,"
 "Sunday Express," 1 Provincial
 Evening.

Odhams Press—
 "Daily Herald," "Sporting Life,"
 "People."

"Daily Mirror" and "Sunday Pictorial"
 Newspapers—
 "Daily Mirror," "Sunday Pictorial."

"Daily News" ("Cadbury")
 "News-Chronicle," "The Star."

Westminster Press—
 4 Provincial Morning, 9 Provincial
 Evening, 1 Provincial Sunday.

Provincial Newspapers—
 4 Provincial Evening.

Independent Papers—
 "The Times," "Daily Telegraph,"
 "Financial Times," "Morning Ad-
 vertiser," "Daily Worker," "Ob-
 server," "News of the World,"
 "Reynolds News."

* London newspapers, each of which has no connection with any other newspaper; "Reynolds News" is the property of the Co-operative Press Ltd. which issues all publications of the Co-operative movement.

The story is very different in the case of the Editorial Departments. Nearly as much news has to be gathered in for a four page paper as for a twenty page one, while the problem of sifting and editing it is much greater. Roughly the same number of correspondents have to be kept all over the world.

Distribution costs—in which railway charges are the major factor—have moved comparably with the curve of costs in the production departments; the reduction in the size (and therefore in the weight) of the newspapers at first brought a sharp fall in railway freight charges. As railway charges rose, these economies diminished, though by the end of the war savings on freight were still very large. But since 1945, railway costs have increased really rapidly, and now the distribution costs for a four-page paper with a normal increase in circulation have increased to about 70 or 80 per cent of their prewar figure, and the earlier savings have been sharply reduced.

Business Notes

The stock market barometer, in these days, is a very poor guide to the economic health of the nation. The Chancellor's speech in the debate on personal incomes last week, though it disappointed almost every thoughtful observer, yet brought a little reassurance to the Stock Exchange, and demonstrated once again that political factors—this time in the shape of fears of a new drive against profits—loom at least as large in the minds of investors as the menace of the economic situation itself. By contrast with the visions of strong measures which had been conjured up, the half-baked proposals for voluntary action looked almost innocuous. So, at least, it seemed on the morrow of the speech, when the equity markets staged a perceptible rally and brought to a halt the movement which had knocked some 8 per cent off industrial values in as many days. It was not to be expected, however, that these gains would be held. Although American grain prices recovered sharply and Wall Street looked steadier—thus calming the more melodramatic of the fears which the earlier collapse had aroused—the week's pause in Throgmorton Street has been a very uneasy one. The heavy selling ceased, and gave scope for a technical recovery in extremely thin markets, but already prices have started to fall away afresh and a resumption of pressure would cause no surprise.

Second thoughts on the prices-profits "plan" have indeed shown that any relief may be short-lived. It ought to have been apparent from the outset, as has been confirmed by the TUC statement this week, that the price of wage stabilisation will not be profit stabilisation, but profit or dividend reduction. If that cannot be achieved by voluntary action—and the Government's hopes of that are quite unrealistic—pressure from the unions will surely enforce a new initiative from the Government. In this context, it should be observed that the market has certainly read too much into Mr Attlee's statement, at the close of the same debate, about dividend restriction. He did not say that there could be no dividend limitation, but simply that a flat limit on dividend percentages was impracticable, which is too trite an observation to have any significance. The significant pointers (which the market seemed to miss) were the implication that the Prime Minister is concerned to achieve a *reduction* in dividends and the plain evidence, in the Chancellor's sequence of argument, that attention is being directed to undistributed as well as distributed profits.

In the circumstances, the market is perhaps justified in putting political factors in the forefront of its fears, yet it is proving a

From this brief account it is clear that the large economies made by the newspaper companies during the war years have gradually been eaten up by the rising spiral of costs since the war ended, and of these the rise in newsprint prices is the most spectacular. The pressure which higher costs exerts on any particular paper varies according to size of its two main safety valves—circulation and advertisement revenue. The size of circulation has a direct bearing both on sales revenue—the penny paid by the public—and on the rates chargeable for advertisements. On both these counts, as Table II shows, the Express, the Mail and the Mirror are relatively well off. And while they can keep the present pace, their competitors must, willy-nilly, run the same course. The present position on sales and advertisement revenue will be the theme of a second article.

poor judge of the way events are moving. The alternatives seem to be either a stop-gap voluntary plan (which might appease the unions and please the Government for a time, but would certainly not be workable) or a much more determined anti-inflationary budget, with dividends and/or profits demonstrably shouldering at least their share of the burden. The only other alternative would be for the Government to resign itself to a continuing and even rising inflationary pressure which it at last seems determined to avoid. Between now and the Budget, the only consolation which is in sight for the markets is the imminence of the Argentine rail payout, which (in the absence of further shocks) might help to check the seepage in values which is the normal consequence of sustained uncertainty.

As a result of the signing of the Andes Agreement, the Argentine railway companies are expecting the full payment for their properties to be made by the end of this month. But the actual disbursement of the cash among the various classes of stockholders will be a lengthy process. It will begin by the payment of arrears of interest on the debenture capital for the three months ending September 30, 1947, after which the books of the companies will be closed as a preparatory step for the repayment of the debenture stocks. It is thought that these repayments will not be completed much before the beginning of May, especially by the largest companies, such as Central Argentine, whose debenture holders number over 22,000. The clerical and legal work involved in this operation will be a formidable task for the London staffs of the companies.

Once having paid off the debentures, it will be necessary for the companies to arrange for compensation for their staffs and then to proceed with liquidation. This can be done only with the approval of shareholders' meetings, for which the statutory three weeks' notice is required, although this period can run concurrently with the debenture repayment. The preference and ordinary stockholders will then receive a payment of the major portion of the money assigned to them under the payments scheme, but not necessarily the amount fixed in that arrangement, for the last word will be with the liquidators, who have to take into account future expenses. But while the interim payment may well be less than the agreed sum, it will be followed by a final payment to both preference and ordinary stockholders who are entitled to share equally in the residual assets.

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The total payments are not likely to be less than the amounts set down in the scheme, for the gross allocations to the companies are expected to be more than sufficient to meet them, after allowing for staff compensation, the expenses of winding up and the disbursement of funds, and the final costs to be met in the Argentine itself where litigation and miscellaneous claims have to be settled. As it is estimated that the interim disbursements are not likely to be completed much in advance of the end of June, stockholders will probably not receive their final payments for perhaps another six months. Thus the investment of the purchase money is unlikely to make an immediate impact on the Stock Exchange, but should be gradually absorbed over a period of several months.

Mr Strauss and the Motor Industry

Critics of the British motor industry have long held that it needs to concentrate its quantity production on fewer types of car if it is to expand its sales overseas. At first glance Mr Strauss's latest intervention in the affairs of the industry in his speech at Birmingham on Tuesday might seem to be serving this purpose. Mr Strauss indicated that the six big manufacturers, which account for 90 per cent of British car production, could depend on the maintenance of their steel allocations, but he spoke of the possibility of withdrawing supplies from the smaller firms which were not reaching their export quotas. Firms which failed to export 75 per cent "or an agreed proportion" of their output within six months or so would have to turn to other light engineering work.

What would be the consequences for the motor industry if this threat were carried out? It would reduce the number of financial groups producing motor vehicles; but would that by itself solve any problems? The six large groups last year produced 29 out of the 51 types of car being made in Britain; and it is among the 29 rather than among the other 22 that concentration on fewer types would yield results in cheaper production. The small firms represent (measured in quantity of production) only 10 per cent of the industry. Among them are a few which can make no particular claim to technical distinction or originality in design; they would not be greatly missed. But among them, too, are makers of distinctive good-quality cars, whose technical record

is excellent and who have in many ways acted as a stimulus to inventiveness in the past. Their sales are small, but the demand they meet is specific and reasonably permanent; they can hold their own as well in a buyers' as in a sellers' market. They have served the prestige of the British industry better, on the whole, than have the "cheap" quantity producers. Their disappearance from the field would not release large quantities of materials to the mass producers. It would, however, reduce still further a competitive stimulus which in this particular industry has been for many years too low.

Mr Strauss acknowledged that the export difficulties of the smaller firms were not, in general, their fault. Clearly they cannot add elaborate foreign sales and service organisations to their overheads—especially at a few months' notice. Have the possibilities of a joint organisation been fully considered? Had Mr Strauss explored what he could do by initiative and leadership before he engaged in this policy of stimulation by thwacks from behind? The industry could do a good deal by a common effort of self-help to improve its competitive position. But a threat of extinction (or, at any rate, elimination from the motor industry) to those who fail to reach an arbitrary export target within a brief time-limit hardly seems the way to evoke joint effort.

Mining Production and Manpower

Since the five-day week was introduced in the mines, the question of extra work to provide the coal production that is urgently needed has never been satisfactorily settled. The present agreement expires on April 30th, and discussions have begun between the National Union of Mineworkers and the Coal Board to decide what is to happen then. In the past month or two, largely owing to the competing attractions of football, work in the mines on Saturdays has been falling and an attempt to devise a longer working week which the miners are prepared to support has become overdue.

Coal output in the first six weeks of this year averaged 4,104,000 tons a week—47,000 tons more than the weekly average required throughout the year to attain the target of 211 million tons. The weekly average over the corresponding period last

year was 3,792,600 tons. But, even if industrial disputes are avoided, holidays and other causes can be expected to affect output adversely in the summer. The present slender surplus is hardly enough to offset those factors.

Hopes of reaching the Government's 1948 manpower target of 750,000 miners do not look good. To replace an annual wastage of about 70,000, it will be necessary to recruit some 102,000 men—2,000 a week. Figures published by the Ministry of Fuel, and a manpower report by Mr James Bowman, vice-president of the National Union of Mineworkers, show that the chances of recruiting British labour on this scale are slender. It is true that manpower has been increasing, and the net addition of 1,300 in the past fortnight has brought the latest figure to 721,000, which is nearly 25,000 more than this time last year. Wastage is slightly less than a year ago, and as more young men come into the industry the loss from sickness and retirement should diminish. But it is disturbing to note that of 22,090 men recruited in the 13 weeks to the end of January only 2,000 were boys under 18, compared with the 3,850 juvenile recruits in the same period of 1946-47. Older men and foreign workers do not relieve the necessity of recruiting a sufficient number of juveniles. Mr Bowman estimates that at least 25,000 boys under 18 will be needed during the year.

It is also estimated that by the end of the year 30,000 European Volunteer Workers and Poles will have joined the industry, together with 3,000 Irish workers. So far, 4,537 EVWs and 6,414 Poles have been recruited, but only 1,147 EVWs have been placed. It will clearly take time before foreign workers can become fully trained and absorbed as productive workers in the pits. In the meantime, the proportion of face workers to the total labour force is still disagreeably low. As the Production Members of the Coal Board have repeatedly stressed, the industry will never become fully efficient until the balance between productive and non-productive labour has been adjusted.

Germany's Central Bank

The British and American military governors in Germany have signed a charter for a new German central bank. Its immediate task will be to serve the needs of the Anglo-American zone, but its constitution has the required elasticity to make it a possible central bank for a new unified Germany—if such a Germany ever emerges again. The new bank is to be known as the Länder-Union Bank. It is to be patterned closely on the Federal Reserve system in the United States, and will give expression in terms of credit and monetary policy to the principles of federalism on which the future political organisation of Germany is apparently to be built. That federalisation of the German banking system has been under way for some time. The Americans established no less than three Land banks in their zone, one for each Land, and a few months ago the British authorities followed suit and scrapped the highly centralised relics of the Reichsbank organisation which they adapted—with some deference to Bank of England practices—after occupation of their zone. The French have virtually made the banking offices in their zones branches of the Banque de France, and it would need rather more fundamental amendment to bring them within the orbit of the new federal system. The Russians, however, have wiped out the vestiges of the Reichsbank and of the old commercial banks, together with their old deposits, and have set up a single bank for each Land in their zone. Technically, therefore, the banking system in this zone could easily be brought within the framework of the new federal system.

The new Länder-Union Bank will be more akin to the Board of Governors of the Federal Reserve System in Washington than to a central bank as such. The actual central banking operations will be done for each Land by its respective Land bank. The LUB will be given some control over the policies of these Länder banks, and will have direct operational and executive powers in such matters as exchange control, the issue of currency and the determination of reserve regulations, where the principles of regionalism will necessarily have to yield to some measure of homogeneity and centralised control.

The setting of this new coping stone on the federal reorganisation of German banking may be regarded as the first step towards currency reform. This move is an absolute essential to economic rehabilitation. There is still complete artificiality in the structure of German prices, wages and costs. Export trade is still shackled by a schedule of fixed prices that has lost all touch with reality. Such foreign trade as can overcome this obstacle is either the crudest form of barter or transactions which from start to finish are under the control of the official Export and Import Agency. Upon the introduction of the new currency

the real dearth of capital in Germany will make itself fully felt. A famine of working capital will become just as apparent as it did after the inflation of 1919-1923. The new central banking organisation will then have to show its mettle in satisfying the essential and crying needs for additional credit without compromising the stability of the new currency.

Electricity Stock Valuations

Now that the vesting date under the Electricity Act, 1947, has been officially fixed for April 1st, the absence of fixed compensation prices for the majority of electricity stocks becomes more of an anomaly than ever, and contrasts strangely with the simple announcements of the "take-over" prices for the bulk of the transport and gas stocks. True, the Act itself provides two alternative bases for calculating what the compensation price might be. Under Section 20 (2) compensation prices will be equal either to the mean of the quotations for the individual securities on the first, fourth, fifth, sixth, seventh and eighth of November, 1946, or where this mean is less than that of prices on the alternative dates—February 15th, March 15th, April 16th, May 15th, June 16th and July 16th, 1945—the average for those alternative dates will be taken. But subsections 20 (6) and (7) leave a provision for stockholders' repre-

ELECTRICITY STOCKS VALUATIONS			
Company	Value Laid Down in Section 20 (2) of Act per £1 Stock	Negotiated Value per £1 Stock	Latest Price
	s. d.	s. d.	s. d.
Scottish Power—			
6% cumulative preference.....	31 4	31 4	30 0
Ordinary	46 2	46 2	44 0
Northmet Power—			
6% cumulative preference.....	31 7	31 7	30 6
Ordinary	48 2	48 2	46 0
Metropolitan—			
4½% cumulative preference	24 6	24 6	23 0
Ordinary	48 0	48 0	46 0
	per £100 stock s. d.	per £100 stock s. d.	per £100 stock s. d.
London Power—			
5% redeemable debenture.....	104 8 4	104 8 4	100 0 0
3½% redeemable debenture 1952-72..	103 0 0	103 0 0	98 10 0
Midland Counties—			
3½% debenture 1952-62.....	102 13 4	102 13 4	97 10 0

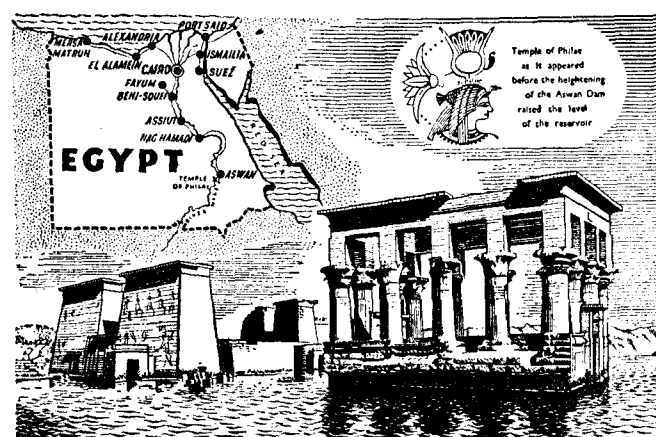
sentatives to negotiate with the Minister of Fuel and Power in the case of questions arising from the Stock Exchange basis for compensation; failing agreement, questions will be resolved by arbitration. These methods, moreover, do not apply in the case of holding companies.

Already several companies have disclosed the results of negotiations with the Minister, and the take-over prices which have been agreed form a nucleus of a composite list. Those announced to date are given in the accompanying table; in no instance do the negotiated prices differ from those calculated from the dates laid down in the Act.

As the vesting date approaches, the movement in the price of 3 per cent British Transport Stock 1978-88 is being watched with increasing interest by electricity stockholders. On present indications, and despite official support for Transport Stock, the new Electricity Stock may have to be issued on terms more favourable to stockholders than those which ruled on January 1st. The Act provides that regard must be paid to the market value of Government securities at the vesting date—April 1st—but much, of course, can happen in the gilt-edged market before then.

Bigger Savings

Amid the encircling gloom, one of the few heartening signs recently has been the better performance of National Savings. In each of the past five weeks gross savings have surpassed £20 million, while, more recently, withdrawals have shown a declining tendency and are now running slightly below their 1947 level. Until early January, weekly net savings had on only four occasions reached the target rate of £7 million per week fixed for the current financial year. But since then this rate has been very comfortably exceeded; last week's figure was a little over £11 million, while the average for the past five weeks is only a shade below that figure. As a Note in *The Economist* of January 24th



The beautiful Temple of Philae rises from the waters of the Aswan reservoir for a few months in the summer and autumn. For the rest of the year it lies submerged below the surface—a sacrifice to the vital need for irrigation in the Nile Valley.

To meet this ever-present demand for water the rulers of Egypt, from the earliest kings, tried to harness and control the seasonal rise of the great river. Their efforts met with varying success until the nineteenth century, when modern engineers began the construction of the great system of dams and barrages which now extends from the Delta to the upper reaches of the Nile.

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pointed out, the jump in gross subscriptions in early January arose mainly from non-recurring factors; the better performance recently looks more solidly based—though it is possible that it is to some extent simply the counterpart of the continuing dis-boarding of currency.

Unfortunately, even a continuance of this trend during the remaining seven weeks of the financial year would still leave the year's total hopelessly wide of the target. The cumulative total of net savings for the year to date is £170 million and, if it goes on rising at the current rate, would reach £247 million by the end of next month, or only two-thirds of the target figure of £366 million. Moreover, it needs to be borne in mind that in this current financial year £88 million of 3 per cent Defence Bonds have been repaid at maturity; these repayments, as distinct from the encashments in advance of maturity, are not allowed for in the official figures. In addition, an appreciable part of the year's large disbursements of war damage claims must have reached small savers, and some of those monies might well have been expected to be reinvested. The national emergency which recent ministerial speeches have been impressing upon an ever-widening audience may be making savings propaganda more effective. But it is very plain that the Movement faces an even bigger task of public education next year. Fortunately, there is little risk that the organisers of the Movement will this time deceive themselves, as they did last year, by the apparently good results achieved in the old year. In 1946-47, net savings reached the year's target—a somewhat lower one than this year's—but this result was wholly due to the artificial stimulation given to subscriptions by the successive Daltonian stunts and "last chance" drives. In this year's savings, the amount achieved by such questionable means has been relatively small. Indeed, this year has felt the back-lash of Mr Dalton's stunts: small savers have secured lower interest rates than in 1946-47, and many of them must be aware of the radical change which has occurred in the gilt-edged market. In such conditions the Savings Movement obviously has an uphill task.

Southern Railway Dividend

Whatever the fate of the resolutions to be submitted next month to the annual meeting of the Southern Railway, the final payment to deferred ordinary stockholders will be the highest since the company was incorporated in 1923. The dividend might be as high as £4 7s. 2d. per cent, but it will not be lower than £4 1s. 3d. per cent depending on whether the shareholders decide—as it is fully expected that they will—to grant £60,000 (representing three years' fees at the annual rates formerly granted) to the company's directors for loss of office. As the old home rail stocks were declared ex dividend on December 10th last year, the dividend will be paid to all stockholders who held stock on that date. The previous highest payment was 3½ per cent paid for the years 1923-5.

This satisfactory final return results from the implementation of the Railway Control Agreement which has meant an income of £13,795,388 from rentals for the 1946-47 "final period," making with other revenue a total of £14,986,000 to be disbursed by the company among its various classes of capital for the two years. There is a presumption from the figures that income from road passenger transport investments was markedly increased during 1947, for the 1947 net revenue (including £227,000 receivable under Section 20 of the Transport Act) amounted to £7,802,500 compared with £7,184,536 in 1946, while net revenue received from "excluded undertakings" (mainly road transport) amounted to £963,648 compared with £237,423 for 1946. After providing for interest on prior charges and dividends on preference capital and allowing for the payment to directors, a balance of £1,312,504 has been left for the deferred ordinary capital compared with £878,556 for the previous year when a dividend of £2 15s. 0d. per cent was paid.

The CWS Thinks Again

The banking department of the Co-operative Wholesale Society, it seems, is experiencing something of a recoil from its recent phase of aggressive expansion. Especially in 1946, it will be recalled, the CWS Bank was making strong efforts to attract the banking business of local authorities—in particular, of course, in cases where there was a Labour majority on the Council. Many local authorities were then induced by the offer of high interest allowances on their deposits to transfer their accounts from the clearing banks. For those banks, the maximum allowance of interest on deposit account has since 1945 been fixed at one-half per cent and no interest at all is allowed on current

account balances. But the CWS Bank offered to local authorities 2½ per cent, later reduced to 2 per cent, on deposit account and 1 per cent on current account. Since last year's protests about the unfairness of this kind of competition, the CWS deposit allowance has, it is understood, been reduced to 1½ per cent, but the current-account rate remains at 1 per cent. More recently, some local authorities which have asked the CWS to indicate the terms upon which they would be prepared to conduct their accounts have been told that they would be subject to a charge of commission on all withdrawals, at rates varying from 3d. to 9d. per cent. In some other cases it is suggested that the CWS has actually been quite unresponsive to feelers put out by local authorities about the possibility of the transfer of their business from joint stock banks.

These developments are certainly not unexpected. It was clear that the conduct of these large accounts would involve a great deal of work for the Co-operative Wholesale Society, and it is perhaps questionable whether those responsible for launching the aggressive competitive drive fully realised the volume of work and trouble—and even office space—which the new business would entail. To enable the CWS to handle such accounts efficiently, it would be necessary for it to develop into a normal deposit bank with a large number of fully equipped branches—which could hardly be sustained by business of its traditional type. In some cases the CWS has indeed opened particular branches for the specific purpose of handling newly acquired county council accounts. But even where such arrangements have been made, the CWS "Bank" has to lean heavily upon the joint stock banks, to which it must look for many indispensable banking facilities—notably, of course, the provision of clearing facilities and transmission of cash. The clearing banks, for their part, have always provided such assistance, even though they themselves suffered some loss of business from the transfer of the municipal accounts. The assistance has not, however, been given gratis, and the CWS is now passing the cost on to its own clients.

Even on the new basis, the terms quoted by the CWS compare favourably with those which the joint stock banks are permitted to offer. In the past, the ability of the CWS to offer rates which would be uneconomic to a normal deposit bank has arisen, first, from its reliance upon those banks and, secondly, from the fact that a very high proportion of its deposits are invested in gilt-edged securities. Probably there is no direct connection between its new policy in the matter of charges and last year's slump in the gilt-edged market. But if this painful demonstration of the risks to a bank of holding long-term securities were to lead to a change in the CWS Bank's investment policy, it might find it hard to maintain the very liberal deposit allowances which it has offered in the past. Meanwhile, despite the instances mentioned above, the drift of local authority business to the CWS has not entirely ceased.

Blocked Balances in Germany

British firms who own industrial undertakings in Germany have long been restive under the controls to which their German subsidiaries are still subject. They have accumulated over many years large balances in the German banks, which they would have liked to re-invest; but the property control laws in Germany prevent them from engaging in capital transactions, so that their funds are frozen except for ordinary day-to-day running. Mr Hector McNeil said in the Commons on Monday that the Government had this question "under active consideration." He added that there was a four-Power undertaking on the subject: "So long as there was a possibility of quadripartite agreement on economic matters, His Majesty's Government were unwilling to desert the undertakings which they had made." This wording suggests clearly that Mr McNeil thinks the time has come for a change.

There is indeed little logic about the present position. The property control laws were drawn up before the war ended to protect foreign property in Germany from possible fraud or seizure during the war or during the confusion of German defeat. Dealings in the property were forbidden, and persons holding it were made responsible for its safe custody. Foreign-owned business enterprises, like others which because of their ownership had to be subjected to special controls, were permitted to engage in transactions "ordinarily incidental to the conduct of their business," but not in other transactions. This arrangement was clearly intended to last until the special hazards of wartime disappeared and communication could be restored with the foreign owner. It has, however, persisted longer than anybody expected, and the system of custodianship under Control Commission supervision

has persisted with it. It was not until last summer that foreign owners were permitted to appoint their own managers. They still cannot dispose freely of their bank balances, and have not even been able (except in a few special cases) to buy new buildings or plant to replace war damage. In this they have been at a disadvantage by comparison with the average German owner, who has been able to use his funds for repair, replacement and re-investment. The confused monetary position in Germany has made re-investment difficult for Germans, but not impossible; real estate and industrial plant have from time to time come on the market, and some foreign firms believe they could have made use of opportunities of this sort. Although the British and Americans are the biggest foreign holders of property in Germany, the western European neighbours of Germany have a lively interest in the matter too. Their assets in Bizonia are considerable, and the Dutch at least are likely to raise the question if they get the opportunity at the conference on German affairs which opens in London on Monday.

If the restrictions are relaxed, it will still be doubtful whether anything can usefully be done in the way of re-investment now that reform of the currency is a matter of common talk in Bizonia. Currency reform will no doubt involve a heavy scaling down of bank balances. But it will also bring down the inflated prices of real estate and industrial plant, perhaps to the point at which the reduced balances can buy more than at present.

Higher Price for Ceylon Tea

Ceylon has now provisionally accepted the Ministry of Food's new contract price for tea, which has been raised by 2d. a lb. over last year's price. The Ceylon Government requested an increase of 4d., which would have brought the price more into line with the level ruling at the Colombo auctions. The new contract will include a sliding scale allowance covering changes in direct labour costs, and Britain will also pay the export duty of 7d. a lb. Britain has certainly won the first round, but it has not yet got the tea—the growers have still to offer their tenders. Last year, out of a total of 150 million lb. of tea asked for by the Ministry of Food, less than 100 million lb. was tendered. Most producers preferred to take the risk of selling at the Colombo auctions, and they were certainly rewarded by higher prices.

It is too early to judge what response the new contract is likely to have. The Ceylon Government will encourage the offer of tenders without using compulsion. In the circumstances it may be a sound policy for producers to offer, say, half their output, selling the rest at the auctions. The recent sharp fall in American food prices may be transitory, but it has certainly awakened a sense of realism among agricultural producers that the high level of commodity prices may not continue indefinitely. Moreover, the improved political situation in Indonesia will be an important factor in the recovery of tea production in those islands, although exports may not show any significant expansion before the end of this year.

Ceylon producers are not impressed by the increase of 2d. a lb. which has been offered, and unless they decide that the risk of open-market selling is too great, the amount of tea which they tender is likely to be less than in 1947. But Ceylon now has Dominion status with full control over its own external expenditure, which to some degree limits the Ministry of Food in its offers of price, as unless Ceylon decides to accumulate the extra

sterling earned, its increased demand for British exports could restrict the dollar-earning capacity of the British export drive. The cost of tea could thus be tantamount to a dollar payment. Although the new contract price may not be handsome, it is at least reasonable and offers the producers some security. Had the contract been for three years rather than one, the Ministry would probably get a better response.

Fewer Women in Industry

After the very considerable increase in the numbers of women taking up work during October and November, the sharp decline during December is a disappointment. In all, 49,000 women left their employment during the month, and while there was an increase of 27,000 men, the total numbers in civil employment fell by 22,000. There was an exceptionally high rate of wastage from industry (especially after Christmas) which the Control of Engagement Order had been largely instrumental in checking in earlier months. It is likely that many women who originally responded to the Government's appeals to work in industry found the financial inducements insufficient to offset the domestic difficulties.

The biggest proportionate loss was in distribution, hotels and other consumer services. This trend need cause little dismay, for these trades had recently been swelling, largely under seasonal influences. But the fall in textile recruitment is disturbing. Cotton spinning and weaving lost 500 women, although this was exactly balanced by male recruitment. In the textile group as a whole, employment increased by 400, but there was a loss of 1,800 women. The Ministry was less successful in steering workers to the undermanned "first preference" industries than in the two preceding months, for the net gain was only 1,000, compared with the 12,200 of November. Some 35,000 workers, or 12 per cent of the total placings, were in first preference industries. Only one man was directed under the new scheme, which shows that the fears that powers would be indiscriminately exercised remain unfounded. It remains to be seen whether the provision in the White Paper on personal incomes exempting undermanned industries from the general wages stop will be effective in re-distributing the balance. If not, will the Minister of Labour be forced to apply his powers of direction more extensively?

To a limited degree the decline in manpower from British sources is being offset by recruitment of foreign workers, whose numbers rose by 11,000 during December. By the beginning of the year there were 98,000 foreign workers in Britain under the various postwar schemes, and the rate of placing European Volunteer Workers is now running at 1,000-1,500 a week. Agriculture is the main industry to benefit, for it has received more than half the total number of EVWs. This is desirable, for as the repatriation of German prisoners gathers speed the labour problem on the farms is becoming extremely acute. The problem of absorbing the Poles, however, is still presenting great difficulties owing to practical trade union objections, even where the principle of accepting Poles has been agreed.

Empire Wool Stocks Falling

The buoyancy of the wool market since the end of the war has been reflected in the progressive reduction of Empire wool stocks held by the Joint Organisation. In 1945 it was estimated

that it would take 13 years to dispose of the existing stock of 10½ million bales, but by the beginning of the 1947-48 season the stock had been reduced to only 4,500,000 bales. A further 600,000 bales had been sold up to last December, leaving an end-year stock of 3,916,000 bales. Holdings of South African wool have been reduced by no less than 86 per cent, Australian wool by 60 per cent and New Zealand wool by 47 per cent. The reduction in stocks, moreover, has been concentrated on the better qualities. The Joint Organisation at the beginning of 1948 held only 300,000 bales of combing merino wool free from fault and vegetable matter—or less than 8 per cent of their total stock. The decline in Joint Organisation stocks since July, 1945, is shown in the accompanying table.

In the first half of the current season 601,000 bales of stock wool were sold, 368,000 bales being of Australian origin, 135,000

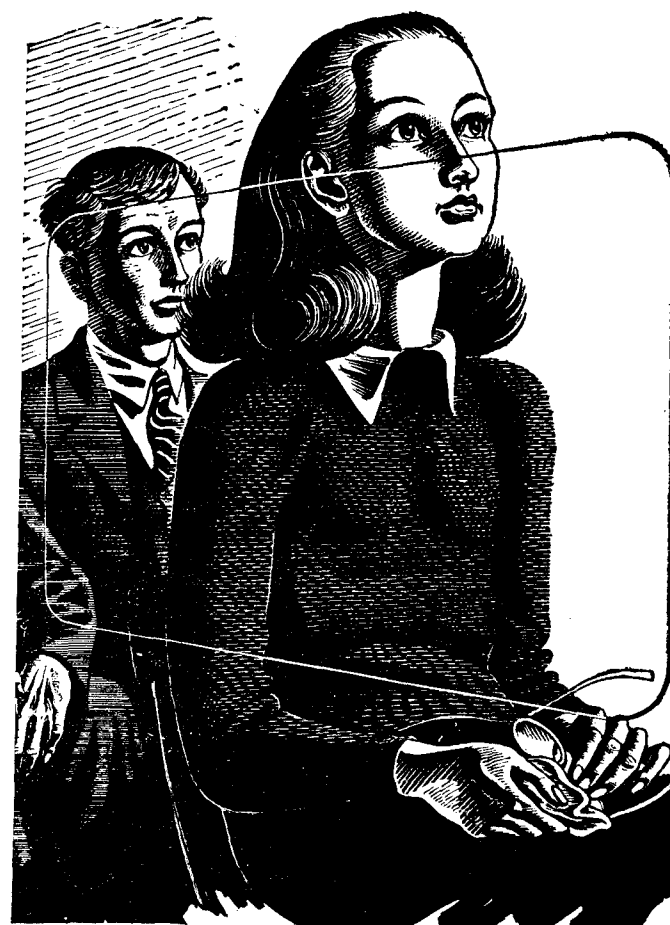
EMPIRE WOOL STOCKS (in thousand bales)				
Stock at :	Australian	New Zealand	South Africa	Total
July 31, 1945	6,796	1,777	1,834	10,407
June 30, 1946	3,789	1,425	572	5,786
June 30, 1947	3,076	1,092	347	4,515
December 31, 1947	2,719	948	249	3,916

bales from New Zealand and 98,000 bales from South Africa. The strength of the market in this period was such that only 12,459 bales failed to reach the reserve price and had to be bought-in by the Joint Organisation. The bulk of this quantity consisted of carbonising types in Australia and karakuls in South Africa. Offerings in the second half of the season have been provisionally fixed at 525,000 bales, and if the rate of buying-in does not increase, total stocks at the end of the season will be reduced to just under 3,500,000 million bales or one-third of the total held at the beginning of the scheme in August, 1945.

Raw Material for Rayon

The search for an inexhaustible supply of the basic raw material of rayon has still a long way to go. Dr Herbert Levinstein, the chemist, in a recent lecture to the Engineers' Club in Manchester, made a number of suggestions of which more may be heard. The obvious sources are oil, coal, and plants. Of these, oil has been gaining on coal as the furnisher of hydrocarbons for industry. Coal has become too dear for the purpose in this country. Oil can be so handled as to give cheap ethylene by-products, though not in unlimited quantity; Dr Levinstein mentioned the Catarole process, to be employed in the new Petrocarbon plant at Partington, near Manchester, as a probable source of cheaper ethylene. He mentioned also the possibilities of extracting furfural from groundnut husks, large quantities of which will be obtained from the African groundnut scheme.

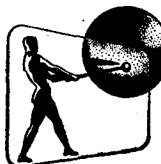
He gave a good deal of attention to straw as a source of cellulose—more suitable for paper-making than for rayon, but a source that is greatly neglected now. Of the 3,500,000 tons of straw grown in this country annually, about 300,000 tons a year were used for paper-making in the last three years of the war. A great deal of the balance was wasted, and he believed that more than 1,250,000 tons could be made available—potentially, 600,000 tons of pulp. There is, however, a re-equipment problem here. During the last two wars straw was pulped by the esparto process in the plant designed to handle esparto grass. This was not a suitable method, and Dr Levinstein attributed to it the bad reputation which straw had acquired in the paper trade. He advocated importing straw-pulping plant at a cost of perhaps £4 million. The cellulose yield of straw and esparto were about the same, he said ; but last year this country wasted many thousands of tons of straw and imported 125,000 tons of esparto grass at a price (£12 a ton or more) at least three times the prewar price. He considered the prospects for methane. The high price of coke oven gas in this country ruled out one important source which is exploited in the United States ; he suggested an alternative in sewage. Regarded simply as a means of disposing of a nuisance, the sewage system of this country is admirable. To the industrial chemist it is a shocking waste : "All the potash and all the phosphates applied to the soil are returned in due course to the sewage works"—and thence run away into the sea. The recovery of fertiliser is a separate field of inquiry. Sewage as a source of methane is already exploited in a limited way ; eight sewage works in this country collect methane from the purification of sewage ; the biggest, Mogden, recovers about 9,500 tons of methane a year. No research would be necessary to apply this method much more widely.



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In 1945 the needs of war directed atomic research into destructive channels. But scientists know that other secrets lie locked in the atom, that the unharnessed power now known to exist could raise human standards of living far beyond our present resources. If the new film should prove a stimulus to even one young future Madame Curie, one future Professor Rutherford, it will have been well worth the making.



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People's Cars From Germany

A production and export plan for the German motor car and industrial vehicle industry in Bizonia has been drawn up for 1948 by the Automobile Industry Association, representing the manufacturers, and the Frankfurt Economic Council. It has been pared down to limits which the Germans think may be reached, though with great difficulty. Total production is estimated at 40,000 cars and the same number of lorries and omnibuses. This compares with a permitted output under the Level of Industry Plan of 160,000 cars and 61,500 industrial vehicles. The chief bottlenecks are in stocks of zinc, brass, steel and bronze and in power supplies.

Production is divided among the manufacturers as follows: "People's cars" (the famous *Volkswagen*), 22,000; Opel "Olympia," 8,000; Mercedes 150 V, 4,500, and 170 V, 1,500; Opel "Captain," 4,000; and Ford "Taunus," 1,000. The export quotas are estimated at 11,000 *Volkswagen*, all the 4,000 Opel "Captain" cars, some of the Opel "Olympia" models, and all the Fords. In addition, some of the cars, notably about 3,000 *Volkswagen*, will be sold to the occupation authorities and various missions in Germany. The total proceeds from exports in 1948 are expected to be \$30 million.

Particular hopes are placed on the *Volkswagen*, probably still the most modern small car made. It is sold abroad at \$750, or to the occupation authorities for £160. (Since Bizonia is practically a dollar area, the British may no longer buy the car for their personal enjoyment.) Recently the 20,000th car to be manufactured at the Wolfsburg works since the war left the lines, with a ceremony at which the British controller announced that the plant would in future be an entirely German undertaking, not liable to dismantling.

The present capacity of the works would allow an output of 2,500 cars a month if one shift were worked, or double if there were two shifts. The present low output of about 1,000 cars a month is due mainly to lack of materials. There are hopes that a great spur will result from use of the export bonus of 5 per cent of the dollar proceeds which is intended for purchases of raw materials and incentive goods for the workers. However, the British authorities do not share the view that 11,000 *Volkswagen* will be exported in 1948; their estimate is only 4,000. The present internal selling price of 5,000 marks covers the cost of production and allows for reserves; but the manufacturers are prepared to cut the price once competition in the German industry starts again, with currency reform and abolition of the price stop. It is significant that responsible Germans see no need to write off the advance payments for the *Volkswagen* which Ley secured from the population.

Duty on Light Oils

The pre-Budget campaigning season is getting under way. Two committees have entered the field against the duty of 9d. a gallon on light hydrocarbon oils used for industrial purposes, and have put a respectable case to the Treasury. Their purpose is to get the duty repealed on oils used for purposes other than transport. One committee represents the various industrial users of light oils, such as white spirit and turpentine, which are used in the manufacture of rubber, paint, polishes and printing ink and in extracting vegetable oils from seeds and grease from bones. Motor spirit too has many uses beyond transport—on farms, in workshops and in the bench-testing of petrol engines. The committee claims that the duty represents a tax on an essential material of industry. It raises British costs, while most overseas countries have a system of tax rebates to industrial users. The Federation of British Industries has supported the campaign. Another sufferer from the tax, the aircraft industry, has also set up a committee. More than 70 per cent of the civilian consumption of aviation spirit within the country is used by aircraft and aero-engine constructors, mostly for bench testing and trial flights.

Piecemeal legislation has made the system of oil duties anomalous and confusing. The original duty in 1928 was imposed on all oils for the benefit of the Road Fund. Since Chancellors have tended to raid the Fund for other purposes, the duty is now often regarded as an ordinary indirect tax. There was, however, a protective element, since hydrocarbon oils derived from home sources such as coal were exempted. First to be freed from duty, in April, 1945, were hydrocarbons used as raw materials for chemical synthesis, since it was recognised that chemicals in turn formed the basic raw materials of many new industries. In October, 1946, in order to encourage conversion from coal to oil, the heavy oils were exempted from duty when not used on the roads. The users of light oils are asking for the same principle to be extended to them. To help farmers, duty on kerosene, including vaporising oil, was abolished last year. All oils or articles containing oils have been made free of the duty if they are exported. Finally, neither fishing-boats nor refineries pay duty on the spirit they use. Enough exceptions are already in force to make nonsense of the defence of impracticability.

What is the case for the retention of the tax on oil used industrially? It is estimated to provide £5,100,000 a year, but there are probably less harmful ways of raising the money. No home industry needs this particular protection. Certainly there may be doubts about reducing the price of any commodity that costs dollars. But restriction of oil consumption depends in any case on the controls. The whole question of oil taxation might well be reviewed. Anomalies which allow a gas turbine or jet-propelled aircraft to be tested without incurring any tax, while a propeller aircraft has to pay, or which protect tractors using vaporising oil at the expense of petrol-driven tractors, are hard to justify.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Leyland Motors; International Combustion; Ilford, Limited; Inveresk Paper.

Prices, Year 1948 (Jan. 1 to Feb. 18)		Name of Security	Price, Feb. 11, 1948	Price, Feb. 18, 1948	Net Yield, Feb. 18, 1948 (n)	Gross Yield, Feb. 18, 1948	Prices, Year 1948 (Jan. 1 to Feb. 18)		Name of Security	Price, Feb. 11, 1948	Price, Feb. 18, 1948	Yield, Feb. 18, 1948
High	Low						High	Low				
British Funds												
101½	101	War Bonds 2½% Aug. 1, 1949-51	101½	101½	5 s. d.	1 10 9	103½	101½	Australia 3½% 1965-69	102½	103½	5 s. d.
100½	100½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 7 8	1 10 9	94	92½	Birmingham 2½% 1966-71	93	93	2 19 0
102½	100½	War Bonds 2½% March 1, 1951-53	101½	101½	0 11 7	1 7 4	101	99½	Argentine 3½%	100	100	3 10 0
101½	100	War Bonds 2½% March 1, 1952-54	100½	100½	1 3 6	2 5 8	8½	7½	Anglo-American Corp. 10s...	7½	8	3 2 6
104½	102½	War Loan 3½% (after Dec. 1, 1952)	104	103½	1 3 7	2 16 0	10½	8½	Anglo-Iranian Oil £1...	7½	8	3 2 6
101	99½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 5 4	2 7 10½	76½	62½	Assoc. Port. Cem. Ord. Stk. £1	65½	66½	4 10 3
102½	100½	War Bonds 2½% June 15, 1952-57	102½	102½	1 5 9	2 10 9½	38½	29½	Austin Motor 'A' Ord. Stk. 5s.	31½	32½	6 3 1
103½	100½	National Def. 3½% July 15, 1954-58	103½	103½	1 6 5	2 13 2½	84½	76½	Barclays Bank Ord. £1...	77½	77½	3 12 9
104	102	War Loan 3½% Oct. 15, 1955-59	104½	104½	1 7 1	2 14 7½	10½	9½	Bass Ratcliff Ord. £1...	9½	9½	2 11 7½
102½	100½	Savings Bonds 3½% Aug. 15, 1955-65	101½	101½	1 10 9	2 17 6½	104½	88½	British Oxygen Ord. £1...	91½	90½	4 8 11½
99½	96½	Funding 2½% April 15, 1956-61	99½	99½	1 9	2 13 1½	46½	39½	Courtaulds Ord. £1...	40½	41½	3 12 7
102½	100½	Funding 3½% April 15, 1959-69	102	102½	1 11 2	2 18 6½	32½	25½	Distillers Co. Ord. 4s.	28½	28½	3 11 8
114	111½	Funding 4½% May 1, 1960-90	113½	113½	1 13 11	2 17 7½	79½	69½	Dorman Long Ord. £1...	28½	30½	5 6 0
96½	93½	Savings Bonds 3½% Sept. 1, 1960-70	100½	100½	1 11 11	2 18 9½	53½	44½	Dunlop Rubber Ord. £1...	46½	46½	4 6 0
112½	112½	Victory Bonds 4½% May 1, 1964-67	95½	95½	1 13 11	2 17 7½	48½	35½	Imp. Chem. Ind. Ord. Stk. £1	58½	58½	6 1 4
101½	98½	Savings Bonds 3½% Sept. 1, 1920-76	114½	114½	1 4 9	2 17 6½	56½	49½	Imperial Tobacco, £1...	58½	108½	6 1 4
110	107½	Consols 4½% (after Feb. 1, 1957)	109½	109½	1 13 0	3 0 1½	48½	43½	Lanes Cotton Ord. Stk. £1	45½	45½	4 11 3
106½	104	Conversion 3½% (after Apr. 1, 1961)	106½	106½	1 2 2	2 16 8½	61½	49½	Lever & Unilever Ord. Stk. £1	51½	51½	3 18 1
83½	78½	Treas. Stk. 2½% (after Apr. 1, 1975)	80½	80½	1 9 5	3 1 1½	35½	34½	London Brick Ord. Stk. £1	53½	53½	4 14 4
99	94	Treas. Stk. 3½% (after Apr. 5, 1966)	95½	95½	1 14 4	3 2 9½	62½	55½	N.-Eastn. Elec. Ord. Stk. £1	35½	35½	4 0 0
100	96	Redemp. Stk. 3½% Oct. 1, 1986-96	97	97	1 14 9	3 2 11½	59½	51½	P. chin. Insun Ord. Stk. 10s.	55½	55½	4 0 0
83½	78½	Consols 2½%	79½	79½	1 14 5	3 2 9½	34	31	Prudential 'A' £1...	33	33	2 8 9½
98½	95½	British Transport 3½% Gtd. 1978-88	98	98	1 14 4	3 1 10½	90½	76½	Stewarts & Lloyds Def. £1	52½	52½	4 14 4
100½	96½	British Transport 3½% Gtd. 1967-72	99½	99½	1 11 3	2 18 2½	92½	81½	"Shell" Transp. Ord. Stk. £1	78½	78½	1 18 1½

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked *), and those paying 3 per cent or less will be repaid at the latest date (marked †). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. (g) Buying Price.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (g) Fifteen months to March 31, 1947 (yield basis 7-6 per cent.) (h) To latest redemption date. † Free of tax.



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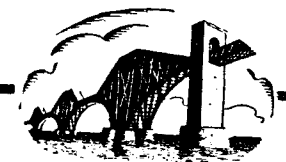
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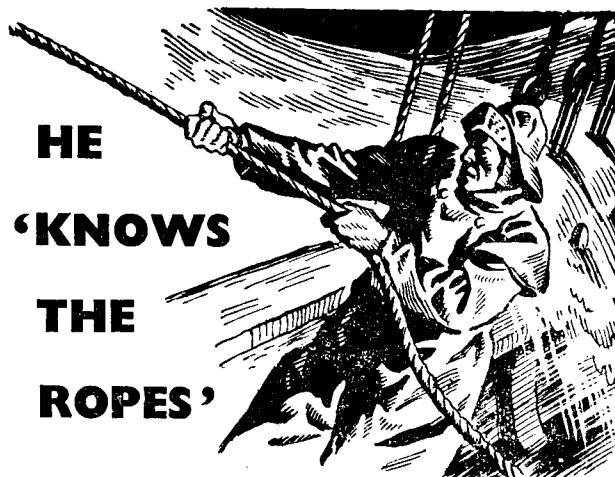
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COMPANY MEETINGS

JUTE INDUSTRIES, LIMITED

INCREASED OUTPUT OF YARN

MR J. ERNEST COX'S REVIEW

The twenty-seventh annual general meeting of Jute Industries, Limited, was held, on the 12th instant, in the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, Mr J. Ernest Cox, the chairman, presiding.

The secretary, Mr William G. Greenfield, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to September 30, 1947:—

In the concluding paragraph of my statement to you at this time last year, I told you that the profit for the first three months of our financial year had been maintained.

The result for the full year is now before you, from which it will be seen that, not only has the profit been maintained, but that last year's figure has been exceeded by a satisfactory margin.

SCARCITY OF LABOUR

Despite considerable difficulties, not the least of which has been the continued scarcity of labour, it has still been possible to increase our output of yarn by 17 per cent. over the previous year's tonnage. This is largely due to the bringing into commission of our new sliver spinning mill in Caldron works, which was planned to come into production in 1940, but was delayed on account of the war. It is now running on a double day shift so that full advantage is being taken of this, the very latest type of machinery.

A night shift is in operation in one of our mills, although sufficient labour has not as yet been obtained to secure maximum production.

Since the close of our financial year short evening shifts of four hours are being undertaken in three of our works by women who, for domestic reasons, are unable to offer their services for a full day.

In the matter of the recruitment of labour we have been greatly assisted by our personnel department, which, in addition, has conducted meetings of managers, staff, foremen and workers, designed to improve industrial relations and to provide the employees with an overall picture of the company's activities.

In order to supplement the labour force still further, arrangements are in hand to employ European voluntary workers, but the number is likely to be somewhat limited by the housing difficulty.

The problem of day nurseries is also receiving consideration.

EXPORT POSITION

Your directors are keenly alive to the necessity for increasing production, not only in order that the high cost of overhead expenses may be spread over the maximum tonnage, but that the company may play its full part in the export drive.

The export of jute goods is both direct and indirect. In regard to the former, licences are granted for such products, and in such quantities, as the Board of Trade may decide, but the licences granted fall far short of the demand. This is the case especially as regards the United States of America and Canada, and our inability to supply these important prewar markets cannot but act unfavourably on future trade with these and other countries.

Indirect exports include such articles as bags, sacks, and packing material (which are used either as containers, or wrappers, for other exported goods), the backing of woollen

carpets, and of linoleums. For these, and many other uses, the jute trade receives no direct credit in export statistics.

As you are aware, the Companies Act is now on the Statute Book. Most of the provisions, however, do not become operative until July 1st, and your directors, after careful consideration, reached the conclusion that it is preferable to delay making a change in the form in which our accounts are presented until next year, by which time it will be possible to ascertain the form most generally adopted.

In the balance-sheet I think there are only two items to which I need call your attention. On the liabilities side you will notice an item—excess profits tax, postwar refund, £84,517 10s. 2d. This represents a provisional payment, and, as you will remember, can only be used for capital purposes. On the assets side, you will observe that there is a considerable increase in the value of stocks of manufactured goods, raw materials, etc.; this is entirely due to a rise in values, and does not indicate that we are carrying larger quantities.

ABNORMAL CONDITIONS

The trading result for the year is satisfactory, but it must be remembered that conditions are far from normal. The cost for wages and materials is high, there is an acute shortage of labour, the country is passing through a period of inflation, and, most important of all, the partition of India, which has raised new and difficult problems regarding the supply of our raw material. Taking all these facts into consideration, and in addition, bearing in mind the 25 per cent. tax on distributed profits, your directors are firmly convinced that the bulk of the profit should be retained in the business. They have, accordingly, transferred £60,000 to depreciation and obsolescence, £70,000 to provision for reconstruction of buildings and modernisation of plant, £25,000 to staff pensions and £15,000 to contingencies.

Owing to the labour situation, modernisation of plant is more necessary than ever. In this connection it is interesting to note that two workers, employed on the latest type of spinning machinery, can, in the same time, produce a similar tonnage as was previously produced by five workers. If our mills had still been equipped with old spinning machinery, we should either have had to employ 900 more workers than were actually on our pay roll last year—clearly an impossible proposition—or our production would have suffered to the extent of slightly over 9,000 tons, which would have produced quite a different result in the profit and loss account.

STAFF PENSIONS

The provision of staff pensions, by means of separately managed funds, or group schemes, is now fairly general. While it has been our practice to grant pensions to members of our staff who have served us long and faithfully, the amount of such pensions has been at the discretion of the directors and the recipient has, during his years of service, been unaware of the allowance which he might expect to receive on his retirement. Your directors felt that this uncertainty should be removed, and that, looking to the future, it was advisable to place staff pensions on a permanent basis. Accordingly, a contributory staff pension scheme, which became operative as from October 1st last, was arranged with a leading life assurance company.

Owing to the considerable rise in the rates of wages, and in all the various materials which we use, the cost of financing your company is a formidable problem, and your directors feel that the provisions which I have mentioned are not only dictated by prudence, but are necessary.

Your directors feel justified, however, in recommending payment of a dividend on the Preference stock at the rate of 8 per cent. per annum, less income-tax, in place of 7 per cent. paid last year. In conclusion, I would like to convey the appreciation of the Board to all managers, staff and employees, whether at home or abroad, for their wholehearted support.

The report and accounts were adopted; the retiring director, Mr H. Giles Walker, was re-elected and the auditors, Messrs Dewar and Robertson, C.A., were reappointed.

OROVILLE DREDGING COMPANY, LIMITED

PATO'S SUCCESS

The thirty-sixth ordinary general meeting of the Oroville Dredging Company, Limited, was held, on the 13th instant, in London, Mr Frederick W. Baker, the chairman, presiding.

The following is an extract from his statement for the year to September 30, 1947:—

Pato. Consolidated, in which a total of 1,150,000 shares are held, is our most important investment, and I am pleased to say that the company is operating very satisfactorily. Two additional areas adjoining the company's holdings and totalling approximately 4,500 acres were purchased during the year, and on one of these, covering about 2,500 acres, river drilling has developed a considerable yardage of payable gravel. The other area is as yet untested. In spite of working over 17,000,000 yards of gravel during the year, the "workable reserves" as at April 30, 1947, remain more or less the same as the previous year; in fact, the closely-drilled and fully-developed gravel stands at 220,315,000 yards averaging 21.9 cents, compared with 212,560,000 yards averaging 22.1 cents.

OPERATIONS AT BULOLO

Next in order of interest is our holding of 60,680 shares in Bulolo. Two dredges were rehabilitated and put into commission before the end of the Bulolo financial year, May 31st last. Since then two more dredges have commenced operating.

At the recent meeting of shareholders of the Bulolo Company, held in Vancouver, the chairman gave some interesting information about the life of the property. Each dredge was originally designed as to digging depth, etc., to handle the particular area on which it was later installed, and when each of these areas is worked out, that particular dredge will be permanently closed down unless some suitable area is found to which it could be dismantled and transferred.

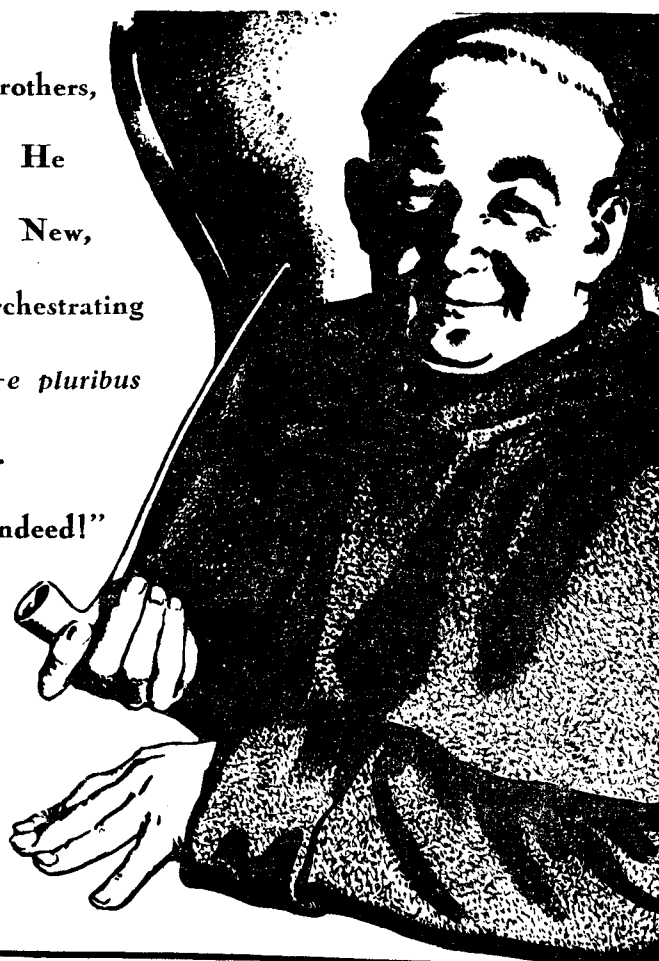
The chairman also stated that, while it is hoped to resume the payment of regular dividends in the latter part of 1948, future earnings are not likely to justify the prewar distribution of \$3 per share, and until it is known as to what future operating costs will be, no further enlightenment on the subject of dividends can be given.

Currency and investment regulations continue to exercise severe restraint on investment in overseas projects. Until there is an easing of the regulations, opportunities for the employment of funds which we may have available are likely to be scarce.

The report was adopted and the proposed dividend of 1s. per share less tax was approved.

"Who first compounded this Mixture, Brothers,
I do not know, but I bless his memory. He
chose tobaccos from the Old World and the New,
and matching flavours and fragrances as if orchestrating
a chord, he made out of many one marvel—*e pluribus
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THE LAW DEBENTURE CORPORATION, LIMITED

DIFFICULTIES OVERCOME

The fifty-eighth ordinary general meeting of this company was held, on the 17th instant, in London.

The Right Hon. the Viscount Greenwood, K.C., chairman of the company, who presided, in the course of his speech, said: I think, without any undue complacency, the Board may congratulate you upon the results shown in the accounts.

The total gross receipts for 1947 were £129,802, or £805 less than in 1946, and the separate headings which make up that total vary greatly from the previous year. Interest and dividends at £75,787 were less by £4,540. This reduction has arisen partly because arrears of interest received during the year in excess of one year were £2,230 less than in 1946, and partly because throughout the year we have held a larger amount of cash uninvested. Profit on realisations was £13,709, an increase of £8,347 compared with 1946, nearly all the excess arising from repayment of securities called for redemption, over which we have no control.

Fees as trustees amounted to £35,961; the reduction of £4,589 on the year records the fulfilment of the warning uttered in past years from this chair and again to be repeated. Many of us have been reminded of the fact that debtor companies have taken the opportunity to repay debenture stocks carrying higher rates of interest than those now ruling.

Doubtless there will be a return to the creation of loan capital whenever the issue of share capital ceases to be possible at the high premiums that have been current during the past year or two. Further, it is to be remembered that interest payable on Capital created in the form of debt does not call for payment of the 25 per cent. profits tax now levied on profits distributed as dividends on share capital.

The directors now recommend payment of a final dividend of 8 per cent., actual, making a total of 14 per cent. gross, on the ordinary share capital in respect of the year 1947, and there will remain £6,795 to be carried forward to the current year 1948.

POSITION OF GREAT STRENGTH

The balance sheet discloses a position of great strength and I think I need say very little about it. The book cost of the quoted investments amounted to £1,288,590, and of that figure 57½ per cent. is invested in British Government securities, debentures, and other creditor investments; the comparable proportion in 1946 was slightly less than 61 per cent.

The book cost of our quoted and unquoted investments is £1,317,163, upon which appreciation at December 31st last was £456,604, or 34.65 per cent. above book cost; the corresponding figure in 1946 was 38½ per cent. This reduction at December 31, 1947, of 3.85 per cent., is comparable with a reduction of 5.8 per cent. on the 365 representative securities selected by the Bankers Magazine in its record of fluctuations in market valuation at the end of December, 1946 and 1947.

Reserve account £265,000 includes the £5,000 from the profits of the year and, with £6,795 proposed to be carried forward, represents a reserve of more than 60 per cent. of the £450,000 ordinary stock.

The past year has been one of difficulties which, I submit, have been successfully overcome and I can only add that so far as your company is concerned the board have no anxieties in regard to any of your investments.

The report and accounts were unanimously adopted.

At a subsequent extraordinary general meeting alterations to the Articles of Association were unanimously adopted.

MARCONI'S WIRELESS TELEGRAPH COMPANY, LIMITED

NEW DEVELOPMENTS

The fiftieth ordinary general meeting of Marconi's Wireless Telegraph Company, Limited, was held on the 18th instant in London.

Sir George H. Nelson, F.C.G.I., M.I.Mech.E., M.I.E.E., the chairman, in the course of his speech, said: The profit and loss account shows a net profit after providing for taxation of £162,671. This compares with £168,448 for the year ended December 31, 1946—a decrease of £5,777. Your directors recommend the payment of 7 per cent. dividend on the ordinary shares. Owing to the interruption of production during the year due to the coal shortage, we incurred a loss estimated at £27,843, which has been charged against profits.

During the year we have continued actively to foster and extend our world-wide sales and manufacturing organisation, and have received many important inquiries and orders from all parts of the world. The value of orders received for the year 1947 constitutes a record for the peace-time business of the company.

Marconi's continue to play a leading part in the provision of airborne communication equipment, and in this field the Marconi Company was the first to produce a post-war design. Our postwar designs of marine equipment have been most successful. Our Marine Radar has given excellent results on trial, and fittings will commence in 1948. New developments in virtually all fields of radio technique have actively progressed during the year.

Last year we were able to renew and broaden the base of our long-standing agreement with the Radio Corporation of America. The report was adopted.

THE ENGLISH ELECTRIC COMPANY, LIMITED

LARGE ORDER BOOK

Sir George H. Nelson (the chairman), presiding at the twenty-ninth annual general meeting of The English Electric Company, Limited, held on the 18th instant, said:—

Due to the disastrous stoppage through the coal shortage and the delay in completing the necessary changes from the production of war materials to the requirements of peace, the year had been a difficult one, but the company had finished 1947 with a very large order book spread out over several years. They had completed the extension of their important research laboratories at Stafford, which were not inferior to those of any other similar laboratories in the world.

An important section had been added to the laboratories, viz: one to deal with the problems of atomic and nuclear energy, and the application of the results of such research to the benefit of man. The first main line diesel-electric Loco. to run in this country was put into operation on the LMS line in December. The Loco. had been tried on main line trains, had fitted reliably into schedules and had reached speeds of over 85 m.p.h.

The diesel engine and electrical equipment had been designed by the E.E. Company's experts and built in the company's works, the railway company being responsible for the mechanical parts. Labour turnover during the year had been abnormal and this had arisen from lack of houses, difficulties in transport, etc. The company had endeavoured to combat the shortage by moving a great volume of work to areas in which labour was available, and by a house-building programme.

The report was adopted and a final dividend of 6 per cent. (making 10 per cent. for the period under review) declared on the ordinary stock

GAS LIGHT AND COKE COMPANY

IMPENDING NATIONALISATION

The ordinary general meeting of the Gas Light and Coke Company was held in London on the 19th instant.

Mr M. Milne-Watson (the governor), after expressing regret at the death of Mr Thomas Hardie, the chief engineer, said that sales of gas had increased by 4 per cent. over 1946 as compared with about 16 per cent. in 1946 over 1945. Expenses had continued to increase with the rising costs of labour and materials. For instance, the average price of coal delivered at the retort house was 54s. 4d. per ton as compared with 21s. 11d. in 1938. The balance on revenue accounts showed a reduction of £699,000. They had raised the price by ½d. per therm on December 1st, which had had a negligible bearing on the revenue for 1947.

HIGHER FUEL COSTS

Since the turn of the year there had been a further increase in the cost of coal, and the price of gas had again been raised on February 2nd by another ½d. per therm. After providing for dividends and co-partnership, there was a satisfactory addition to the carry-forward of about £114,000.

When plant extensions had been completed the carbonising capacity would be increased to deal with a further 650,000 tons of coal per annum, representing an output of some 45 million therms. The total programme was one of some £8,000,000 capital cost. They had continued and extended their research work in gas manufacture and in the development and design of appliances. The commercial side of the business had continued to be hampered by shortage of appliances for sale and hire, but there should be a great expansion of business as soon as they could obtain the necessary apparatus. The imposition of 75 per cent. purchase tax on water-heaters was a severe blow.

The company, in conjunction with the Conjoint Conference of Public Utility Associations, had successfully petitioned against that part of the London County Council (General Powers) Bill, which was intended to give the L.C.C. and other Councils power to supply district heating to any property acquired by them under the Housing Act, 1936. As a result the true cost of district heating was made public and the local authority would be subject to controls. He hoped that the precedent so created would prevent the propaganda value of district heating from being exploited at the expense of ratepayers.

NATIONALISATION BILL

A Bill was before Parliament, and after, as seemed likely, it received the Royal Assent the company would cease to exist. It was surely a catastrophe that this great company, which since 1812 had been supplying gas to an ever-increasing number of Londoners, should lose its identity and with it, perhaps, that strong personal pride which had made it a household name. They had survived wars and had flourished on competition. They had boasted that the company never let London down, and had done their best to make that a fact.

The view of the directors remained unchanged, that the nationalisation of the company was inadvisable, being unlikely to benefit its consumers and involving considerable sacrifice to the stockholders. They were doing their utmost to obtain proper compensation for stockholders, including co-partners. They would be handing over a company in first-class order for totally inadequate compensation.

The report was adopted.

GOVERNMENT RETURNS

For the week ended February 14, 1948, total ordinary revenue was £118,234,000 against ordinary expenditure of £42,829,000 and issues to sinking funds £580,000. Thus, including sinking fund allocations of £13,547,000 the surplus accrued since April 1st is £741,479,000 against a deficit of £349,066,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Feb. 15, 1947	April 1 to Feb. 14, 1948	Week ended Feb. 15, 1947	Week ended Feb. 14, 1948
ORDINARY REVENUE					
Income Tax	108,600	912,391	939,700	60,952	61,151
Sur-tax	80,000	55,492	67,555	5,400	6,500
Stamp Duty, etc., Duties	155,000	128,749	146,179	2,790	3,000
Stamps	57,000	31,304	47,080	400	1,400
N.D.C.	206,000	29,212	30,070	570	600
E.P.T.	206,000	297,126	224,968	3,800	6,200
Other Inland Rev.	1,000	403	465	5	85
Total Inland Rev.	158,500	1,454,677	1,456,017	73,917	78,936
Customs	742,460	535,028	690,257	12,031	19,721
Excise	668,540	516,600	565,500	6,800	11,900
Total Customs & Excise	1,411,000	1,051,628	1,255,757	18,831	31,621
Motor Duties	50,000	48,249	47,885	446	489
Surplus War Stores	95,000	117,673	166,303	1,291	149
Receipts from Trading	55,000	40,000	91,261	...	...
Post Office (Net Receipts)	4,750	3,630	2,000	1,900	...
Wireless Licences	11,000	8,210	9,240	...	...
Crown Lands	1,000	840	880	...	...
Receipts from Sundry Loans	21,000	23,489	22,991	99	1,133
Miscell. Receipts	270,000	40,080	207,786	3,166	4,006
Total Ord. Rev.	349,900	278,959	326,150	99,750	118,234
SELF-BALANCING					
Post Office	144,230	112,200	122,700	2,000	2,100
Income Tax on E.P.T. Refunds	49,000	142,968	20,340	889	805
Total	369,220	304,476	340,490	102,639	121,139
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to Feb. 15, 1947	April 1 to Feb. 14, 1948	Week ended Feb. 15, 1947	Week ended Feb. 14, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	435,249	405,853	36,508	1,629
Payments to N. Ireland	23,000	15,700	19,017	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	7,063	6,917	34	...
Total	556,000	508,012	431,767	36,542	1,629
Supply Services	263,511	261,736	207,457	48,200	40,900
Total Ord. Exp.	319,111	312,548	250,625	84,742	42,529
SELF-BALANCING					
Post Office	144,230	112,200	122,700	2,000	2,100
Income Tax on E.P.T. Refunds	49,000	142,968	20,340	889	805
Total	338,344	338,057	264,956	87,631	45,434

After decreasing Exchequer balances by £677,143 to £3,329,179 the other operations for the week decreased the gross National Debt by £67,122,860 to £25,586 million

NET RECEIPTS (£ thousand)		1919 and 1921..	21
Land Settlement (Facilities) Acts, 1919 and 1921..			21
NET ISSUES (£ thousand)			
P.O. and Telegraph			400
E.P.T. Refunds			985
Overseas Trade Guarantees Act, 1939, sec. 4 (1)...			5
Authorities Loans Act, 1945, sec. 3 (1)...			4,700
Damage War Damage Commission...			2,000
Acts, 1946 and 1947. Post-war Credits...			610
			8,700

CHANGES IN DEBT (£ thousand)		NET RECEIPTS	NET REPAYMENTS
Nat. Savings	1,750	479	54,041
2½% Def. Bonds	...	...	3,770
Ways & Means Advances	64,765	...	21,285
Internal	...	...	21
Treasury Deposits by Banks	...	...	55,000
	66,994		134,117

* Including £3,103,000 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Date		Tender	Tap	Public Depts.	Bank of England
1947					
Feb. 15	2155-0	2441-3	469-7	9-0	1540-0
Nov. 1	2240-0	2543-4	354-8	1-75	1252-5
" 8	2250-0	2539-3	337-7	1-5	1252-5
" 15	2250-0	2527-5	346-7	1-5	1252-5
" 22	2250-0	2519-7	339-1	6-8	1317-5
" 29	2250-0	2561-0	338-6	...	1337-5
Dec. 6	2250-0	2582-2	340-3	...	1372-5
" 13	2250-0	2569-5	325-1	...	1367-5
" 20	2250-0	2605-4	306-6	6-3	1377-0
" 31	2250-0	2550-7	306-6	...	1402-5
1948					
Jan. 10	2220-0	2516-3	317-2	...	1374-0
" 17	2210-0	2414-3	373-7	...	1335-5
" 24	2200-0	2426-6	341-1	...	1330-0
" 31	2190-0	2357-3	571-3	...	1329-5
Feb. 7	2170-0	2351-5	301-6	...	1329-5
" 14	2160-0	2307-4	366-4	...	1274-5

TREASURY BILLS (£ million)		Date of Tender	Amount	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
		Offered	Applied for	Allotted	
1947					
Feb. 14	170-0	263-6	170-0	10	2-17
Nov. 14	170-0	270-1	170-0	10	1-85
" 21	170-0	271-2	170-0	10	1-70
" 28	170-0	269-2	170-0	10	3-02
Dec. 5	170-0	300-6	170-0	10	2-26
" 12	170-0	289-8	170-0	10	2-66
" 19	170-0	274-7	170-0	10	2-89
" 24	170-0	288-1	170-0	10	2-73
1948					
Jan. 2	170-0	274-2	170-0	10	2-99
" 9	170-0	285-2	170-0	10	2-63
" 16	170-0	251-2	160-0	10	3-41
" 23	160-0	269-1	160-0	10	2-97
" 30	150-0	282-7	150-0	9	1-56
Feb. 6	160-0	276-5	160-0	9	1-89
" 13	170-0	210-2	170-0	10	-52

On February 13th applications for bills to be paid on Wednesday, Thursday, Friday and Saturday were accepted as to about 67 per cent. of the amount applied for at £99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 7d. and on Tuesday at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for February 20th. For the week ended February 21st the Banks will be asked for Treasury deposits to an amount of £60 million (maximum).

NATIONAL SAVINGS (£ thousand)		Week Ended	Totals
		Feb. 8, 1947	Feb. 7, 1948
Savings Certificates:—			
Receipts	4,700	5,250	194,460
Repayments	1,700	1,000	116,050
Net Savings	3,000	4,250	78,400
Defence Bonds:—			
Receipts	3,410	1,220	61,705
Repayments	701	884	34,290
Net Savings	2,709	336	27,415
P.O. and Trustee Savings Banks:—			
Receipts	14,397	17,566	600,421
Repayments	10,972	11,077	535,873
Net Savings	3,425	6,489	64,548
Total Net Savings	9,134	11,075	170,363
Interest on certificates repaid	306	180	21,889
Interest accrued on savings remaining invested	2,254	2,275	97,266

BANK OF ENGLAND RETURNS

FEBRUARY 18, 1948

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt	Govt. Securities	Other Secs.	Other
In Circul.	1235,241,470	11,015,100	1338,176,114	802,399	6,387
In Bankg. Department	115,006,363	...	...	...	...
	1350,247,833		1350,000,000		

BANKING DEPARTMENT		Capital	Res.	Public Depts.	Govt. Secs.	Other Secs.	Advances	Securities
		14,553,000	3,852,025	11,653,857	270,624,079	11,890,937	11,890,937	34,027,587
Other Depts.		296,270,115	...	...	...	...	...	115,006,363
Bankers		389,858,176	...	...	...	...	...	259,029
Other Accts.		...	...	...	...	...	...	419,917,058

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

(£ million)				
	1947	1948		
	Feb. 19	Feb. 4	Feb. 11	Feb. 18
<i>Issue Dept. :</i>				
Notes in circulation.....	1374·8	1257·6	1247·0	1235·2
Notes in banking department.....	75·5	92·6	103·2	115·0
Government debt and securities*	1449·3	1349·3	1349·2	1349·2
Other securities.....	0·6	0·7	0·8	0·8
Gold.....	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
<i>Banking Dept. :</i>				
Deposits :				
Public.....	11·4	23·4	17·3	11·6
Bankers.....	306·3	283·7	285·8	296·2
Others.....	55·9	94·3	92·3	93·6
Total.....	373·6	401·4	395·4	401·4
Securities :				
Government.....	283·8	286·5	276·0	270·6
Discounts, etc.....	13·8	11·9	10·6	11·9
Other.....	18·0	28·4	23·8	22·1
Total.....	325·6	326·8	310·4	304·6
Banking dept. res.....	76·4	92·9	103·4	115·3
		%	%	%
"Proportion".....	20·4	23·1	26·1	28·7
* Government debt is £11,015·10 million, capital £14,553·000. Fiduciary issue reduced from £1,400 million to £1,350 million on February 4, 1948.				

The Economist

February 28, 1948

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(1946 Accounts)

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The University proposes to appoint a Senior Lecturer in Local Government at a stipend of £550 to £900 per annum. The initial stipend will be fixed with reference to age and qualifications. The Lecturer will be expected to include in his study the historical and comparative aspects of the subject. Applications should be sent to the Secretary of Faculties, University Registry, Oxford, not later than 26 April, 1948. The person appointed will be required to take up office as soon as possible after 1 October, 1948.

UNIVERSITY OF LEEDS

DEPARTMENT OF MATHEMATICS

The Council will shortly make appointments to three posts one in each of (a) Pure Mathematics, (b) Applied Mathematics and (c) Statistics, on the Assistant Lecturer grade (initial salary £100-£150) or on the Lecturer grade (£150-£250) according to applicants' qualifications. The appointments will take effect from October 1, 1948. Further particulars from the Registrar, University, Leeds, 2, to whom applications (3 copies) should be sent not later than April 17, 1948.

MALAYA: UNIVERSITY BURSAR

Applications are invited for the post of Bursar in the university institution which is being established in Malaya on the basis of the existing King Edward VII College of Medicine and Raffles College. The Bursar will be equal in status with the Registrar and directly responsible to the Principal for the financial administration of the institution. Salary up to £1,600 p.a., plus cost of living allowance (at present £151 p.a. for single and £224 p.a. for married persons). Free passages. Superannuation. Children's allowances. Experience of university administration an advantage. Candidates should submit applications (6 copies) giving full particulars of professional qualifications and experience and the names of three persons to whom reference may be made, to the Secretary, Inter-University Council for Higher Education in the Colonies, 8, Park Street, London, W.1, before April 1, 1948.

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Applications, which should be accompanied by the names of three referees, should be forwarded not later than the 31st March, 1948, to the Secretary, London School of Economics, Houghton Street, Aldwych, W.C.2, from whom further information may be obtained.

REGIONAL PSYCHIATRIC SOCIAL SERVICE

Applications are invited from trained or experienced social workers interested in case-work in the mental health field. The work includes case-work and an advisory service dealing with mental health problems in children and adults and involves close contact with clinics, hospitals, local authorities and other social agencies. Salary is from £300-£450 p.a. according to experience. Applications with copies of two recent testimonials should be sent to the General Secretary, National Association for Mental Health, 39, Queen Anne Street, London, W.1. Vacancies in Birmingham.

Applications are invited from experienced Psychiatric Social Workers for work in the Regional Psychiatric Social Service. The work includes case-work and an advisory service dealing with mental health problems in children and adults and involves close contact with clinics, hospitals, local authorities and other social agencies. The Regional Representative has the supervision of the work of the regional team of social workers. Salary is according to the A.P.S.W. scale with special responsibility allowance. Applications, together with copies of two recent testimonials, should be submitted to the General Secretary, National Association for Mental Health, 39, Queen Anne Street, London, W.1. There are no vacancies in the London region.

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APPOINTMENTS REGISTER

Employers seeking the services of Certified Accountants are asked to write to the Secretary of the Association, 22, Bedford Square, London, W.C.1. (Telephone: Museum 5168.)

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For Barclays Bank (Dominion, Colonial and Overseas)

(London Registrars of the above Stocks),

Circus Place, London Wall, E.C.2. 6th February, 1948.

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The Cost of Ignorance

THERE are two nations today: those who realise the plight of Britain, and the looming catastrophe which threatens the British economy and perhaps the British way of life; and those who still cherish the illusion of prosperity, the full wage packet, and the easy profit. In recent weeks, thanks largely to the frank realism of Sir Stafford Cripps, the gulf of understanding between the two has narrowed. But it must be reluctantly confessed, even now, that the majority of the people are still unable, or unwilling, to form any conception of the economic—and ultimately the political—peril in which the country stands. Unrelieved gloom, like intense cold, soon ceases to act as a stimulus; it quickly numbs the senses and paralyses the muscles.

That is perhaps the chief danger of the moment. The shocks which the Government administered in the White Paper on Personal Incomes have had a short-lived effect. Indeed, it is disheartening to see how quickly the lessons which the White Paper preaches have been lost in unprofitable bickering about austerity by fair shares, and in indignant denunciation of those companies who are froward enough to increase their dividends. Yet indeed the boot is on the other foot. For, as the price of a stop on wages (itself subject to an impressive list of escape clauses of varying justification) the Trades Union Congress has managed to secure the principle, offered to it by the Chancellor of the Exchequer, that prices and profits must be reduced. In other words, the policy of the wage stop has been re-written by Transport House into a doctrine of higher real wages. The old grey mare of the TUC, as Low draws her, is more subtle than she seems.

Nothing could better illustrate the Government's failure to "put the crisis over." There has admittedly been a great improvement in publicity about economic affairs since the ineffectual "Work or Want" campaign. But it is still couched in terms utterly remote from the average man. Confront a steelworker with the White Paper on the Balance of Payments, and he will just scratch his head, or turn to his football pool coupon. Dockers do not read White Papers on Personal Incomes, and they are not greatly moved by frozen prices for "adornments and accessories for apparel." The forthcoming Economic Survey for 1948, which is expected during the next ten days, will, on the authority of Lord Addison, "not attempt to hide or gloss over the difficulties which confront us." But how many people will read and understand it? Failure to understand is not a matter necessarily for blame, for these are formidable documents, and even the expert often has difficulty in interpreting their content. What is needed is something which is honest, yet inspired by the common touch.

That demands the observance of two conditions. First, it requires the most scrupulous regard for facts, untintured by political hopes or prejudices. Secondly, it must show the average man and woman what the facts mean in terms of the food on their plates and the clothes on their backs. It means that Mr Strachey should cease to make consoling assurances about food supplies this year, and that he should

give the people a week's taste of the kind of rations to which the country will be reduced by the end of the year if Marshall aid does not arrive. It means—to take an example from Lord Pakenham's speech in Tuesday's debate in the House of Lords—that the Government is not doing its simple democratic duty if it declines to take "extreme measures of austerity," merely on the ground that they would only damage the British people and their power of recovery, "so long as there is a reasonable prospect that they will be unnecessary in the event." This line of argument is reminiscent of Mr Morrison last July, just before the storm broke. It blandly assumes that Marshall aid will provide a permanent way of escape, instead of a short breathing space.

The time has long since passed for such illusions. But where is the spur to action to be found ? Is it, as Lord Samuel suggested, to be found in higher money incentives, by reducing the burden of taxation ? There is little doubt that a change in the method of levying PAYE (on the lines which have frequently been advocated in these columns in the past) would remove much of the resistance to increased output and overtime working which it now sets up. But it is necessary to go carefully in any change which would increase the net spendable income of any section of the community without the firmest assurance that the relief would be fully compensated in increased production. It is becoming fashionable to argue that high direct and indirect taxation are themselves causes of increased inflation, because they put prices up and at the same time increase the demand for more wages to pay higher prices. The argument confuses cause and effect, but at any rate it concedes that high taxes succeed in their first purpose of preventing people from consuming so much.

That is where the emphasis properly belongs—on the need still further to reduce standards of consumption which are already grievously low. No money incentives can do much to alter this situation; the experience of the entire postwar period shows that money without goods to back it breeds inflation and disillusionment. It cannot be repeated too often that even with the powerful support of the American loan, inflation, though concealed within respectable limits, has been rampant. Now it is reflected in a dollar drain, from Britain's last reserves, which in January reached the alarming level of £57½ million, com-

The Fall of Prague

ONCE again long and careful preparation, ruthless single-mindedness and clever use of the whole party box of tricks have brought the Communists a bloodless victory. Against the prestige and national veneration enjoyed by President Benes, against the instincts and traditions of a people which during four centuries has defied tyrants and conquerors, against a majority of the electorate and against a strong and not completely unprincipled Social Democrat Party, the Czech Communists have taken all but the last steps towards the establishment of a "People's" Republic in Czechoslovakia. The new cabinet, in which every post that matters is in Communist hands, can now spend the next weeks or months in "rigging" the spring elections. The broadest bridge between east and west has been blown. A further proof has been given that Communists will not work loyally with other parties in any system that remotely resembles free, just and parliamentary government.

Those who wish to sugar the bitter pill which is now being swallowed by millions of Czechs and Slovaks ask us to believe that a choice had to be made in Czechoslovakia between what is called strict state planning and a compromise between democratic and socialist ideas. That is far less than half the story. Others may declare that the security of Russia demanded Com-

pared with £48 million in December. It may be true that the January drain was inflated by special drawings by India and Pakistan, and by seasonal payments for cotton, but it is a formidable and frightening figure none the less.

Must the conclusion, then, be sheer despair? Are the British people incapable of hoisting themselves by their own exertions? Will they defeat themselves in an orgy of self-pity? There is a section of American opinion, and of British too, which holds that Britain is down and out. But the British people are capable, even now, of a courageous effort of self-help. The weak spots are still obvious. Coal production is showing disquieting signs of lagging well below the output which is needed to hit this year's target, and to fulfill the promised level of exports. Even so, stocks still exceed 14½ million tons, and one of the greatest contributions to European recovery would be a speedier rate of export. The cotton industry remains undermanned, but it is still jealous of its shorter week, and resistant to the appeal for overtime working. These examples could be multiplied throughout British industry. Despite the improvements in production which have occurred—in which some industries (notably steel) can take particular pride—it is true to say of British industry today that it is working at too low pressure and for too few hours a week.

Who will have the courage to lead the movement for a longer working week? Sir Stafford Cripps has a double burden of duties which must tax even his powers, and it implies no disrespect of his qualities to point out that their greatest appeal is not to the mass. There was a time when Mr Morrison made effective speeches in the country which combined economic good sense with the right popular touch, but except for skidding too hastily round Recovery Corner, he has been strangely silent in recent months. Are the preoccupations of party management so vital and absorbing that he cannot spare the time for explaining, in homely terms and without party rancour, the situation of the country today? Or does he, like the ex-Chancellor, still refuse to recognise them? Some spokesman for the Government must evoke a new expansionist spirit in production and effort, not indeed for the purpose of consuming more, as the TUC would wish, but of building more and exporting more. The alternative is growing frustration soon followed by collapse. Let there be an end to demagoguery, and instead a new technique of democratic explanation and encouragement.

munist predominance in Prague. That is no part of the story and entirely untrue. The loyalty of the former coalition government to Russia in all essential matters could be depended on absolutely. The incredible story of the plot prepared against it by non-Communist parties and "agents of the West" has been given an even more perfunctory and bogus form than usual. The issue is crystal clear, as our Prague Correspondent points out in an article on page 346: the Communist Party, which won 37 per cent of the votes at the elections in 1946, wished to impose its will on the elected representatives of the majority of the Czech and Slovak nations. It wished to do so now because it feared a reverse in the elections two months hence. It has now manœuvred itself into a position where the result of those elections is a foregone conclusion. The latest from Prague is that a purge has begun.

The conflict between the Communists and the other parties has been growing for some months. The adhesion of the Czechoslovak Communists to the Cominform was hardly consistent with the maintenance of a "Popular Front" policy. Ever since the autumn signs have multiplied that the Communists wished to replace the five-party coalition—which included National Socialists (approximating in their ideas to the French Radicals), Populists (Catholic democrats from the Czech pro-

vinces) and Slovak Democrats (a heterogeneous collection of centre and right elements)—by a two-party government, in which the Social Democrats would play a not very brilliant second to the Communist lead. But the Socialists refused to be wooed and the other parties stood firm.

After nearly two years of debate the Constituent Assembly had failed to produce a constitution, and new elections could not be postponed beyond May. The Communists knew they were losing ground in the factories to the Socialists, and in the villages to the other parties. They could not hope to repeat the success of May, 1946. As the elections approached the parties began to compete in demagogic offers to the public. The non-Communists took up the cause of the grossly underpaid civil servants ; and the Communist-controlled trade unions, which opposed an increase in civil service pay, demanded further measures of nationalisation. The crisis came to a head on February 13th. The non-Communist members of the Cabinet carried a majority resolution instructing the Communist Minister of the Interior to stop his campaign—pursued with varying intensity ever since 1945 against increasing protests from democrats in and outside Parliament—of turning the police force into a department of the Communist Party. The resolution was then simply ignored by the Minister and by the Communist Premier, Gottwald. Twelve ministers—from the National Socialist, Populist and Slovak Democrat parties but not from the Social Democrats—resigned on February 20th.

In the following week the Communists quickly and efficiently seized the controls of the state, and demanded that a new government be formed, under Gottwald's premiership, but without any of the ministers who had resigned. The police were issued with arms, and seem everywhere to have obeyed the Communist orders. Local authorities were instructed to take orders from "action committees" of local Communists appointed by the party headquarters, and they, too, appear meekly to have submitted. In Slovakia Dr Husak, Communist "premier" of the "Board of Commissioners" (regional government) simply kicked out the majority of his Democrat colleagues. Communist armed gangs occupied the headquarters in Prague of the National Socialist and Social Democrat parties. The Minister of the Interior announced that he had discovered a subversive plot, and the "independent" War Minister, the fellow-travelling General Svoboda, ordered the army to stand aside from politics and be on its guard against "foreign agents who are enemies of the Soviet Union." Several newspapers were suppressed and others were intimidated. It was announced that Parliament was adjourned. Mass demonstrations of workers were organised in Prague.

Two uncertain factors remained: the Social Democrat Party and the President. The Socialists had supported the cabinet resolution on the police which opened the crisis, but their representatives in the cabinet did not resign. Dr Benes openly stated his belief in Parliamentary methods and in the

necessity of government by all parties. What kind of pressure was used upon them is not yet known, but in the end both succumbed. The President wrote a tragic letter to Gottwald accepting his terms—a government of Communists and left wing Socialists, in which the other parties are nominally included in the persons of several individuals who are quite unrepresentative of their policies.

It does not look as if Czechoslovakia will now pass straight to the Yugoslav type of totalitarian regime. Probably the technique used in Hungary will be followed: the non-Communist parties are deprived of their real leaders, subjected to a series of artificially provoked "splits," and forced to take part in elections under a bogus "coalition programme." At the elections there are few flagrant scandals, but the general belief that the vote will not be secret (even if it is in fact) causes many opponents of the government to vote for it, and the Communist vote is increased by falsification of polling cards. The parties keep their newspapers, but their freedom is whittled away. All this is now so familiar that neither President Benes nor the average democratic Czech citizen can have any illusion about the future.

Perhaps the most striking feature of the whole crisis is the amateurishness of the non-Communists. The issue on which the three parties resigned was a good one, but their action seems to have been utterly unprepared. If they expected that the Communists would not take unconstitutional action, then they should at least have made their position constitutionally impregnable by enlisting the support of the Socialists, without whom they had not even a majority in Parliament. The Socialists themselves were divided, and the fellow-travelling minority within their ranks, led by the rejected party leader Fierlinger, succeeded (by what means is not yet known) in imposing its views. Perhaps the leaders feared to expose their workers to victimisation by Communist management in the factories. Perhaps they were swayed by an appeal to "Marxist loyalty." But it seems a curious blindness in the resigning Ministers to have expected the Communists to behave constitutionally. Even if the Socialists had joined them, they could not have stood up to Communist force except with force. But, far from being subversive plotters, they do not seem to have made any plans. The army's General Staff has long been "penetrated" by Communists, but this was certainly not true of the bulk of officers or men. Even the police contained many non-Communists. Yet the party leaders cannot have thought out anything beforehand.

Western criticism of Czech democrats for not "standing up to" the Communists now is, of course, as unfair as British or French criticisms of Benes for not fighting alone in 1938. But even if western aid had been available it is doubtful whether the Czech democrats would have wished for it. Civil war and western aid would have led either to international war

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Arithmetic of the Subsidies

IN several respects, Mr Strachey's defence, at the end of Monday's debate on the Supplementary Estimate of £142 million for the Ministry of Food, was uninformative. Mr Strachey claimed that the Argentine agreement was something for which the country should be "extremely thankful"—because it was based on inconvertible sterling. The time for such claims will be twelve months ahead, when Britain has no capital assets for sale. On prices, the Minister of Food was as secretive as ever; the argument that disclosure would be against the public interest because it would embarrass "those very eminent business men who conduct these negotiations for us" was always thin, and it is now intellectually threadbare. On subsidies, the Minister forecast that, at the end of the year—which means at the end of the financial year to March 31st next—the cost of the subsidies will "come out very near to the predicted figure of £392 million."

To discover exactly where the truth lies about subsidies involves much complicated arithmetic. Changes in rations and in prices paid to producers and charged to consumers affect the total rate of subsidies, and they enable the Government to keep the total cost within the limit of any preconceived figure, so long as the prices paid for imports are not rising out of hand. It should be recalled that the Government is bound by Mr Dalton's twice-repeated undertaking to limit the cost of the food subsidies to £392 million for the current year. But since these declarations were made, the cost of imported foods has risen sharply; already the cost of subsidies on imported foods exceeds that on home-produced foods.

This increase, however, is only a pallid reflection of the increase in prices which the Ministry of Food has within recent weeks undertaken to pay under new contracts. A little ferreting through the ludicrous barrier of silence which the Ministry attempts to erect round its price policy shows that Empire sugar has gone up by £3 a ton, Empire butter by £30 a ton, Danish butter by £79 10s. a ton, Empire cheese by £15 10s., Danish bacon by £65, Canadian wheat by £4 a ton, and Danish eggs by 8s. 6d. a long hundred. Mr Strachey asserted on Monday that the cost of maize under the Argentine agreement was "very appreciably less" than £30 a ton—calculations in *The Economist* last week suggested that the price might be as high as £35—but perhaps the full text of the agreement will show whether this is a true or a notional price. Moreover, the cost of home-produced food during the coming year will also rise, perhaps to the extent of £25 million.

In the light of these increases in prices, it follows that if the existing level of subsidies is to be maintained—or reduced—the policy of stabilising the cost of living at an artificially low level must be modified, and that prices to the consumer must be allowed to rise. The time has passed for small adjustments in the supplies and prices of particular commodities to keep the total of subsidies within a fixed limit. Some increases in retail prices have indeed already been made. Sugar was raised from 3d. to 5d. a pound in November, and more recently bacon has been raised from 1s. 6d. to 2s. 0½d. a pound, and eggs from 1s. 9d. to 3s. a dozen.

Obviously, the Government will have to consider this problem between now and the Budget. Indeed, Sir Stafford Cripps stated last week, in connection with the Argentine agreement, that an increase in the price of meat, or a reduction in the amount consumed, "would depend on the adjustment of subsidies," which would be decided soon. Mr Strachey's claim that the subsidies will not exceed the budgeted figure of £392 million may have some validity for the year which is just closing—though indeed it is difficult to see how the total

cost can be kept within the limit—but it will have none for the coming year, if rations and retail prices are unchanged.

Two tables which accompany this article give the basic arithmetic of the food subsidies. The first compares the cost of the subsidies during and since the war with the movement of imported and home-produced food prices, the cost of living and the ever-rising trend of wage rates. This table gives the familiar story of the growing burden of the subsidies (which current Labour Party propaganda suggests is borne "by the Government" whereas, of course, it is met by taxpayers of every class) and their failure to arrest the rising course of wage rates. The second table is concerned more specifically with the apparent increase in the cost of food subsidies during the current year. This second table demands a little explanation. To some extent, admittedly, apparent changes in the cost of various items may reflect changes in methods of estimating. Yet sufficient data have been published to obtain what ought to be a reasonably reliable estimate of the current cost of the subsidies. Table II shows the original estimate of cost, made at the beginning of the present financial year, and a revised estimate given to Parliament last November. Only three items show a reduction in the revised estimate—cheese and butter (of which the rations were reduced) and potatoes (of which there was a light crop). On the assumption that "other items" remained unchanged at £89 million, the revised cost of sub-

TABLE I
GROWTH OF FOOD SUBSIDIES, PRICES AND WAGES

	Cost of Subsidies*			Imported Food Price Index†	Home Agric. Prices	Cost of Living Index	Index of Wage Rates Sept., 1939=100
	Total	Imported	Home Produced				
	(£ mn.)	(£ mn.)	(£ mn.)				
1939	13	13	13	100	100	100	100
1949	63	n.a.	n.a.	119	138	117	111-112
1941	36	n.a.	n.a.	124	166	126	121-122
1942	143	n.a.	n.a.	136	178	127	130
1943	152	n.a.	n.a.	140	180	126	135-136
1944	225	n.a.	n.a.	147	186	128	142-143
1945	308	150	158	159	191	128	149-150
1946	364	178	186	177	202	128	161-162
1947	392	227	165	194	220§	128†	168

* Financial year from 1 April of year mentioned. † Taken at December of each year ‡ June 1947 last calculated date. n.a. not available. § Provisional.
Sources: Indices taken from Monthly Digest of Statistics and when necessary reconverted to 1939 base. Cost of subsidies and subdivision where given, taken from Hansard at the end of each financial year except 1947-48.

TABLE II
FOOD SUBSIDIES, 1947-48

	Original Estimate	Revised Estimate (Nov. 1947)	Calculated Estimate based on consumption	Consumption, 1947	
	†	‡	(3)	Estimate based on revised subsidies (4)	Actual (5)
	(1)	(2)	(3)		
	£ million	£ million	£ million	million	million
Bread*	77.2	52.3	52.2	3.70	3.74
Flour*	21.7	35.9	34.5	2.40	2.20
Shell eggs	53.0	27.1	45.7	0.18	0.31
Carcass meat	28.0	61.1	64.5	1.54	1.63
Milk	24.3	37.5	36.2	6.90	6.68
Sugar	23.4	27.0	33.2	1.45	1.78
Cheese	26.0	22.5	22.6	0.21	0.21
Butter	3.1	7.1	24.9	0.23	0.24
Margarine	(a)	1.6	1.6	0.02	0.02
Lard	(a)	1.0	2.2	0.06	0.14
Compound cooking fat	16.7	17.3	18.3	0.19	0.20
Bacon and ham	3.1	9.0	10.4	0.17	0.19
Tea	26.5	19.8	19.9	5.90	5.97
Potatoes*	89.0	89.0(b)	89.0(b)	...	...
Others	...	...	...	...	...
TOTAL	392.0	432.2	464.2	...	...

* Includes acreage payments. † Source: Hansard, 8 August, 1947. ‡ Source: Hansard, 18 November, 1947. § Monthly Digest of Statistics. (a) Not specified. (b) Assumed same as for original estimate.

sidies as estimated last November was running at an annual rate of rather over £430 million. But since some of the unspecified items—including animal feeding stuffs and the milk schemes—must be costing more to subsidise than they did last April, the actual cost of the total subsidy bill might even be approaching £450 million.

There is a sharp contrast between these figures and Mr Strachey's claim that the budget figure of £392 million will not be exceeded. Moreover, they can be cross-checked by actual consumption of foodstuffs in 1947—the assumption implied in this check, that consumption in the first quarter of 1948 is similar to that of the first quarter of 1947 is near enough for this purpose. Consumption figures are given in the *Digest of Statistics* for the main classes of foods (column 5); from these it is possible to calculate the total cost of subsidies (column 3) by applying the known rates of subsidy for each item, just as it is possible to compute from the estimated cost of subsidies last November (column 2) the physical quantities of foods to which they presumably relate. Columns 2 and 5 are fact; columns 4 and 3 are the converse of the same facts.

The estimates of cost in column 3 suggest that the burden of subsidies, based on the consumption of 1947, might be well in excess of £460 million. How far is this figure reliable? It will be noticed that the items in column 3 agree quite closely with those in column 2, with the principal exceptions of shell eggs, sugar, margarine and cooking fat. The difference in shell eggs may be partly due to consumption of (unsubsidised) eggs by domestic poultry keepers, and in the other items to the inclusion of deliveries to domestic manufacturers, which carry a smaller or no subsidy. It is difficult to guess by how much the total of column 3 ought to be reduced to take account of these factors. Some idea may perhaps be derived from the original Supplementary Estimate for

the Ministry of Food, submitted at the beginning of the month. This showed an increase of £51 million in the Ministry's trading deficit for 1947-48 to £364 million. The estimate suggests (by a method of reasoning suggested on May 3rd last year in these pages) that the cost of subsidies is of the order of £450 million—or perhaps £445 million if the saving on eggs and bacon (through higher prices) was not allowed for in the supplementary estimate; but against this, £10 million should be included for retrospective payments to Argentina, primarily for meat already supplied.

These calculations take little account of recent price increases, from which it could be inferred that, other things remaining equal, the total cost of subsidies for 1948-49 would reach the fantastic total of £525 million. Other things, of course, will not remain equal. But whatever the Government may do about subsidy policy, there is no relief from increased costs of imports, for which Britain has largely contracted a year ahead. The need, by every canon of sound and sober policy, is to allow at least some food prices to rise to their import cost. If milk, meat, bread and fat were kept at stable prices, and the subsidies on sugar, butter, eggs, tea and bacon were withdrawn, some £100 million or more of the prospective expenditure of £525 million could be saved—in other words, the cost of subsidies could be kept at something near its present level. That indeed would be no resounding achievement. The extra cost in retail prices per head would be of the order of 9d.-1s. per week—which could hardly be described as a savage cut in subsidies, which have been officially estimated as being worth 3s.1½d. a head. And if the estimates in this article are to be relied upon, it would leave the total burden on the taxpayer broadly unchanged. "We cannot freeze prices here, particularly the price of imports, regardless of what is happening to prices outside this island." Can Sir Stafford Cripps afford to be less of a realist than was Mr. Dalton last November?

NOTES OF THE WEEK

Warning from Prague

The easy victory of the Communists in Czechoslovakia has had an electric effect in Paris. Men of the right and left have been startled and shocked into a realisation of what they have in common, dismayed too at the quick collapse of a Czech Social-Democrat Party which only three months ago seemed strong enough to slough off its extremists and fellow-travellers. The Gaullists and the Socialists have been talking of national unity in a way unknown since the first days of Liberation. But the question whether anti-Communist forces should be concentrated in the Government, or behind and outside it, is for the moment theoretical.

It is not yet certain how and when the next wave of Communist attack in France will come; it has been freely predicted for next month, but it seems probable that the next great effort will be in Italy, where elections are due in April. Signor Togliatti is a more supple and guileful revolutionary than Mr Gottwald in Prague, and some observers declare that he is confident of winning all the votes he needs with the present combination of Communists and left-wing Nenni Socialists.

M. Bidault made a brave speech on Wednesday about the warning from Prague. He spoke warmly of the Anglo-French effort to gather round them "what is left of Europe"; and he put into clear and forthright language what President Benes no longer dares say publicly:

There can be no democracy where you shoot or hang your opponent, or where people speak of their truth, their freedom, their justice and not simply of truth, freedom and justice.

* * *

One Stage More in Hungary

The Sovietisation of Eastern Europe is smoothly following its predetermined plan, whose phases, faithfully repeated in one country after another, have often been pointed out in *The Economist*. In the same week in which Czechoslovakia was brought to the "Hungarian phase" of 1947, Hungary herself took a big step towards the "Rumanian phase." After a year of

Communist-staged "splits," purges, suppressions and arrests in the non-Communist ranks—the process on which Czechoslovakia is now embarking—the only political force left in Hungary that preserved any significant degree of independence was the Social Democratic Party. Now it has received its decisive and final purge. While the party leader Szakasitz—a "near-fellow-traveller," but a man with some personal sense of loyalty—was safely away on an official mission in Moscow, his deputy-general-secretary, Marosan—a "crypto" unencumbered by such bourgeois scruples—announced the resignation from the party, and from their public offices, of a long list of prominent Socialists.

The most important of the expelled is Antal Bán, until recently Minister of Industry. Bán is in no sense a "right winger." On the contrary, his ideas are in many respects more radical than those proclaimed by the Communists, and as Minister he has carried through with considerable success the government's policy of nationalisation and national control in industry. But he has stood firmly for his party's independence, refusing to see its 50-year-old trade union and political machine taken over by the Communist power-clique in the name of "workers' unity." Another victim is the deputy speaker of the Parliament, Miss Anna Kéthly, a veteran of the Hungarian labour movement, herself of middle-class origin but immensely popular among the workers in the factories. Her crime is that, though by no means always in agreement with the policy of Western Socialists, she valued her friendships in the West, and did not wish her party to be cut off from the world labour movement.

* * *

Another Meeting of the Sixteen

Two events have brought to the fore the question of the next meeting of the Sixteen. The passage of the European Recovery Bill intact through the Senate Committee on Foreign Relations has encouraged the State Department sufficiently for it to announce that no harm would now be done by a further meeting of the Sixteen Nations and that there need be no further anxiety lest a premature conference should give a sensitive American

about Palestine. His statement, a masterly piece of drafting, was as carefully—and precariously—balanced as a card house. Two lines of action were proposed: first, enquiry into a possible threat to peace in Palestine; secondly, an attempt to get agreement “on the basis of the Assembly resolution,” by a committee of the five permanent members (USA, USSR, Britain, France, China) in consultation with the Palestine Commission, the Mandatory, and “representatives of the principal communities.”

The Council, said Mr Austin, had no power to enforce a political settlement (e.g., partition) but only to intervene against a breach of the peace. The Commission's report implied that such a breach would occur if the effort to carry out partition continued. But Mr Austin pointed out that the Council was not bound to accept the Assembly's recommendations, although attempts to frustrate them by force would be contrary to the Charter. He was on firmer ground when he pointed out that according to the Charter, a finding by the Council that a danger to peace existed placed all members of the United Nations, regardless of their views, under the obligation to assist the Council.

This provoked from Mr Creech Jones a prompt restatement of Britain's refusal to “shoulder any further commitments.” He added: “Logically, our course is to abstain from voting.” He did not say what he would do if he were asked to vote on a decision which would automatically involve British intervention with other Powers. If he abstained he would be committing Britain; if he voted against it, he would be using the veto.

* * *

Jerusalem Outrage

Meanwhile the events of last Sunday in Jerusalem have made it almost impossible for Britain now to offer any forces to help in preserving the city as an international sanctuary. It is a tragedy that this should be so. Using a technique made familiar by the Irgun Zvai Leumi, persons unknown in British uniforms parked an armoured convoy of stolen vehicles in the middle of the Hagana “security zone” and blew up a large section of Jerusalem's business shopping street, killing some 50 people. In subsequent rioting, nine British soldiers and police were murdered by the Jews, who were told by their leaders that the outrage was the work of the British security forces. This accusation has been categorically repudiated by Mr Rees Williams on behalf of the British Government, but much more clarification is necessary.

A leaflet signed Abdulgadie Husseini (the Arab commander for the Jerusalem area), claiming that the deed was an Arab reprisal for a similar Jewish outrage at Ramleh, was read out in the House of Commons, but this has in its turn been repudiated by the Arab Higher Committee in Cairo. The circumstantial allegations made by the Jewish Agency must be investigated one by one and a full account published. It has been known for months that the Arabs were using foreign military advisers, mostly European exiles, to train their guerilla forces. Since December there have been Arab reports of British volunteers enlisting to fight with the Arabs. In the emotional climate induced by two years of Jewish terror there will, unfortunately, be many to whom such an adventure would appeal. If any of these non-Arabs should turn out to have been responsible for Sunday's outrage, the facts should be published as soon as known.

* * *

A Left Labour Government?

Mr. Harry Pollitt's notion of a Labour Government of the Left, acclaimed with enthusiasm at the Communist Party's annual conference last weekend, is not without its attractions. Imagination boggles at the great strides forward to Socialist peace and prosperity which would be made under a Government, with himself as a possible Premier, Mr Zilliacus as Foreign Secretary, Mr Piratin or Mr Platts-Mills as Home Secretary, Mr Horner as the obvious choice for Minister of Fuel, and Mr J. R. Campbell or Mr Palme Dutt, the Communists' main theoreticians, no doubt replacing Sir Stafford Cripps as Chancellor of the Exchequer. Mr John Gollan, a member of the Executive, however, refused to enter into the game of Happy Families, and contented himself with saying that as and when a mass fighting movement against the Labour right-wing leaders develops, so would the new left-wing leadership emerge.

There is no doubt that some discontent and disappointment exists among the rank and file of the workers, after two and a-half years of Labour Government, and this feeling will no doubt be intensified if the mounting pressure for higher wages is resisted. But it is pure fantasy to talk in terms of an alternative Government,

or to suggest that any feeling of frustration in the Labour movement has reached a pitch of fury against the present leaders. Paisley provided an effective answer. Wigan will no doubt provide another.

What is more dangerous than this day-dreaming is the threat to industrial stability presented by the Communists' campaign against the Incomes White Paper. Trade unions who go ahead with their claims are promised full support, and workers are urged not to “accept passively” adverse awards of Government-inspired arbitration tribunals. While the Communists deny any intention to “sabotage” production, the threat to encourage strikes is surely implicit in this advice. It is true that the Communist Party is negligible in size; although a recruitment of 8,000 members since October is claimed, total membership is still only 43,500. But Communist influence is strong among shop stewards, especially in the key engineering and shipbuilding industries, and, in spite of Mr Morgan Phillips's circular, Communists have not been removed from offices in trade union executives and trades councils. Hitherto, Communist propaganda has been directed mainly against Mr Bevin and Sir Stafford Cripps. It is significant that the TUC General Council, which endorsed the White Paper, is now included in the directive.

* * *

Local Government Bill

The Local Government Bill, which had its third reading this week, emerges from the Commons substantially unchanged although amended on numerous points of detail. The egalitarian principle, under which the Exchequer in effect pays rates to all those local authorities which possess less than the national average of rateable value is undoubtedly fairer than the old “block grant” method. Its chief danger is that it will intensify central control and interference, for since the Government will have to pay whatever rate is settled locally, it has reserved the right to check the whole of the local authority's expenditure and to discuss any item which is regarded as “excessive and unreasonable.” This danger is admittedly reduced by an amendment made in committee, under which the Minister cannot withhold the grant from any local authority without presenting a report and seeking the approval of Parliament.

It has transpired that the total of the Exchequer Equalisation Grant for the coming year, 1948-49, will be over £51 million, which is higher than was expected. The average net saving to the rates confirmed by the Bill, taken in conjunction with the transfer of hospitals and public assistance and the upward revision of education grants, is now put at 3s. 4d. Many, but by no means all, of the local authorities are planning to reduce their rates for the coming year—although not to the average extent of 3s. 4d., partly through financial caution and partly because costs are likely to rise in other fields. It is, however, impossible to generalise because the impending changes will affect local authorities so very variously. Mr Bevan could say, however, that all but seven of the counties and county boroughs are eventually expected to receive some Equalisation Grant.

The centralisation of valuation at the Inland Revenue, which the Bill introduces, is generally accepted as being desirable in itself and necessary for the fair allocation of Exchequer grants. However Mr Bevan has now agreed that the rating authority should be given a third party's right of appeal against the Inland Revenue's valuations. The payment to councillors of expenses and of some compensation for loss of earnings is a good feature of the Bill; the central pooling of payments which are to be made in lieu of rates by the nationalised transport and electricity undertakings seems logical and fair, but again weakens local independence. The most unsatisfactory part of the Bill is still the new system for the valuation of dwelling-houses. It has become quite clear that under this system houses built before 1918 will come off badly compared with those built after that date; and the use of several very different bases of valuation remains capricious in principle and unpredictable in outcome. Without doubt, a new system is badly needed here; but Mr Bevan has not shown that his is the right one.

* * *

Dancing on the Rates?

The Commons' debates on the concluding stages of the Bill have been enlivened by controversy over a new clause which empowers county boroughs and county districts to provide “entertainment of any nature or of facilities for dancing.” The powers are so wide as apparently to include every cultural and frivolous activity, and a catholic council may dispense to its citizens dances, films, and peepshows side by side with symphony concerts, art

exhibitions, and dramatic productions. It can build its own theatre, concert hall, or dance hall, and it can provide any entertainment in a corner of its park. In principle, this is a good provision. What is actually done under it will vary very much with the energy, taste, and inhibitions of the council in question, and too much should not be expected—certainly not in rural areas, or in any area at the present time. It is a pity, as Mr Mitchison pointed out, that the parish council is given no opportunity to provide simple and inexpensive entertainment, since often its knowledge and zeal must be greater than that of the rural district.

The local authorities concerned are permitted to subsidise these activities up to the product of a 6d. rate. This is a questionable arrangement, and Mr Bevan was unpleasantly brusque in his refusal to reconsider it. With such wide powers, the average council ought easily to be able to recoup on the swings of frivolity what it loses on the roundabouts of culture. To show a loss on entertainment taken as a whole is a dreary and unhealthy prospect. It may be objected that some councils will wish to promote only cultural activities, which involve a loss; but the way to meet this point is to limit the ratepayer's liability exclusively to activities of this sort. As things stand, he can be made to pay for free dancing and the like, which is absurd. Surely it is time for the public to be made to realise the truth of Lord Pakenham's warning that the country can only come through the present crisis by abstaining “from certain forms of enjoyment which we have come to think of as our rightful share.”

* * *

More Negotiations on Austria

Few negotiations have lasted as long or tried tempers so sorely as the Four-Power talks on a peace treaty for Austria. For months, the representatives of the Powers sat in unchanging and irritable deadlock in Vienna. No formula could be found to reconcile the Russians' determination to keep control of 250 factories which they claimed to be German assets, transferable to them as reparations under the terms of Potsdam, and the equal determination of the other Powers to prevent what they felt would be the placing of the key part of Austrian industry under the extra-territorial control of a foreign Power.

The French delegate finally suggested a compromise whereby reparations from current production or money payments should take the place of a direct cession of assets and on the last day of the Four-Power Conference in London, Mr Molotov put forward suggestions on Austria which implied that he was ready to budge from Russia's previously immovable demands for possession of all the German assets. This loophole for further discussion was eagerly exploited by Mr Bevin, with the Americans giving a more guarded consent and it was agreed that the Russians should prepare proposals on the basis of the French compromise. At the end of January, the Russians produced their new plan and the Four-Power discussions began again in London shortly afterwards.

The Russian proposals are in one sense a genuine compromise. They represent the reduction of their original claim by some \$400 million and their demands for ownership of plant and extra-territorial rights have been considerably reduced. The following summary gives the essence of their proposals:

1. Austria should grant Russia two-thirds of its oil extraction rights in the country as well as two-thirds of its oil exploration rights.
2. Both these concessions should be for fifty years.
3. Russia should receive oil refineries capable of producing 450,000 tons of crude oil a year.
4. Russia would choose the oil undertakings to be transferred to her from units now under Soviet operation.
5. Austria should hand over to Russia the assets of the Danube Shipping Company, including its ships, in Hungary, Bulgaria and Rumania as well as 25 per cent of the assets of the company located in Austria itself.

LIMITS OF CONCESSION

6. The Big Four Powers should surrender their rights to all former German assets in Austria except the oil and shipping concessions demanded by Russia, and Austria should pay the Soviet Union \$200 million in freely convertible currency.
7. Austria should grant Russia certain extra-territorial rights in connection with the former German assets taken over by the Soviet Union. These include the unqualified rights to take out profits and other income in the form of output or freely convertible currency as well as immunity from any earlier obligations of the undertakings.
8. Any disputes arising out of the German assets problem should be settled bilaterally between Austria and Russia.

What should be said of these proposals? The Austrians at least are certain that they should be accepted. For Austria, the one desire is very naturally to get rid of the four armies of occupation. Ideally, no doubt, they would like the Russians to treat them as generously as the British and the Americans who have renounced all claim to reparations and have on the contrary supported the Austrian economy through two years of complete dislocation. But the Austrians know that the Russians can only be persuaded to withdraw at a price and some were even ready to pay the price entailed in Russia's original claims. There is thus all the more eagerness to seize the new concession and make it the basis of a settlement.

The Austrians are prepared to ignore the strategic argument—that the presence in Austria of Russian concerns with extra-territorial status would offer a permanent threat to Austrian security. The events in Prague have not changed their view. They claim that the Austrian Communist Party is too minute to stage a coup and that in any case, a Russian move would be the signal for the return of Anglo-American forces. But the Western Allies cannot accept the risk so lightly. Russia's right to reparations is admitted and Austria's industrial capacity has been so expanded during the war that it can certainly afford to make transfers to Russia, even over and above all the plant the Russians have already removed. These reparations could take the form of deliveries from current production and guaranteed deliveries of oil might well be part of the total. There is also no new danger in a transfer to Russia of part of the Danube Shipping Company since virtually the whole of the Danube is already under Russian control.

What is obviously inadmissible—doubly so after the tightening of the screws in Prague and Budapest—is that Russia should enjoy extra-territorial rights. For one thing, the whole conception belongs to an outdated period of “imperialist, capitalist exploitation.” For another the concerns under direct Russian sovereignty would be a permanent centre of disturbance in Austrian national life. On this point the Western Allies must, in spite of Russian pressure and Austrian regrets, stand firm. Reparations for Russia are admissible, indeed justified; extra-territorial concessions are not.

* * *

Japan's New Premier

The Japanese general election of last April—the first to be held under the new Constitution—returned the Social Democrats as the strongest single party, but without a majority of seats in the Diet. The two other strong parties were the Liberals and the Democrats, both of them parties of the Right, but the former rather more so than the latter. The Democrats, led by Mr Ashida, were prepared to enter a coalition with the Social Democrats, under the Social Democrat leader, Mr Katayama, as Prime Minister; this coalition commanded a Diet majority and the Liberals went into opposition. But the two Government parties, with programmes based on antagonistic social principles, found it difficult to agree on the measures to be taken to cope with Japan's urgent economic problems; each made concessions to the other which caused trouble in its own ranks.

A section of the Democrats, led by the aged Mr Shidehara, was unable to endure the spectacle of the nationalisation of the coal mines, and broke away from the coalition. On the other side the left wing of the Social Democrats demanded that a full Socialist programme should be carried out. They warned the leaders of the loss of popular support to be expected if the party continued to bear responsibility for the hard living conditions of the urban masses without having the power to put into effect its own remedies. The pressure of the left wing finally forced Mr Katayama to resign.

Thereupon the Liberals, as the second largest party, claimed the Premiership for their leader, Mr Yoshida; they professed willingness to take the Democrats into a Liberal-led Cabinet, but refused to have anything to do with the Social Democrats. A Liberal-Democrat coalition would have ranged Right and Left in Japanese politics in sharp division, but Mr Ashida prefers a middle-of-the-road policy which avoids this situation, and the Social Democrats appear to wish to continue their association with him, for they gave him the votes necessary to secure his election on February 21st as the new Prime Minister. Violent criticism of the choice has been heard from both wings of the Japanese press, and such phrases as “political black marketeering” have provoked General MacArthur's headquarters into some very testy comments on the bad manners and instability of Japanese politics.

There has thus been a certain shift towards the Right without a dissolution of the former political alliance. It should now be

force. This could only be done by the introduction of the transferable vote. But the transferable vote could only be introduced with the help of one of the two big parties.

As a means to this end, the Liberal Party itself might be used as pressure group—by offering to conclude an electoral truce with the Conservatives, on condition that they pledge themselves to the introduction of the transferable vote. The truce itself would take the form of dividing all constituencies between the two parties in proportion to the number of votes cast for each at the General Election—a proportion of 4.45 to 1. (Thus the Conservatives would contest 445 seats to 100 contested by the Liberals.) Such an arrangement would preserve the complete independence of both parties.

If this gave the Liberals a "casting vote" in the Commons, they would of course have to form a coalition with one of the other parties—presumably the Tories. If such a coalition broke up because the Tories failed to live up to their present Liberal pretensions, some of the more enlightened Tories might then very well come over to the Liberals. So, perhaps, might some of the more moderate Labour members.—Yours faithfully,

Trinity College, Cambridge

NIGEL SEYMER

SIR,—Your contributor dealing with the subject of the middle class had a close look at the only possible solution of his problem, turned his back on it, and resigned himself to political impotence.

The outcome of elections is unpredictable and it is not beyond the bounds of possibility that the next election may follow a partial or complete collapse of the country's economy, in which case many thousands whom even semi-starvation would not induce to vote Conservative might turn towards the Liberals.

Apart, however, from such an unpleasant eventuality, it seems likely that the two main parties would have fairly equal representation in the House, and if only 50 Liberals are returned the majority party could not afford to ignore their opinion. A hundred Liberal members could almost certainly influence the course of events decisively and the future of the Liberal Party would then depend largely on their actions.—Yours faithfully,

V. MOLYNEUX

46 Grasmere Gardens, Harrow Weald, Middlesex

SIR,—The brilliant diagnosis of your four articles on "The Middle Class" is not carried far enough, with the result that the

cure suggested in the final paragraphs is half-hearted and impracticable. How can a body of voters be created who would act together "without being a party of their own"? How can the professional middle class "recognise its own existence and its own importance" unless it is organised into some political form?

Within the next twenty-five years the people of this country have got to perform two main tasks. The first is to solve the immediate economic problems, which is another way of saying that the war remains to be paid for and the wealth wasted or destroyed thereby replaced. The second is to retain and strengthen the democratic form of the state so that it may be proof against the advances of the totalitarians from either side. At one time in our recent history our freedom was threatened by the totalitarians of the Right. Now the danger appears to be Communism into which we may imperceptibly glide via Socialism or, more probably, be high-jacked by the next swing of the pendulum after a future Conservative administration.

I think your correspondent is in error when he suggests that those who vote Liberal are exclusively of the middle or professional classes. As the issues become clearer it is probable that many who voted Labour last time to keep the Conservatives out, but who are not Socialists, may vote Liberal again.

Another point I should like to make is that at a by-election, with Parliament constituted as it is at present only the "sea-green incorruptibles" are likely to vote Liberal. At a General Election the electorate would be influenced by different considerations. The Liberal Party is at the moment politically ineffective. If it were more effective, many more people would vote Liberal. Might not the present be the time for the middle and professional classes to take an active part in politics and to ensure not only their own survival but that of all free thought, free expression and free institutions in this country, and perhaps throughout the civilised world?

Hitler admitted that the Liberals, not the Communists, were his real enemies, and proceeded to destroy them. Let the true Liberals of this country be forewarned and take action in time. Liberalism is not a middle way. It merely seeks to prevent too much power being concentrated in the hands of too few people. It matters little to an individual who has been deprived of his freedom whether those in power should belong to the Left, the Right or the Centre.—Yours faithfully,

OLIVER SMEDLEY

16-27 Bunhill Row, London, E.C. 1

AMERICAN SURVEY

Bronx Cheer

(From Our US Editorial Staff)

IN American slang, a Bronx cheer is a derisive sound that induces no cheer in its recipient. No cheer whatever was given by Henry Wallace, and the forces behind him, to the Democratic Party on February 17th, when a special election for Congress was held in the Bronx. Mr Leo Isacson, American Labour Party candidate, for whom Mr Wallace and his group had been actively working, ran away with what is normally a safe Democratic seat. The publication of the result coincided with a radio address by Senator McGrath, the Democratic National Chairman, in which he urged that the third party effort should be abandoned and trusted that Mr Wallace

will realise that unscrupulous forces who look to Moscow for guidance see in his candidacy a chance to disrupt the normal activities of our two-party system.

The White House had no comment; Mr Edward J. Flynn, Democratic boss of the Bronx, towards whom eyes rolled with eyebrows lifted, took refuge in the fact that the vote was light. Certainly the Democratic vote was light. It was 60,486 in that district in the presidential year 1944; in the off year 1946 it was 39,316; and in this special election it was 12,578. The Republican vote was proportionately even lighter: in the same three elections it was 18,481; 16,931; and 1,482. The Labour Party figures, by contrast, showed hardly any change: 24,943; 24,249; and 22,697.

Other alibis are available: the district is predominantly Jewish—Mr Isacson himself is a vigorous Zionist—and therefore susceptible to the appeal to minority groups on which Mr Wallace's campaign is based. So Mr Wallace doubtless indulged in overstatement when he said that this election presaged a third party victory in November. But he might have been on tenable ground if he had said it presaged a Democratic defeat. The unexpected margin of his candidate indicates that even in less specially favourable districts he may be able to divert enough votes to let the Republicans in rather comfortably. It shows that the split in the ALP over the third party issue has not crippled its effectiveness. And, New York State politics aside, it gives to his followers elsewhere in the country an extra fillip for the last weeks of rolling up signatures on the petitions required in most States for a new party to get on the ballot. In California and Illinois there is cause for left-wing rejoicing. There is even more cause for Republican rejoicing everywhere. (Super-cynics are even wondering if voters, normally Republican, may have given the Labour Party a little help on this occasion.)

Clearly, if Democratic hopes are to be more than illusory, new energy must quickly be found. Outside the Party proper, the two most likely sources are the Congress of Industrial Organisations' Political Action Committee, now a veteran of several campaigns, and the new organisation for which the American Federation of Labour made arrangements at its recent executive meeting, Labour's Political Education League. The purposes of the League, in which all the AFL unions except the carpenters are taking part with greater or less enthusiasm,

will be to get members and friends to register and to vote, to explain the issues involving their interest that are at stake in the campaign, and to compile and circulate the voting records of the candidates. In theory at least, the League will follow the traditional practice of rewarding the friends of Labour and penalising its enemies, whatever their party. Greatest activity is anticipated at the time of the primaries; where all the candidates likely to offer themselves seem to be bad ones, the League will attempt to induce others to run.

On what is a very similar programme, the CIO is somewhat further along. Highly practical four-page leaflets are being distributed outlining the dull indispensable details of political action, card-indexing the ward, precinct and affiliation of every union member, checking names against official registration lists, securing block workers to visit the families whose names are known and to ring the door bells of the rest.

The political arms of both the AFL and the CIO are financed by voluntary contributions. The funds are collected through the unions—"Give a buck to PAC"—but the donors receive receipts and the funds are handled separately from dues money. This separation of political from economic funds followed the legislation on which—especially if the present halt in the upward price spiral proves permanent—most of Labour's campaign effort is likely to be concentrated. Candidates who voted for the Taft-Hartley Act are going to have to do some fast explaining if they are not to meet solid Labour opposition to their re-election.

*

That Act made substantial changes in labour law, but its importance as a symbol is even greater. Labour claims that it was passed because, at the last Congressional election, only a minority of the people went to the polls. Believing that a bigger vote would have meant a Democratic victory, Labour aspires, through a larger turnout this time, to bring in candidates who will secure its modification. A new Gallup poll, however, finds that sentiment for revision has declined compared with last August and September.

The law is an omnibus measure; its various clauses are likely to be passengers with various destinations. In the day-to-day economics of shop activity it is being widely used. Cases filed before the National Labour Relations Board in January, cases, that is, that had exhausted the regional boards' procedures, numbered 3,008, an all-time high in the Board's twelve-year history.

While these cases were being disposed of, others were rolling in at a rate that can create a log-jam if it is continued. At the end of January, 7,237 cases were pending; about a fourth of them were hang-overs from the days of the Wagner Act, but 5,339 had come in under the new regulations. But as the Board has been grinding out routine cases, a series of tests has been in preparation, some of them within the limits of the Board's procedure, and some of them in the Courts.

One of the features of the Taft-Hartley Act most bitterly opposed by Labour is the vesting in the Board of the power to seek injunctions. (Past use of the injunction in labour disputes in the United States—particularly in the 1920s—has no British parallel.) Not many injunctions have been sought. But two, one against a union and one against a company, are attracting wide attention. The Board is seeking an injunction against the International Typographical Union (AFL) for refusing to bargain collectively. The union, an old-established group of highly skilled workers, has always operated on a closed shop

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basis. The closed shop is outlawed by the Taft-Hartley Act. Where its contracts expired, the union sought to avoid collective bargaining by simply posting conditions of work. Some time after the occurrence of the dispute the Board sought an injunction, and hearings start March 1st and briefs have been filed by the AFL, the CIO and the United Mine Workers as friends-of-court as well as by the immediate parties. The other injunction by the Board, on which hearings started on February 10th, concerns the proposed revised insurance plan of General Motors. The United Automobile Workers (CIO) contend that the company agreed to bargain collectively on this plan.

Two cases before or on their way to the courts concern civil as contrasted with economic rights. One is the suit of the National Maritime Union against the Board, brought on the constitutional ground that the affidavit required of officers of unions making use of Board procedures violates the right to freedom of belief. The contested wording runs:

that he does not believe in, and is not a member of or supports any organisation that believes in, or teaches, the overthrow of the United States government by force or by any illegal or unconstitutional means.

This case is now pending in the District of Columbia Federal District Court.

The other main case is the recent indictment by a Federal Grand Jury of Mr Philip Murray and the CIO on a charge of violating the political expenditures section of the Taft-Hartley Act. Seven months ago, immediately after the Act became law, Mr Murray invited the indictment by authorising the publication, in the *CIO News*, of an endorsement of Judge Ed Garmatz, then running in a special Congressional election in Baltimore, Maryland. When indicted, Mr Murray said he had acted

in the hope that such an authorisation would enable the courts of the United States to rule again that no Act of Congress can abridge our basic constitutional rights of freedom of press and freedom of expression.

These aspects of the Taft-Hartley Act are likely to receive attention as Labour seeks to bring its members to the polls, and selects candidates for political endorsement. And the intensity of their feeling on this and related subjects may determine whether the Democratic Party, minus the minorities, has enough strength to hold its own in the key States where the election will be decided.

American Notes

Waving the Ragged Shirt

For two decades after the Civil War the Republicans, by "waving the bloody shirt" of the rebellion, perpetuated themselves in power and distracted attention from their own rifts and the political corruption which was the hall-mark of the period. At the Jefferson-Jackson Day Dinner held in Washington (the prototype of many other fund-raising banquets throughout the country), Mr Truman waved the ragged shirt of the depression at the Republicans. Even in a party so riddled with dissension as the Democrats, the "forces of selfish wealth and privilege" are as safe to attack as the man-eating shark, though there was little more than polite applause of these passages from Democrats able to afford \$100 a plate.

Mr Truman compared his ten-year programme of welfare and economic expansion to that vision of the westward march toward a new frontier which inspired Jefferson and Jackson; and accused the Republicans of clinging to a policy of selfishness and timidity which would once again bring down the whole economy in ruins. Even businessmen, he considered, might want more of the government "hostility" which has transformed the deficits of 1933 into the record profits of 1947.

Prosperity is an invaluable party asset, though perhaps not so reliable a one as patriotism, as the Republicans discovered to their cost in 1929. It did not suffice to conceal the cracks in the Democratic façade. At a dinner to promote party harmony, thought for the Southern Democrats prompted Mr Truman to silence on civil rights, and Mr James A. Farley, the practical architect of two Roosevelt victories, was enthusiastically welcomed back into the fold. But his presence was more than offset by the empty table reserved for South Carolina on the President's left hand and the spectre of Mr Wallace. Mr Wallace was on every one's mind, but his name was religiously avoided by

speakers who still cherish the hope, surely now quite forlorn, since his heady victory in the Bronx, that Mr Wallace may yet repent. The excuse for the absence of the South Carolinians was that there was no guarantee they would not be seated next to negroes, but in Little Rock, Arkansas, half the diners solemnly left a Democratic dinner as the loud-speakers began to carry the President's speech; and there was a tied vote on the question of whether the funds collected should be sent to the Democratic campaign fund or kept in Arkansas to finance party secession.

* * *

Inflationary Steel

The serenity of the President's voyage in the Caribbean was this week shattered by the news from Washington that steel producers had announced price advances for semi-finished products by a general rate of \$5 a ton. Peremptory instructions were cabled to the Council of Economic Advisers, and to the Department of Justice, to investigate the cause of the increases, and to determine whether or not the industry's policy marks a violation of the anti-trust laws.

In Washington the Department of Justice gave formal notice of attack on lines which were more than vaguely reminiscent of totalitarian methods. The Attorney-General, Mr Tom Clark, reported that "simultaneous questioning of executives of leading steel companies began [this morning] and is continuing." The grilling will no doubt be mild by the standards of Prague or Warsaw, but the atmosphere is distinctly unfriendly, and the steel companies, which have long been suspect in respect of "basing point price standards," are facing a new burst of opposition from Congressmen who have already called for the submission of evidence, and who are recalling Mr Truman's earlier appeal for the revival of EPT.

The steel manufacturers, it must be noted, have scarcely strengthened their case by the sleight-of-hand procedure adopted. The new prices announced are generally for such products as forging booms, billets and slabs, at \$54 a net ton (2,000 lb.), an actual reduction on the earlier schedule of \$55, which was, however, for the standard UK ton. There has been a widespread assumption that the new prices represent a deal with the steel workers, in anticipation of a "third round" of wage increases to be agreed this spring. The manufacturers, however, present a more belligerent view, and assert that, despite present prosperity, "break-even" points are now so high that fresh adjustments are necessary. The president of Republic Steel says, for example, that new prices are inevitable because of high costs inflated "by phoney economists and former New Dealers."

Non-integrated steel companies are the first to suffer from the new move, which certainly puts a new impetus behind the gathering wage claims, and which is scarcely in accord with the advice given recently by the Council of Economic Advisers. In the absence of those ruthless physical controls, or draconian monetary restraints which will scarcely emerge from the Department of Justice or from Congress (at least to judge by 1947) there is, however, perhaps a little to be said for the classic pattern of price movements at this phase of the postwar boom. Last year the rise in wages in the steel industry, and the subsequent price adjustments, were heralds of the general inflationary tide which followed the mild business setback in the spring. But such basic indicators may also be warnings that the industrial position is becoming more than ever unstable. Neither the manufacturers nor the steel workers possess an automatic guarantee that demand will continue to bless their full claims through the whole of 1948.

* * *

The Future of Farm Prices

During the war years legislation, originally designed to alleviate agricultural depression, was used to stimulate the American farmer to make the necessary changes and increases in his output. The amendments by which this was achieved expire at the end of this year, and the recent drop in agricultural prices was a reminder of what might happen then. It has been urged that the opportunity should be taken to review the nation's whole farm policy; on the other hand, it can be argued that the moment for returning to a normal basis has not yet come, since the European Recovery Programme will require agricultural planning on something approaching wartime lines. In addition, Congress seems unlikely to find either time or inclination in an election year to undertake action which will necessarily be complicated and controversial and which cuts across all party lines. The present indications are that the emergency legislation, possibly with some changes, will be continued for at least another year.

Nevertheless, the Agriculture Committees of Congress have for some time been conducting hearings both in Washington and across the country, and the trend of thought on the question of future agricultural policy is becoming clear. Mr Taft covered the two points on which expert opinion seems agreed when he spoke at Omaha, in the middle of the farm belt. He took for granted, as does practically everyone else, the Government's basic responsibility for the farmer, but, he went on, with courage and with what a Washington columnist called "bleak honesty," to declare that price supports should be substantially lowered from their present level of 90 per cent of parity. The original programme of price supports affected only six basic commodities and varied between 52 and 75 per cent of parity and occasional surpluses have already shown what a heavy financial commitment the new level would involve in a real agricultural depression. The remedy proposed is that advocated by Mr Taft although it is usually put more tactfully: price guarantees are to be made more flexible and the list of commodities to be supported is to be revised and reduced.

Mr Taft also favoured a revision of the parity price formula, and thus warmed his audience a little, since it is this formula which decides the actual level of support prices. At present it is designed to assure the farmer purchasing power equal to that he would have had in a base period, usually 1909-14. The main criticism of this formula is that it perpetuates an out-of-date agricultural pattern and a change in the base period is one suggestion. Another is that the farmer should be guaranteed an overall parity income rather than parity prices on individual crops.

* * *

Tight-Rope Walking over Palestine

Mr Warren Austin's dissertation on American policy toward Palestine shows that when one dare not move back, and cannot move forward, it is still possible to move sideways. The Administration, having failed to persuade the Republicans to pay any part of the price incurred by a Zionist adventure which has profited the Administration in the past, is attempting to buy time and to widen international responsibility for the next step. On Palestine, as on the domestic civil rights issue, cannon are thundering to the left and to the right of Mr Truman. But on Palestine they thunder in unison. In the Bronx, Mr Henry Wallace has made the charge that the President "talks Jewish but acts Aryan" and that he is stalling until after the election. On the far right Mr Taft's mobile guns have growled out that a moderate force under the United Nations should be sent to enforce partition and that the shipment of arms to Palestine, now embargoed, should be "controlled and regulated in accordance with the policy" developed by the Palestine Commission of the United Nations. Senator Taft went on to say that the situation called for more than formal expression of adherence to the United Nations' decisions, and that if the Great Powers failed to back up those decisions, the United Nations would sink into insignificance as did the League of Nations.

Mr Taft may merely be extending to Palestine the tactics the Republicans are following in the civil rights dispute: holding the Administration embarrassingly to the letter and the implication of its promises. But the issue of the authority of the United Nations is taken to heart by many who are not Zionists and who fear that Palestine may prove the Ethiopia of the United Nations. The election of the American Labour candidate in the

Bronx is a pointed reminder that Palestine may lose the Administration one of the mickles that goes to make the muckle of Democratic victory. In such a Jewish district the Wallace candidate was at his strongest, but it is clear that the Jews in New York, like the negroes, may swing the city that can swing the state that can determine the election. The defeated Democratic candidate did not fail to support partition; and the Administration by now must be aware that it can continually be outbid by one or the other side of the opposition. The political liabilities of enforcing partition with American troops—quite apart from the considerations of oil supply both to Marshall Europe and to the United States in the event of another war—are very much more formidable. Even if Congress took the unlikely step of approving the dispatch of American troops, the effect of sending American boys to enforce Jewish ambitions in Palestine might well set up a running sore of racial hatred which would sap Democratic strength over a much wider area than the Bronx.

* * *

Planning for Security

In his final report as Chief of Staff of the United States Army, General Eisenhower outlined some of the practical difficulties which would make the establishment of a basis for enduring peace a long and arduous process, and then went on to discuss the "short-term security programme" of the United States. This is intended as an insurance against quick or overwhelming military defeat, although not against "unlimited atomic devastation," and includes industrial as well as military preparedness. The General repeated his previous recommendation for universal military training as "an essential measure under present circumstances." In spite of this expert advice, Senator Taft is not convinced that an adequate case has yet been made for a measure so entirely "contrary to the whole concept of American liberty."

On this question the Senator finds himself opposing Governor Dewey and Mr Stassen and, of course, President Truman, but, rather more unexpectedly, supporting Mr Henry Wallace. Although there are indications that labour objections to universal military training are weakening, a number of other groups are still campaigning strongly against it, on the grounds that it is both harmful to the youth of the country and useless under modern conditions of warfare. These groups include many well known and respected figures in the religious and educational worlds, whose influence on the independent voter is appreciable. This, coupled with a recent Gallup survey which showed that the percentage of those approving universal military training had fallen from 75 to 65 in six months, has certainly something to do with the reluctance of the House Rules Committee, in spite of pressure from both Republicans and Democrats, to bring up for debate the Bill which was reported favourably by the Military Committee last July and on which action was expected during the present session.

General Eisenhower declared that, unless this vital issue were settled in the near future, it would be necessary to "embark upon a total reorganisation of the Army's civilian components"—the National Guard and the Organised Reserves. This whole question is at present being studied by the Gray Committee, set up by the Secretary of Defence. Members of the Army and Air Force Reserves are said to be very dissatisfied with the way in which they are organised and with the low standard of the training they receive, but the National Guard seems to be emerging from its postwar difficulties and to be growing in strength.

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THE WORLD OVERSEAS

Before the Surrender

(From Our Prague Correspondent)

February 22nd

THE cloud which went before the storm that has broken over parliamentary democracy in Czechoslovakia has long been plainly visible on the horizon. It began to grow menacing when a majority of the Cabinet rejected a Bill presented by the Czech TUC (URO) and substituted one of its own prepared by Mr Majer, the Social Democrat who was Minister of Food. Within a day, the Communists had organised two mass meetings, one of factory works council delegates and the other of hand-picked farmers from all over the country; they threatened that "economic upheaval" would result if the Cabinet did not climb down. The other parties in the Cabinet, greatly daring, replied by passing a resolution, the Communists again dissenting, in which they instructed Mr Nosek, the Communist Minister of the Interior, to stop victimising non-Communists in the police.

Mr Nosek took no notice. Pleading illness, he refused to appear before the Cabinet to explain why he had not carried out its order. The non-Communists accordingly refused to discuss anything else. Thereupon the Communist Party immediately issued a call to action stations, to defend democracy and National Government. The non-Communist Ministers still persisted in their demand and absented themselves from the Cabinet to enforce it. By this time it was clear that it was action stations for all, and not merely for the Communists. The following day the non-Communist Ministers, with the exception of the Social Democrats, offered their resignations to the Prime Minister. He at once asked President Benes to accept them, which the President refused to do. The battle for the soul of Czechoslovakia had begun in real earnest.

The main issue could scarcely be clearer but the Communists, as is their invariable way, have dragged in a great many other matters. They include all the Bills on which it has so far been impossible to reach agreement, as well as an entirely new demand for the immediate nationalisation of all private concerns employing more than 50 workers—a demand which goes back on all their previous pledges. Curiously enough they did not raise the question of the Constitution, which is still not agreed after nearly two years of discussion. The main question is therefore simply this: whether the chosen representatives of the majority of the electorate, which votes on a system of proportional representation, shall or shall not give way to the representatives of what is unquestionably a minority, even though it claims to represent "the people." The answer President Benes gave to a deputation of workers was: "Parliamentary Democracy must go on for ever." This reply was broadcast to the nation by the Communist-controlled radio, together with his statement: "I trust the workers" and the deputation's assurance that "the working people trust their President."

Burden on President Benes

Writing while the dispute is still at its height and the result uncertain, it is impossible to do more than enumerate the factors which will affect its solution. The principal factor is a new version of the old problem of a force which, if applied, would be irresistible and a mass which though not immovable is at least unshakable. As a physical force the Communists are irresistible, but the intellectual yearning for freedom is as strong in the hearts of very many Czechs as it is in that of the President. The Communists control the trade unions, the factories, the police and, to all intents and purposes, the army. At the last election they polled about 42 per cent of the votes in the Czech "Lands" and about 37 per cent in the whole country. Their present conduct, with another election due in three months, suggests that they do not expect to improve materially on this percentage. They remain, however, far stronger numerically than in any of the east European countries in which they already dominate the situation, and they represent perhaps 40 per cent of the electorate. In other words, at least three out of every five voters are against them.

But this Communist minority is organised and disciplined, whereas the majority is neither organised nor even united. The

minority is led by a set of men, many of them idealists, who know their own minds. The leaders of the majority, by resigning, have cast the chief burden and heat of the day on the President. They are ordinary parliamentarians, accustomed to the give and take of parliamentary life, shrewd at tactics and compromises, but unproved as yet in matters of principle. This is especially true of the Social Democrats, who hold the balance between the Communists and the others, who have their following mainly among the workers, and who are therefore bound to consider how far their flock would go if faced with victimisation in the factories. Benes, of course, is both a rock and a host, and his prestige is immense. But if the opposition of the non-Communists in the Cabinet were to falter, his own declaration that Parliamentary Democracy must go on would oblige him to accede to the wishes of his Cabinet. The Communists have been wooing the Social Democrats with the most fraternal ardour and have induced a number of them to join them on the platform. The final result of their blandishments is already apparent.

Choice Before Communists

In any case, however, it is clear that if parliamentary democracy does "go on for ever," it will be because the Communists have spared it at this critical moment in its development. They could overthrow it as and when they pleased, without any help from anyone. But not all of them want to overthrow it. The more level-headed among them realise they would face the prospect of a boycott of the legislative organs by the other parties, and that camouflage like that in Hungary and Poland is well-nigh impossible. They would also face the unconcealed hostility of three-fifths of the Czechs and more than two-thirds of the Slovaks. They would have to find a new President and Foreign Minister. As to the latter, a Social Democratic paper recently declared that Masaryk, when asked what would happen if the Communists got 51 per cent of the votes at the next election, replied: "Then you see before you the Chairman of the League of Future Political Prisoners." The story may be apocryphal but it carries a moral. The only way to muzzle not only Benes and Masaryk, but a good many others would be to put them in gaol or hang them. That is quite an undertaking, even for Communists.

Czech Communists have so far been law-abiding enough, except when their enthusiasm runs away with them, or when their leaders get themselves into a position from which it is difficult to withdraw without loss of face. So far as votes in the next election are concerned, they have probably lost more than they have gained in the past week. Indeed, last Saturday, several members of the Party were seen in the Wenceslas Square openly tearing up their membership cards to show their distaste for the methods that are being used. Allegations that men like Dr Zenkl, leader of the Czech Socialists, is plotting an armed rising in conjunction not only with the West, but also with "the German Military General Staff," sound ridiculous to Czechs who know Dr Zenkl's record during the war, when he spent a long while in a concentration camp. Indeed, when such a charge is made by an official radio commentator on the basis of an official communiqué, it merely arouses suspicion of the motives of those who bring it.

The question of the police is really a major issue by itself. Under Mr Nosek, the various police forces in the country have been unified. They now form a trade union which is part of the nation-wide network of the revolutionary trade union movement, ROH. When the other parties attacked Mr Nosek for communising the police they hit a keystone of the arch of Communist power in the country. "They want control of the police," said Gottwald, the Communist Prime Minister, at a mass rally of his supporters, "but we are not going to give it them." If there were a real spirit of co-operation between the parties of the National Front, it would not matter who controlled the police, and the dismissals would probably not have occurred. But the parties do not trust one another. They never have.

The unwritten rules of parliamentary democracy direct that, when there is an acute difference of opinion on a matter of

principle, there should be an appeal to the electorate. So far the only appeal has been to the organised workers, and not even to all of those. That there will be an election soon, however, is one of the few prophecies which seem safe in the present situation. It is, in any case, due in May. If parliamentary democracy has by then already gone under, the election will, of course, be a farce.

Eire Without De Valera

[FROM OUR DUBLIN CORRESPONDENT]

THE new Irish "Inter-Party" Government, includes representatives of the most divergent interests. The fact that they could combine at all registers the depth of their desire to change the administration. There is no doubt that the country generally was tired of Mr de Valera's Government and that the change was popular. It was widely felt that his party had enjoyed a monopoly of power and patronage long enough. The assembling of the new Executive Council was a masterpiece of diplomacy and compromise: every party agreed temporarily to shelve some of its most cherished policies in the interests of unity.

One of the most difficult problems was the selection of a leader to act as *Taoiseach* or Prime Minister. In the end the choice fell on Mr John Costello, who very unwillingly agreed to allow his name to be proposed in the Dail. In consenting to act, Mr Costello has made great professional and financial sacrifices. At the height of his career he has abandoned a lucrative practice at the bar for an office which will certainly prove extremely troublesome and may not prove to be very durable. Other Ministers have made similar sacrifices, and many members of the new ministry are animated by a sense of duty rather than by personal ambition. They feel they have a mission to improve the government of the country and to demonstrate that party differences can be subordinated to the public good.

The new Executive Council contains a great deal of ability and experience. The *Taoiseach* was Attorney-General in Mr Cosgrave's administration, which came to an end in 1932, and he has been, since then, an active opposition member in the Dail. He possesses the highest legal and political attainments and to have been selected as leader of such a mixed group is itself a great compliment to his integrity. He enjoys the advantage of not possessing a "national record," which means that he took no active part in the physical force movements that preceded and followed the Treaty. His appointment, therefore, registers a break with the militant tradition in Irish politics which is very welcome and long overdue.

The new Minister of Finance, Mr Patrick McGilligan, who also served for many years in the Cosgrave Government, is a man of first class ability and considerable experience, a member of the senior bar and Professor of Law in University College, Dublin. He can be relied upon to conduct his department with distinction. The Department of Education has been entrusted to General Mulcahy, the leader of the *Fine Gael* Party, who has, with characteristic public spirit and self-effacement, consented to take office under one of his own junior followers. He, also, possesses long experience of administration in Mr Cosgrave's Government. Two other members of *Fine Gael* have seats in the Executive Council. The other ministries are divided among the co-operating parties in rough proportion to their numbers; two to the Labour Party, two to the new Republican Party, and one each to the National-Labour Party, the Farmers' Party and the Independents.

Right and Left in Harness

The Independent who obtains office is Mr James Dillon, who becomes Minister for Agriculture. This is an excellent appointment. The increase of agricultural output, the reduction of costs of production and the expansion of exports are the most vital needs in the economic life of the country. To this serious and, it must be admitted, exceedingly difficult task, Mr Dillon brings a strong mixture of native ability, business experience and economic commonsense. He stands in the tradition of Mr Patrick Hogan, Mr Cosgrave's brilliant Minister for Agriculture, and is completely immune from protectionist fallacies. Politically, Mr Dillon is at the extreme right of the new combination of parties. He advocates closer association with the British Commonwealth and active co-operation with the Western democracies against the menace of Communism.

Right at the opposite end of the political spectrum is Mr Sean McBride, the leader of the new Republican Party, who advocates, as his ultimate aim, an Irish Republic completely detached from

all ties with Great Britain. Mr McBride has consented to act as Minister for External Affairs, and has courageously stated that he will not press his full policy for the present, as he does not consider that the electorate has given him a mandate to do so. The inclusion in the same cabinet of Mr Dillon and Mr McBride is striking proof of the desire for unity among Mr de Valera's opponents and of their almost passionate longing for a change of Government.

The cohesive capacity of the new combination will be tested when the programme of legislation comes to be arranged. No doubt new legislation will be reduced to the barest minimum and controversial measures avoided as far as possible. But there are certain steps that must be taken if the Government of the country is to be carried on. The estimates must be approved and the budget passed. It is hard to see how estimates and budget can be prepared without strong differences of opinion arising between the different groups, particularly between the Labour parties and their more Conservative colleagues. The published programme of the Government contains proposals for economy and retrenchment which may prove hardly consistent with other proposals for social services and welfare. In spite of these obvious difficulties, it is generally believed by judicious observers of the political scene that the combination will survive the strain and that there will not be another change of government in the near future.

The common desire to exclude the late administration from returning to power, the vested interests created by the possession of office and the dislike of another election are all factors that may prove steadying influences in an apparently unstable situation. If the experiment succeeds it will demonstrate that proportional representation can be extended from the electoral to the executive sphere.

Chilean Crosscurrents

[FROM A SPECIAL CORRESPONDENT]

EVER since the end of the war Chile has gone through political experiences which would be enough in themselves to unsettle a nation less stoical or basically sound. In February, 1946, there was a general strike led by the Communist elements in the labour movement. Although the strike was finally broken by the Socialists, they, too, lost prestige. The president, Juan Antonio Rios, was at the time mortally ill, and all knew that a presidential election would be held. Therefore, the Socialist-dominated Government could carry out few of the things which it promised. On the other hand, the Congress was controlled by the Right—the Liberal and Conservative parties—who were unwilling to carry out social reforms of any importance.

Out of that situation, the Communists were the gainers. By the time the presidential election was held in September, 1946, the Communists were supported by most of the forces of the Left in Chilean politics, and were able to put forward as candidate for President a member of the Radical party who had for years been particularly intimate with them, Gabriel Gonzalez Videla. This is the Señor Videla who has gained some notoriety in recent news from the Antarctic.

In the elections Videla came out as the leading candidate, but failed to gain a clear majority. In the negotiations that followed to determine whom parliament would select—if no candidate receives 51 per cent of the popular vote the President is elected by the Legislature—the key position was held by the Liberals. They first backed Fernando Alessandri, a Senator, twice president of the Republic, and the real "grey eminence" of Chilean politics, but they finally agreed to vote for Videla, and in return they would provide three members of the new Cabinet.

So for six months Videla governed with a Cabinet composed of members of his own Radical party, the Communist party and the Liberal party. These ministers were usually at cross purposes. Two groups—the Liberals and the Communists—were avowedly meant to checkmate one another. The Communists used their position in the administration for two purposes—to infiltrate into the government machinery as much as possible, and to win control of the Labour movement. The opposition did not move because they feared that the Government would step in and replace the anti-Communist leaders of various unions and put in their stead Communists or their friends. On the other hand, the Government gave complete support to the Communist faction of the Labour movement, subsidising it on every occasion. Thus the Communists had in early 1947 a good half of the unions under their control and from two-thirds to three-fourths on their side.

Communist Errors

But they made a serious error. They acted as if they already had a dictatorship. They tried to gain control of the rationing system of the country. In some areas they succeeded and used it as a weapon to force people into their party and its organisations. They launched a terrorist campaign against their rivals in the Labour movement—the Socialists and Anarchists—to see how far they could go in this direction. But these moves rebounded, tending merely to unite all factions against the Communists. This united pressure became irresistible after the municipal elections of April 6, 1947, which showed that the allies of the Communists in the Government had lost heavily, even though the Communists themselves had gained. The Liberals found that the conservative-minded voters went over to the Conservatives, resenting the association of Liberals with Communists.

The Liberals thereupon left the Government, and President Videla was faced with a dilemma. Though only a few weeks before he had said that nothing in heaven or on earth could separate him from the Communists, he was forced to decide whether or not he should dismiss them from his Government, which now had a minority in parliament. Although it would have been possible for Videla to govern in this situation, it would have been difficult. If the dictatorial tendencies of the Communists had become more pronounced, it would have been virtually impossible to get the support of the anti-Communist army.

So the Communists left the Government. For a little while they did not attack their old hero. They urged him to be sure to carry out the programme upon which he was elected President. They attacked his "reactionary advisers," but not the President himself. They steadily increased their pressure on the Government through a series of strikes, particularly in the basic mining industries. The President became increasingly perturbed by these and finally, in August, 1947, broke with the Communists.

Soon afterwards the Communist-led coal miners' unions went out on strike. This was hitting at the heart of the whole Chilean economy. It was in the coal mining regions that Communist control was probably closest. Faced with this threat, Videla offered the coal miners a justified 40 per cent increase in their wages and a number of other economic benefits. The Communist leaders prevailed on their followers not to accept this offer. An ultimatum was therefore issued; and, when it expired, troops and sailors marched into the mining districts. Most of the chief Communists in the area were arrested. At the same time the President announced that he was immediately putting into effect his offer to the miners. Anti-Communist miners were meanwhile brought in from all parts of Chile. The local miners, who had been kept out mainly by threats that they would be killed in the mines if they returned, then went back.

A Broken Partnership

The Communists tried to stage a general strike throughout Chile in protest against this handling of the coal strike. It failed miserably, and in such places as the copper mines, and nitrate "officinas" in the north, Communist union leaders were arrested. The result of all this has been to turn Videla against the Communists, at least for the time being. He asked for special powers from Congress to deal with the strike situation when it arose, and used them to deport a fair proportion of the Communist labour leaders to the extreme southern part of Chile. He broke off relations with Russia, Yugoslavia and Czechoslovakia on the claim that they were giving orders to and subsidising the Chilean Communists. It is more likely that the Chilean Communists received their directions from certain leaders of the Argentine Communist party who are in direct contact with Europe.

But Chilean politics are volatile, if nothing else. It is not inconceivable that the situation will change again on short notice. It remains true that the President's own Radical party is thoroughly honeycombed with friends and perhaps agents of the Communist party. There is a strong faction which is opposed to Videla's present anti-Communist stand, and tends to emphasise its agreement with the President's *mot* of less than a year ago that "anyone who is anti-Communist is a Fascist." Furthermore, it is as yet uncertain to what extent the faith of the considerable masses of the working-class, who followed the Communist party, has been shaken. To a certain degree the reaction of the workers will depend upon the ability of the Socialists and, to a lesser degree, the Radicals to fill the gap among the workers left by the Communists. It is impossible to be very sanguine about this—Antarctic expeditions and high-flown oratory are no substitute. Finally, the possibility of some new political current arising from the workers' disillusion with the hopes which the Communists aroused a year ago is not to be ruled out. After all, Perón is just across the Andes, and he has a powerful "labour movement" of his own. He has hitherto been thwarted in his

endeavour to co-ordinate the Chilean economic and political system with his own by the negotiation of a treaty. In the present uncertainty he may see a chance to achieve his ends by other methods.

Interregnum in Trieste

Few tasks could be more fraught with administrative and political problems than that of governing the Free Territory of Trieste. When, on September 15, 1947, Major-General T. S. Airey took up the position of Commander of the British/United States zone, he expected to do no more than form a temporary caretaker administration for the few days or weeks which would precede the appointment of a civilian Governor. Instead, several months have passed and the appointment of a Governor is as remote as ever. General Airey's administration has had to carry out economic and political measures without authority for long-term planning; indeed, he is expressly forbidden by the Italian Peace Treaty to do anything which would lay down a precedent or limit the action of the future Governor. In his report for the period up to December 31, 1947, and issued by the Foreign Office this week, the burden of governing under such intolerable conditions is referred to again and again.

From the first, the Free Territory of Trieste has been under continual ideological fire from Yugoslavia. The truculent behaviour of General Lekic, the rabble-rousing tactics of the Communists, and the traditional brigand-like atmosphere of south-eastern Europe make administration extremely difficult. It is hardly surprising to find General Airey's sympathies are predominantly pro-Italian. Italian law is enforced and local government is based on the Italian model; the economic policy of the Italian Government has been adopted, and Trieste has been included in the Italian economic system. Nevertheless, General Airey has strictly upheld the democratic principles of free speech, free press and free association. In an interesting table he gives the number of applications granted and refused for holding public meetings:

	Granted.	Refused.
From Slav and Communist organisations ...	180	12
From "Independent" parties	16	1
From pro-Italian organisations	130	5

Free movement of Trieste between the two zones is allowed, and a monthly average of 70,656 crossings through the control posts have been recorded. To maintain order General Airey has a police force commanded by 23 British and American officers with 5,753 policemen drawn from local sources and trained on London models. There is no censorship of the press, but newspapers and periodicals are licensed by the Allied Military Government according to the technical facilities available. All six daily papers, regardless of their political outlook, are printed in the same plant and housed in the same building. The Communist and pro-Yugoslav papers have a circulation of about 23,000, while the pro-Italian papers average about 80,000 copies. Only one paper champions the Free Territory as a political entity; its circulation is about 7,000.

Trade and Unemployment

Even more difficult than dealing with the political situation has been the task of reorganising the economy of Trieste. The British/United States zone has an estimated population of 300,000. Formerly it relied on such mercantile activity as shipping, insurance, brokerage and banking for its prosperity; but now there is a marked reluctance by businessmen to invest their capital in an area with a temporary government and an uncertain future. The result has been heavy unemployment—estimated at 25,000—particularly among "white collar" workers, who, without special training, are unsuitable for manual labour. Due to the ban on long-term planning, General Airey has aimed at little more than preventing disease and unrest. Food and essential commodities have been provided out of American relief and from Italy; unemployment has been kept down by embarking on essential public works. Trade has been carried on principally with Italy, but its one-sided nature is represented by a debt of 1,500 million lire owing to the Italian banks from the Trieste banks. The total trade with Yugoslavia amounts to little over 500 million lire, with a balance in favour of Yugoslavia of 17½ million.

The most important fact brought out in General Airey's report, however, is the virtual absence of any large group of Triestines who are prepared to accept Trieste as an entity in itself. The population is sharply divided between the pro-Italians and the pro-Yugoslavs—almost none are pro-Trieste. The implication is that Trieste is doomed to political instability and poverty, until such time as the Italian and Yugoslav national and racial ideologies can be resolved.

THE BUSINESS WORLD

The Budget Prospect

TWELVE months ago there were some who hoped that in this coming financial year, 1948-49, when most of the terminal expenditures left over from the war should have been running off, the total of Government expenditure would be substantially reduced, and might even fall towards £2,500 million. The estimates of the year's requirements of the Defence and Civil Departments, published last week, have finally extinguished these always rather sanguine hopes. It is clear that the level of the Budget which is now taking shape will be around £3,000 million, excluding all items of expenditure conventionally accounted "below-the-line." Not until the actual Budget statement will it be known how much terminal expenditure has still to be provided for, but the reduction from last year's provision of £440 million should have been substantial. It appears, therefore, that the benefits of the ending of abnormal expenditures arising from the war—and, moreover, of the acceleration of the reduction in the armed forces—have been swallowed up by the rising tide of outlays on the social services. The implication is that, in the absence of any far-reaching changes in policy, the future level of the Budget is not likely to drop significantly below this immediately prospective figure of £3,000 million—and even that figure, presumably, makes little or no allowance for any further rise in prices.

A little reflection on these figures should suffice to check any premature rejoicing at the size of the revenue surplus which recently has been piling up "above-the-line." It is, however, an impressive surplus, for most of the recent accumulation does not arise from any such internal financial juggling as enabled Mr Dalton twelve months ago to budget for a bookkeeping surplus of £270 million—an estimate adjusted to £308 million after the changes made in the interim budget last November. In the first 10½ months of the current financial year, ordinary revenue exceeded ordinary expenditure by roughly £750 million. Almost every one of the revenue items has been buoyant and, with the possible exception of Excise receipts, all seem likely to reach or comfortably exceed the estimates. Income tax, for example, might conceivably yield a round £100 million more than Mr Dalton expected, and EPT and profits tax, which were expected to drop by more than £150 million, have fallen by less than half that sum. Customs revenue, despite the import cuts, will largely surpass the revised estimates. Even among the abnormal items, sales of surplus stores and profits from Government trading were expected to fall by £50 million, but have already risen by £100 million. Altogether, ordinary revenue seems likely to reach £3,850-£3,950 million.

Estimation of the year's expenditure is liable to a wider margin of error, in consequence of the heavy and unpredictable items which are commonly brought to account in the closing weeks. On the basis of last year's experience, the total would be little more than £3,100 million, or rather less than the original estimate. But the heavy supplementary civil estimates recently presented make it likely that this figure will be considerably surpassed. It is believed, however, that in consequence of savings on other votes, the total of civil expenditure will probably not exceed the original provision by much more than the amount (£95 million) involved in the recently revised "supplementary" for the Ministry of Food. Hence the year's global total may fall some £100 million short of the revised estimate

of £3,421 million. It will be noted, however, that even on that figure the year's surplus might be around £500 million; it could conceivably be £100 million more than that. Least figures such as these should encourage dangerous illusions, two major reservations should at once be made. First, at least £200 million of the surplus will reflect merely Mr Dalton's "clawing back" process. Secondly, this year's outlays below-the-line, though somewhat smaller than at first expected, have been very large. Excluding such special items as the subscriptions to the Bretton Woods institutions, they already approach £700 million.

What, now, of the prospect for the coming year? Defence expenditure is estimated at £206 million less than the 1947-48 estimate, while Civil expenditure will ostensibly be only £10 million higher, at £1,708 million, despite the heavy additional expenditure arising from social insurance and the new National

"ORDINARY" EXPENDITURE, 1948-49 (£ Million)	
Supply Services:—	
Navy	153
Army	305
Air	173
Supply (Defence portion)	61
Ministry of Defence	1
	693
Civil Departments	1,708
Revenue Departments	30
Post Office (net)	20*
	1,758
Consolidated Fund Services:—	
National Debt Interest, etc.	525†
Other Consolidated Fund Services...	35*
	560
	3,011

* Estimated.
† Amount of "Fixed" debt charge as provided for 1947-48.

Health Service. But this comparison is distorted by the abnormality of the arrangements made under the recent Anglo-Argentine Agreement. The whole of the Ministry of Food's advance payment of roughly £100 million is being charged against the current year's expenditure, thus correspondingly relieving the estimate for the ensuing year. On a true reckoning, therefore, civil expenditure would show a large expansion—yet the estimate for the current year included no less than £320 million for terminal payments, a sum which surely should have provided a large measure of slack for 1948-49. The remaining items of expenditure, both "above" and "below" the line, will not be known definitely until Budget day, but the global total above-the-line may be put at around £3,000 million.

After the wide errors in the official forecasts of revenue for the current year, any attempt to estimate its course next year involves more than usually hazardous guesswork. But it is plain, first, that some hundreds of millions of this year's non-recurring or nominal credits will be lopped away. In the current year, sales of surplus stores and receipts from trading will have provided about £300 million. Mr Dalton implied twelve months ago that these sources would now be drying up; after their recent performance, his successor may perhaps be more optimistic. But he will presumably be unable, even if he wished, to produce any more rabbits from the hat, to match Mr Dalton's

"clawing back." The deficiency on these three items may be guessed at around £400 million, and might be much larger.

Secondly, there will be large cross-movements from the operation, for the first full year, of the tax changes made in the two Budgets of 1947-48. The increases in profits tax, in customs and excise and in stamp and estate duties should bring in an additional revenue of £259 million *minus* a loss of £62 million on income tax. The great imponderable is Excess Profits Tax. The terminal date for this tax year was fixed at December 31, 1946; but the effects of this termination upon the revenue operate only after a considerable time lag. Mr Dalton expected that at least half the effect (measured in terms of the 1946-47 yield) would be felt in the year now ending and that receipts in and after 1948-49 would be "not much more than a trickle." But his forecast for the current year has proved to be so pessimistic, and the tide of receipts is still flowing so strongly that it seems permissible to assume a fair revenue from this source in the coming year. Conceivably, the loss of revenue on this account might not be more than £125 million to £150 million. There remains to consider the great uncertainty about the effects of changing levels of prices, incomes and volume of imports, and of the new austerity. These factors cannot be surveyed in detail here; but they involve adjustments in both directions and on both sides of the account. On balance, their effect may be small—unless prices rise more steeply.

On such assumptions as these—they are made only for the purpose of indicating the broad shape of the budget problem—the decline in total ordinary revenue in 1948-49, on the existing basis of taxation, might not be more than £300 million to £400 million. On that basis the year's prospective revenue would be, say, between £3,500 million and £3,600 million—including rather more than a further £100 million from surplus stores and trading receipts and £100 million to £125 million from EPT. There would thus be a prospective surplus, above-the-line, of £500 million to £600 million—or, if the doubtful terminal items must be regarded as exhausted, about £250 million less.

Before any judgment can be made upon the appropriate budgetary policy to be followed, it is, of course, necessary to relate the budget out-turn to the National Balance Sheet as a whole. Many commentators consider that the "budget" deficit ought now to be computed by taking account of the "below-line" items. But, in fact, there is little logic in this method; it is no more than an approach towards the new technique of revenue and capital budgeting which is of value only if all factors can be brought into account. These other factors, so far as economic forecasting permits, will, presumably, be presented in the 1948 Economic Survey in a few days' time.

It is with the estimates of "investment" and of the external deficit that some of the most important of the Governmental "below-line" expenditures need to be integrated. Exchequer

outlays such as those for Housing and Coal, which in 1947-48 will absorb some £340 million, are better considered in that context than as an expenditure of any surplus above-the-line. On the other hand, there are below-line outgoings, such as repayment of Postwar Credits, which would be better treated above-the-line as a direct addition to expenditure; and this is even more true of net repayment of Tax Reserve Certificates, for such repayment shows that some of the revenue credited above-the-line was never, in fact, received in cash. If this sort of distinction is applied when estimating the below-line prospect for the coming year, it appears that there may be only a slight decline in the Governmental "investment" outlays (Housing and Coal, for example, might require as much as £225 million) but the other expenditures are likely to fall steeply. Assuming that repayment of Postwar Credits is next year confined only to people newly reaching the age qualification, the amount required would presumably be only a fraction of the £50 million to £60 million expended this year. Similarly, the bulk of the War Damage payments have now been made, but there may remain, perhaps, £70 million to £80 million still to be disbursed, compared with aggregate payments of about £240 million to £250 million in the past year. Allowing for net repayments of Tax Reserve Certificates, for Civil Contingencies, and for a moderate residue of EPT Refunds (which this year have also fallen well short of the estimate) it appears that aggregate below-line outlays in the current year, apart from those on Housing and Coal, may be around £200 million, compared with roughly twice that sum for the current year.

These guesses—for obviously they can be little more at this stage—open the door wide to conjecture about the shape of Sir Stafford's first Budget. But there is one lesson from the present year which is likely to apply with equal force to the coming year—a very large element in the buoyancy of the revenue derives simply from the impact of inflation upon incomes and profits. It is the ex-Chancellor, not the careful and normally very successful forecasters of the Inland Revenue and Customs and Excise Departments, who is to be blamed for the wide errors in their estimates this time. Sir Stafford Cripps, it is to be hoped, will be forewarned of the monetary delusion which this surplus is apt to create. On paper, Mr Dalton has done precisely what his critics urged last year, and what he, himself, said he would not do—he has sucked into the Exchequer a huge draught of public spending power. But this draught has not produced any net curtailment of the pressure of funds outside. It is simply the Exchequer's share of a greatly increased total; and the Exchequer itself has yet to feel the full impact of this increasing pressure on its own expenditure. In conditions such as these, any very large and uncovenanted surplus is better regarded as the measure, not of scope for budgetary relief, but of the need for more effective anti-inflationary restraints.

Newspaper Revenue and Earnings

AN article last week examined some of the economic problems of newspaper production—in particular the forces which have been thrusting up the costs of paper, staff and distribution during the past ten years. It is now proposed to consider the changes which have taken place on the revenue side of the profit and loss account—in particular, the movement of income from sales and advertisements—and the trend of profits. The two sides of the equation—costs and revenue—have moved violently out of line from their prewar position; the proportion of revenue derived from sales and advertisements has also been shifted considerably; and profits, which hitherto have managed to escape the sharp blade of rising costs, are now threatened with a more or less severe cut.

Unfortunately, detailed statistics about newspaper revenues are nearly as difficult to obtain as figures about expenditure. It is true that newspapers quote standard rates for advertising, but the actual rates paid for space by particular advertisers differ markedly from these standard rates. In the days of ample advertising space before the war, it was a common practice to grant rebates for "series advertisements" and other space; as a result, the rates actually paid for advertising space might be as much as 25 per cent below the standard rate. Now the boot is on the other foot. Space is so scarce and advertisers so clamorous that newspapers no longer have "ordinary positions" to sell; almost all positions are "special," and they can be got only at a premium. Today, advertisers may in fact

be paying on an average 25 per cent more than the standard rates. Discounts and premiums of this kind make it difficult to draw any certain conclusions about advertising revenue merely from a study of advertising space and the newspapers' standard charge.

The growth of newspaper circulations is fortunately more measurable. Between May 1939 and May 1946 the total circulation of all the dailies (National and Provincial) had risen from 19 million to 25 million—the increase being proportionately greater in the case of the provincial papers than of the London papers—while the circulation of the Sunday papers rose from 16 million to 25 million. Since 1946 the rise has continued. The further increase for the London morning and evening papers and Sunday papers for the last six months of 1947 is shown below:—

TABLE I—NEWSPAPER CIRCULATIONS ('000)

	Prewar	May, 1946	Average Last Six Months of 1947
London Mornings	10,400	13,400	16,040
London Evenings	1,850	2,570	3,500
Provincial Mornings	1,740	2,830	27,040
National Sunday Papers	16,000 approx.	25,000 approx.	

This growth in circulation has substantially increased the sales revenue of all newspapers. As the margin for distributors, much to their grief, has remained unchanged, and total advertisement revenue has fallen, income from larger circulations has now become a factor of major importance in newspaper trading accounts. But for the limitation of paper supplies, circulations might in fact be even larger than they are now. When the embargo on circulation was lifted in September 1946, sales increased sharply, but after the return of the dollar crisis in July 1947, maximum circulations were limited to the June 1947 level. In normal times, sales of newspapers increase during the summer and decline during the winter months. This normal pattern occurred in the winter of 1946-47, but there has been a marked change this winter. The seasonal drop has been much smaller, and sales are already picking up rapidly, and some newspapers must now be almost up against their circulation ceilings again.

This striking increase in the demand for newspapers reflects the existence both of larger pay packets and an increased interest in public affairs. Any serious fall in the standard of living of the bulk of the population would be quickly followed by a fall in sales, though it is likely that a fair proportion of the increased demand would in fact prove permanent. Newspapers may therefore expect some part of their increase in sales revenue to be lasting. In a Report on the British Press issued by PEP before the war it was reckoned that the newspapers themselves received about two-thirds of the penny paid by the public to the newsagent, the rest being deducted as newsagents' commission. As the distributors' margins have not altered, the position is probably much the same now. Indeed, the figures published by the Daily Express early this month showed that of £7 million paid by the public £2½ million went to the newsagents.

TABLE IV—NEWSPAPER PROFITS AND SHARES

Company and Share Denomination	Date of Accounts	Total Profit		Earned for Ordinary Capital		Ordinary Dividend		Ordinary Shares	
		1938	1946-7	1938	1946-7	1938	1946-7	Latest Price	Gross Yield (Per Cent)
Associated Newspapers 5/- Def.....	March 31, 1947	793,198(a)	444,134(a)	26.3	25.6	25	20	16/10½	6 5 19 0
Kensley Newspapers 1/1 Ord.....	Dec. 31, 1946	884,204(b)	1,875,501(b)	8.0	45.0	6	12	38/14	6 5 9
Daily Mirror 5/- Ord.....	Feb. 28, 1947	350,897(c)	476,843(c)	20.0	52.8	15	30(d)	21/3	7 1 3
London Express Newspapers 5/- 'A' Ord.	June 30, 1947	243,947(f)	612,592(f)	15.1	22.6	15	15(g)	15/6	4 17 0
Odham Press 4/- Ord.....	Dec. 31, 1946	1,160,135(f)	1,211,312(f)	19.5	29.9	10	17(h)	10/-	7 0 0

(a) After taxation. (b) Before taxation, after depreciation. (c) After depreciation and taxation. (d) Interim for 1947-8 increased from 10 to 12½ per cent. (e) On 1946-7 dividend. (f) Before taxation and depreciation. (g) Interim for 1947-8, 5 per cent against nil. (h) Including 2½ per cent bonus.

The movement of revenue from sales can, therefore, be readily calculated from the increases in the numbers of copies sold.

Warning has already been given about the dangers of generalising about advertising revenue from a mere comparison of standard advertisement rates. The figures set out in Table II below certainly understate the average rise in rates which has taken place; even so, they still reflect the fierceness

TABLE II—ADVERTISING RATES AND SPACE

	Advertising Rates (Display) Per Single Column Inch for Ordinary Positions		Percentage of Advertising* to Total Space	
	1937	1947	1937	1947
Daily Express	£ s. d. 6 10 0	£ s. d. 20 0 0	44	{ 23 (6 page) 19 (4 ") 24 (6 ") 19 (4 ")
Daily Mail	6 0 0	15 0 0	44	
Daily Herald	6 0 0	15 0 0	44	19-23
News-Chronicle	4 12 6	12 0 0	42	21
Daily Mirror	5 11 0	14 6 4	31	20
The Times	3 0 0	6 0 0	37	39
Daily Telegraph	5 0 0	11 0 0	50	31

* Display and classified.

of demand for the restricted advertising space which is available. Fleet Street is now debating whether advertisers can be squeezed yet further, in order to ease the pressure of rising costs on the newspapers themselves.

Although advertisement rates have increased sharply, advertisement revenue has fallen as a result of the reduction, principally, in the size of papers, but also in the proportion of space devoted to advertising. Before the war as much as

TABLE III—ANALYSIS OF NET REVENUE

	Net Revenue of Newspapers (£ Million)						Net Advertising Revenue as a Percentage of Total Net Revenue	
	Sales		Advertising		Total Revenue			
	1935	1943	1935	1943	1935	1943	1935	1943
National and London Dailies ...	8.2	10.2	11.8	4.6	20.0	14.8	59.0	31.1
Provincial Dailies	6.0	7.4	7.9	6.0	13.9	13.4	56.8	44.8
National and Provincial Sundays	3.6	4.7	3.5	1.7	7.1	6.4	49.3	28.6
Suburban & Provincial Weeklies	1.7	2.4	5.0	4.8	6.7	7.2	74.6	66.7
All Newspapers	19.5	24.7	28.2	17.1	47.7	41.8	59.1	40.9

44 per cent of the twenty or twenty-four pages of the national dailies carried advertising; today only 19 or 20 per cent of the present four-page papers are so used. Only The Times, with its small circulation and larger number of sheets has maintained roughly its prewar proportions. These reductions in advertisement space have fallen with greater severity on the national and London dailies than upon the provincial dailies. In 1946, the whole London press received only 23½ per cent of their prewar newsprint consumption, while the English provincial press received 35.3 per cent and the Scottish papers 38.4 per cent.

One result of the less austere treatment of the provincial papers is shown in Table III, which compares the movement

of the constituent items of net revenue for various sections of the press between 1935 and 1943.

Advertising revenue for the national and London papers fell from £11.8 million in 1935 to £4.6 million in 1943, and the proportion of advertising revenue to total net revenue from 59 per cent to 31 per cent. The provincial dailies, showed much smaller falls, from £7.9 million to £6.0 million and from 56 per cent to 48 per cent respectively. Since 1943, the net revenue position has altered considerably, owing to increases in circulation and in advertising rates. But it is still probably true that whereas before the war London newspapers were receiving 56 per cent of their revenue from advertisements and 44 per cent from sales, the position now is just about reversed. The most recent figures for the Daily Express, indeed, show that for the year June, 1946-7 circulation revenue had become preponderant: net sales revenue was £4.4 million, and net advertising revenue £1.5 million.

The change—if not the reversal—of the roles which circu-

lation revenue and advertisement revenue play in newspaper economics has perhaps not yet shown its full effect on newspaper profits. The final table in this article compares the profits of the latest financial years of several important groups with their earnings and dividends before the war.

Yields of 6 per cent or more are common in the newspaper share group. This suggests that investors are taking a cautious line about the prevailing prospects for newspaper profits, and are disinclined to place much confidence in the rising trend of profits and dividends of the last year or two. Such caution would not be at variance with the analysis of revenues and costs of these two articles. Fleet Street has exhausted virtually all scope for major economies; costs are still rising; there is no immediate prospect of more newsprint and more advertising space; and there are strong pressures against a general increase in the price of the national dailies. In these circumstances, a 6 per cent return can hardly be called an excessively pessimistic assessment of newspaper prospects.

Business Notes

Programme for Coal Exports

Mr Gaitskell, when he discussed coal export prospects yesterday, was confident that British obligations under the European Recovery Programme could be carried out this year, and that enough would be left over to export two or three million tons under further bilateral trade agreements. Instead of 13 million tons going to exports and bunkers this year, Mr Gaitskell has told the Coal Board that it may accept commitments for 15 to 16 million tons. Of this figure bunkers (including bunker depots abroad) take 7,000,000; 6,000,000 were promised to Marshall Plan countries at Paris last autumn; the remaining two or three million includes a million tons to Argentina under the Andes Agreement, some to Canada, and other bilateral commitments which are expected. The quantities left for any future trade bargaining are therefore severely limited.

That export supplies are as good as they are Mr Gaitskell attributed to lower home consumption than had been expected: there have been no pleasant surprises in production. Home stocks are much better than last year; when the winter ends they will still, if all goes well, be about 12 million tons—6,000,000 better than last year. This means that only 4,000,000 tons will need to be accumulated during the summer and autumn to reach the desired stock figure of 16 million tons on November 1st. In framing the summer coal allocations to industry the Government will cease to ignore stocks already held. As a reward to thrift it will allow firms with more than two weeks' coal stocks to keep one week's extra stocks "as a bonus." Firms with one or two weeks' stocks will thus finish the summer with the standard four weeks; firms with three, four, five or more will be left with five.

Mr Gaitskell showed that coal production for the first seven weeks of this year was 268,000 tons a week better than in the same period of last year, though it was lower than in the weeks before Christmas. It still needs to be improved. Last week's coal output of 4,123,200 tons was less than that of the previous week, and more than twice as much coal was lost through disputes, rail difficulties and other causes. Moreover, the level of production necessary in good weeks to reach the 1948 target of 211 million tons has not been achieved once this year.

In the light of the current production figures, the decision of the miners' Executive to recommend an extension of the overtime agreement, due to expire on April 30th, for another year becomes all the more urgent. The final decision will not be taken until the miners' special delegate conference early in April, but there seems no reason to assume that the Executive's recommendation will not be accepted. It is likely that the methods of arranging overtime will be left to individual districts to determine, as they were when the agreement was reached in November; but it is likely too that the miners' leaders, who had at first maintained that Saturday working would be the more productive, will recommend switching over to the extra half-hour a day instead. In this way the stand taken by the Government when the question was originally broached last September and which led to some six weeks' delay in bringing the agreement into operation, may be vindicated. In some districts there has been excessive absenteeism on the Saturday shifts.

India and Pakistan Sterling Agreements

The financial negotiations with India and Pakistan, in which the British delegation was led by Sir Jeremy Raisman, were concluded last week and a brief outline of the agreements has been published. The previous agreement, dated August 14, 1947, covered both Dominions and made arrangements up to the end of 1947. It provided for the blocking of the accumulated sterling in No. 2 accounts but made available for expenditure up to the end of the year a sum of £35 million plus £30 million for working balances, all of which was to be in freely convertible sterling, since the agreement was signed six days before convertibility was suspended. The new agreements cover the first half of 1948. The balance in the free No. 1 account, which includes the working balance of £30 million, is being carried forward in the name of the Dominion of India, though a sum of £4,000,000 has been transferred from it and put at the disposal of Pakistan's No. 1 account. The Dominion of India, in addition to the £30 million or so carried forward from the previous agreement, will have an additional £18 million of accumulated sterling liberated and transferred from No. 2 account to No. 1 account. India will therefore have free sterling in excess of £18 million to spend during the first half of this year from accumulated balances, in addition to the working balance of £30 million. As part of the agreement the Government of India have agreed to restrict their net drawings on the central gold and dollar reserve to a total of £10 million in the current half year. This will be in addition to India's own earnings of hard currencies and to any dollars India may draw from the International Monetary Fund.

The first agreement with Pakistan follows the now traditional pattern. The new Dominion will have at its disposal in free sterling credited to a No. 1 account the £4,000,000 transfer from the joint account hitherto operated with India, a further £6,000,000 transferred from Pakistan's No. 2 account and finally a sum of £10 million by way of working balance, making a total of £20 million. This must serve for the first half of this year, though it is of course understood that the £10 million working balance will be maintained at around this figure. The Government of Pakistan has agreed to restrict its drawings on the sterling area's gold and dollar pool to £3,300,000 in the current half-year. In addition to this Pakistan will have at its disposal its own earnings of hard currencies. The effect of the two agreements is to set a ceiling of £28 million to the amount by which India and Pakistan can draw upon their accumulated sterling balances up to June 30th next, though the actual amount may be somewhat greater if their working balances are reduced over this period. At the same time, the agreements put £13,300,000 of gold and hard currencies at the disposal of the two Dominions. These are less generous figures than those provided by the former joint agreement but they still look handsome enough in the light of British export capacity and of the dwindling reserves from which they will have to be satisfied.

Palestine Balances Blocked

A unilateral decision by the UK Treasury at one stroke blocked Palestine sterling balances amounting to about £100 million as from midnight last Saturday and declared Palestine to be no longer a member of the sterling area. Because Palestine and Transjordan have a common currency, the latter country has had to be placed temporarily outside the sterling area, but the Transjordan Government has already announced its intention to make such currency and exchange control arrangements as will enable Transjordan to return to the sterling area. In the light of current political developments in Palestine and of the prevailing uncertainty about the future of the country, the decisions taken by the British Treasury were well-nigh inescapable. Palestine balances had been heavily drawn upon in the last few months, and they promise to be even more seriously depleted in the impending period of political and economic confusion.

Preventive measures had therefore to be taken to protect other sterling area countries from excessively rapid demands upon the central reserves. In order to alleviate the consequent disruption to current trade and payments with Palestine, it has been decided to release immediately £7,000,000 out of the blocked balances. Of this figure, £4,000,000 will be provided as working balances for Palestine banks and £3,000,000 will be used together with current accruals of sterling in order to meet the current commercial needs of the country up to the middle of May. The necessary technical arrangements follow the familiar pattern of No. 1 and No. 2 accounts. Banks in Britain have been required by the Bank of England to establish the total sterling assets held on behalf of each bank in Palestine at the close of business on February 21, 1948, and to transfer them to a No. 2 account in the name of the bank in question. These assets include deposits, short loans, Treasury and commercial bills and sterling securities. The No. 1 account will be credited with current accruals of sterling and the authorised releases from the blocked assets.

The future of Palestine's relations with the sterling area is a matter which will have to be discussed with the United Nations Commission for Palestine and, later, with whatever Government may administer the new state or states in that country. Whether a Jewish state in Palestine should be a member of the sterling area or should seek closer integration with the dollar group is a matter that has been the subject of considerable debate in Zionist circles. There are many compelling arguments in favour of the former course, particularly the fact that the bulk of Palestine's external reserve is invested in sterling; that most of Palestine's exports go to sterling countries, and that much of the capital that has built up Palestine is sterling capital. The protagonists of the dollar cause base their case on the future rather than the past, and urge that a new Jewish state will for some time to come be compelled to receive the assistance of external loans which can come in appropriate quantities only from the United States. The channels for this receipt of external capital would, they argue, be cleared if Palestine were no longer in the sterling area. There are, however, questions of greater urgency to be decided before this issue is reached.

Crisis in Steel Scrap?

Mr Strauss gave a written answer in the Commons on Monday which, though strictly correct, contributed nothing to the public's grasp of the steel scrap situation. He denied that any blast furnaces had been closed down because of a shortage of steel scrap; the only one closed had been closed for relining. Quite so; blast furnaces make pig-iron and do not depend on supplies of steel scrap. Open-hearth steel furnaces, however, have been closed down for lack of scrap, and it would have been helpful to have said so. So far they have only been in places where supply is especially difficult. Scotland has to import more than half of its scrap supplies; the flow of imports has lately been irregular, and Colvilles have had to close three steel furnaces.

The position in England and Wales is not yet as bad as in Scotland. Supplies continue to come in at a better rate than last year, but then they need to do so if the present higher rate of production is to be maintained. Stocks are no better than last year, and with a more rapid consumption it is naturally difficult to maintain an even flow. This keeps steelmakers uneasy and engenders rumour. It is not likely to be put right until there is a new Government attack on the problem of supply.

Any such new attack will have to take a more realistic view of the German prospects than the Ministry of Supply has taken so far. The Ministry may deserve sympathy for its failure to understand the politics and economics of Bizonia, which are

indeed hardly its subject. But the failure is clear: otherwise, why should a year have been wasted in negotiations with the German economic authorities at Frankfurt—negotiations which are no nearer any useful conclusion? In the absence of any currency which the German trusts, it is useless to go to the German commercial scrap dealer on a business basis. The Ministry's representatives have therefore been thrown back on dealings with the Frankfurt officials whose goodwill is in doubt, who are aware that British authority in economic matters is having to take second place to American; and who have in any case little or no authority over their own people. The political tangle at Frankfurt has grown worse rather than better since the latest Anglo-American reorganisation of Bizonia was announced, and there is no reason to suppose that it will suddenly improve. In the circumstances the British can continue to expect supplies of "booty" scrap collected under their own authority, but it is folly to rely on any big additional supply through the processes of trade. The Ministry of Supply may have to make its calculations afresh on that basis.

Time and Space in the Film Industry

When is a film in production? The film industry's processes lay traps for any attempt to assess the degree of productive activity at a given moment. So it is possible for critics to show that the studios are idle and empty, and for admirers to report that they are throbbing with life and work, within a few days of one another. Visible productive activity in the film business means work "on the floor." A production can leave the floor and go to the cutting-rooms on one day, and transform the apparent situation at a studio, without changing the real position in any important way. Its successor can be put "on the floor" and bring the studio to apparent life—but if it has not been properly prepared, it may cumber the floor space wastefully for six months and add a new liability to the film business and nothing to its stock-in-trade.

If the momentary situation is difficult to assess, the general trend can still be measured, and the trend in the British film industry is bad. A number of straws show its direction. The Association of Cine Technicians is always an articulate critic of the industry, but it is not addicted to complaints of unemployment; it complained last week that between 300 and 400 of its members—more than a quarter, that is, of the highly paid craftsmen of the industry—were out of work, and that unemployment among them was increasing. Among the productions which defenders of the industry quote as evidences of life there are singularly few new enterprises to be seen, and far too many that have been "on the floor" already for long periods. Campaigners at the weekend mentioned "Hamlet" at Denham (but "Hamlet" has just gone to the cutting-room after, it is reported, more than six months on the floor) "Bonnie Prince Charlie" at Shepperton (but "Bonnie Prince Charlie" last week was in its 28th week on the floor), "Esther Waters" (17 weeks), and "Lost Illusion" (18 weeks). One does not hear the shipbuilders congratulating themselves on the number of ships they have not been able to finish. If the industry is to hope to bring down its costs to a level which its market can stand, some way will have to be found of reducing the time spent in production. It might learn something here from Hollywood, which is also having to cut its costs. Preparation in Hollywood tends to become more and more elaborate so that time and space taken up in the studios can be more and more tightly rationed. Since costs of preparation represent about 1 per cent of the total cost of making a film, it seems reasonable to spend six months in meticulous preparation so that production on the floor can be limited to 28 days. These times were taken by Orson Welles in preparing and making "Macbeth." Another American example, "Crossfire," was about four weeks on the floor.

Producers and Exhibitors

It is a mistake to let considerations of prestige cloud the hard facts of the British film situation. The first hard fact is that the studios, whether fully employed or not, are not being efficiently employed. They are producing too few films at too high a cost; several of the recent British prestige efforts have cost £600,000 or more, and it is utterly impossible as things are for the industry to recover costs of that order. Ten years ago, according to evidence given to the Moyne Committee, the British studios had 796,000 square feet of floor space, and with that space produced 215 feature films. Many of those, it is true, were poor

films made for the quota, and, if comparable films are included, the nearest corresponding figure for last year is 103.

What will the industry's production record be this year? It had last year 623,000 square feet of floor space, and should by the end of 1948 have 700,000. Sir Henry French, the director-general of the British Film Producers' Association, estimated in January that the association's members could make 37 first-feature films in 1948. If a few possibilities of outside production are added, and some allowance is made for improvement on the estimate, it is still clear that the number of British first-feature films made this year will be well below 50. The reasons which prompted the President of the Board of Trade to put the target at 75 have never been explained.

Instead of concentrating on improving its cheaper films, the industry has gone in for fewer and more ambitious productions for which the British market cannot, and foreign markets will not, pay. It is now being overtaken in addition by the curious consequences of the stiff import tax on foreign films. For the tax and the retaliatory embargo imposed by the American producers have hit first of all the British film exhibiting business, and the exhibiting business is the chief single source of finance for British film production. Filmgoers are bored already with re-issues; receipts are falling; the available new films will hardly last, at the present rate of issue of one a week, for another two months. Naturally, the exhibitors are not in a bold mood to put up money. But there is another factor; whether they finance production or not, the two big exhibiting groups have to be consulted before any big film production is undertaken, for no film can pay its way unless they agree to book it for their circuits. Are the exhibitors taking an expansionist or a contractionist view of British film prospects at the moment?

Synthetic Rubber and the Shafer Bill

The United States is at last defining its long-term policy on synthetic rubber production. The Shafer Bill, which has been recently approved by the US Armed Services Committee, is Republican sponsored and enjoys the written support of the Administration. With such a strong backing, it seems inevitable that it will become law without much difficulty. Its main provisions cover the maintenance of "rubber-producing facilities having a rated production capacity of not less than 600,000 long tons per annum of general purpose chemical rubber and not less than 75,000 long tons per annum of special purpose chemical rubber." Of the latter quantity "at least 45,000 long tons shall be of a type suitable for use in pneumatic inner tubes," and there is to be at least one plant for making butadiene from alcohol. Actual production is to be maintained at not less than one-third of the specified rated capacities, and it can be increased above this level only in the interests of national security. US consumption of synthetic rubber will be regulated as hitherto on a percentage basis, general purpose synthetic (GRS) being related to the combined total annual consumption of natural and GRS rubber and special purpose synthetic to the combined total of natural, GRS and special purpose synthetic rubber consumption. The synthetic plants may be either Government or privately owned.

The Bill contains two danger points for natural rubber. First, it is permanent, and if it becomes law it can be changed only by altering the law—not a very easy task in the United States. Secondly, it is couched entirely in terms of national security. As such, it is not contrary to the letter of the International Trade Organisation Charter, although it may be contrary to its spirit. As Sir John Hay has recently pointed out, if the United States were primarily concerned with national security, why were they willing to bargain with it at Geneva? The level of GRS consumption, fixed at 200,000 tons a year, will allow for an increase in American demand for natural rubber, judging from last year's figures. According to the Rubber Study Group Secretariat, American consumption of all synthetic rubber in 1947 was 560,000 tons and of natural rubber 563,000 tons. The Bill would thus ostensibly allow for an increase of 300,000 tons in the US consumption of natural rubber if last year's demand were in fact maintained, although it will take some time to re-orientate production arrangements to allow for the change. But American tyre manufacturers are worried about future prospects, and some factories are even reducing output. If total US rubber consumption declines, the advantage which natural rubber may gain would be reduced. Again, if the President of the United States decides to increase the minimum consumption of GRS to, say, 300,000 tons annually, who can gainsay him? It would surely be difficult to prove that the level of 300,000 tons is not in the interests of national security, particularly as only the President would be in possession of the necessary information.

Rubber is a very important dollar-earner for the British sterling area. Exports to the United States in 1947, which came largely from Malaya, totalled \$266 million, and its seems strange, to say the least, that America is on the one hand preventing Britain from earning dollars and on the other intending to hand out dollars in the form of Marshall aid. And the paradox is widened by the US championship of free enterprise externally and the restriction of free choice of rubber manufacturers and consumers in its own territory. America has a right to ensure its national security, but it is open to question whether the means proposed in the Shafer Bill are the most effective, or even the most reasonable, way of doing so.

The Raw Cotton Commission

Events in the cotton trade provide a first warning to the Government of the difficulties it has shouldered in aspiring to hold down the general level of prices. The new price control orders for yarns, controlled cloth and specified cloth represent considerable labours in themselves, for price control in the cotton trade, though incomplete, is immensely rigid and detailed. They contain nothing unexpected, but are the inevitable reflection of recent wage increases on the price-fixing system; and the wage increases were accepted as necessary to the recruitment of an undermanned industry. But they mean dearer cotton goods, and the foreigner's appetite for dearer cotton goods has yet to be demonstrated.

But the new orders do not end the story. On Monday the Raw Cotton Commission raised the prices of Egyptian-type cottons. Here again the increase can be justified and its causes are simple; pressure of foreign demand for the longer-stapled cottons has pushed up world prices since the last set of British prices was fixed in July. But the increases, ranging from 4½d. to 8½d. a lb. and falling most heavily on long-stapled Egyptian and Sea Island cottons, are heavy and abrupt. It is early to calculate their effect on the cost of finished products; but increases tend to "snowball" from one process of the trade to the next, and vigilance will need to be exercised to see that they do not have unreasonable and damaging effects on the marketing of finished goods.

To the trade, they have come as a sharp reminder that the system of bulk purchasing and price-fixing, which has replaced the discarded machinery of the Liverpool Cotton Exchange, has its drawbacks. No one supposes that the Raw Cotton Commission could prevent prices from rising; there are suggestions that the scale of its buying, and the mere fact that it buys officially, have pushed prices higher than they need have gone, but this is hard either to prove or to disprove. But it is clear beyond question that the abruptness of the increases can be blamed on the Raw Cotton Commission, which for some time has been holding down the prices of Egyptian-type cottons and carrying the cost itself. The uncertainty in the industry caused by fluctuations in raw cotton prices has been not removed but aggravated by closing the Liverpool market. The functions of that market were to reflect accurately the world movements in raw cotton prices, and to enable the trader to buy the exact qualities he wanted. As to the first, it appears that the claim that a central buying commission would smooth out the movement of prices is not being supported by practical experience. The Commission may have great difficulty in doing what the old market, as a collection of private individuals with no superior claims to wisdom, did automatically and with ease. As to the second, complaints from spinners that it has become difficult to get the right cotton for their individual needs are too many to be ignored. Producers of special lines in particular, who knew their requirements precisely and were well served by their broker, are in a genuine difficulty. Buying and selling procedures may be standardised, but bales of cotton are not.

Problems in the Cotton Trade

Reports of approaching difficulties in cotton supplies from India and Pakistan, of which the new Pakistan export duties are merely the outward sign, suggest that the factors making for higher prices in the cotton trade have by no means exhausted themselves. Those Lancashire producers for export who have been making a serious effort to bring their costs down are confronted with a hard task. To others, who have been taking an easier way to deal with (or evade) the problem of costs, Sir Raymond Streat addressed a warning on his return from the United States. He was concerned at the tendency to switch production away from the "bread-and-butter" cloths to special

lines which could hope to find only a limited demand in the hard-currency markets for which they were apparently intended. Manufacturers, in planning their production, have been under some temptation to turn out the lines which offer the easiest passage through the mesh of price control rather than those which are most wanted. Plain cotton cloths are controlled in great detail at all stages. Fancy weaves are not. It is a commonplace that Lancashire manufacturers have been finding it difficult to keep their labour happy with work on plain cloths in the face of competition from more profitable special productions, and that some of them have taken refuge in mixed production programmes which would be hard to justify economically. Too rigid price control, maintained for too long, may defeat its own purpose and can end by distorting the pattern of an industry. This seems to be happening to a limited extent in Lancashire. If the controls make fancy goods, more attractive to manufacturers, the production of plain goods will suffer; appeals may slow down the resultant distortion of trade policies, but they will not prevent it in the long run. And any attempt to extend the full controls to all types of product would inflate the industry's bureaucratic overheads beyond all reason. It may be that the best answer to Sir Raymond Streat's warning would be a more flexible price control system which, applied in less minute detail, might achieve its purpose and yet allow the manufacturer to keep his eye on the market.

The Cripps Plan for spinning re-equipment progresses, though slowly. The Cotton Spinning (Re-equipment Subsidy) Bill, introduced this week, aims at securing not only the re-equipment of the mills but the concentration of spinning into larger financial groups; one condition of subsidy is that the applicant group should comprise not less than three mills and should have not less than 500,000 spindles ("or such smaller number of spindles as the Board may in any case allow"). Grants are also subject to a strict time-table: contracts for re-equipment must be made by April, 1949, applications by April, 1950; the work must be done between August, 1945, and April, 1952. (Here again the Board of Trade has power to make exceptions.) It may still be some years before the Bill can bear fruit in any substantial increase of spinning efficiency. Whether the subsidy will reach its estimated total cost of £12 million depends on the response of the trade. Eleven groups, controlling 16 million spindles, have so far been registered; to the rest financial uncertainties, commitments, and difficulties of company organisation are proving serious obstacles.

South Africa and Sterling

Considerable misconception appears to have arisen in this country and in South Africa about certain restrictions imposed in recent months on imports from the Union of South Africa to the rest of the sterling area and in particular to certain African colonial territories with which South Africa normally transacts an appreciable trade. The suggestion has been made that these restrictions derive from the "non-discrimination" article 9 of the Anglo-American financial agreement. This article, which required that the British Government in its import policy should not discriminate against United States goods, may in the past have been used as a convenient excuse for refusing the offer of inessential, high-priced consumer goods manufactured in the Dominions. But it has now been interpreted so loosely by the US Administration as to constitute no impediment on the freedom of action of the British Government in determining import policy for this country or the other areas which it controls.

The explanation of such restrictions as may have been applied to imports from South Africa is that the financial agreement between the British and South African Governments of October, 1947, has virtually made South Africa a hard currency country. The Union no longer sells the bulk of its newly-mined gold to the British Treasury and, conversely, it no longer has access to the sterling area dollar pool in financing its direct deficit with hard currency countries. From the beginning of 1948 the amount of newly-mined gold which South Africa will make available to the British Government (apart of course from the outright £80 million loan, which has now been received) will be adjusted to the balance of payments between South Africa and the rest of the sterling area. South Africa will not accumulate sterling, thus maintaining a policy consistently followed since 1939. South Africa has even announced that sterling obtained as a result of capital movements from other sterling area countries will be used for commercial purposes, i.e., will be drawn upon to pay for imports from these sterling area countries.

These are the hard facts of the financial relations between South

Africa and the rest of the sterling area; it follows that every additional export from sterling countries to South Africa and every reduced import from South Africa to these other sterling countries is tantamount to a receipt of gold. The facts may not be altogether to the liking of South Africa but they arise solely from the consistent unwillingness of the Dominion to hold any appreciable part of its external reserves in sterling. If the South African Reserve Bank were prepared to accumulate sterling, the rest of the sterling area might find it possible to afford a number of South African imports which at present are being discouraged. They are being discouraged because, in effect, they cost gold. Since South Africa is unwilling to accumulate sterling, there is no option but to treat the Union like any other hard currency country.

The Direction of British Trade

It is still too soon to discern any long-term changes in the direction of Britain's postwar trade. The dollar shortage has demanded profound changes in export markets and sources of imports changes which began, to some extent, to take shape in 1947. But the accompanying table shows how limited the readjustment in the traditional pattern of British trade has so far been. Last year over 8 per cent of British exports went to North

TABLE I—DIRECTION OF BRITISH TRADE

Area	IMPORTS (percentage of total value)			EXPORTS (percentage of total value)		
	1938	1946	1947	1938	1946	1947
France & Northern Europe	28.52	13.91	16.11	29.75	30.53	26.27
Rest of Europe ...	5.00	3.96	4.54	6.84	7.61	7.80
Africa	6.89	9.81	9.65	15.64	17.61	16.77
India & Western Asia	8.63	10.04	8.67	10.23	14.74	14.42
Rest of Asia	4.80	2.42	2.95	6.36	5.25	7.63
Oceania	13.13	10.96	10.61	12.35	9.16	10.21
North America ...	21.68	33.12	29.71	9.34	7.54	8.16
Central America & W. Indies	3.78	5.85	6.28	2.23	1.97	1.92
South America	7.57	9.93	11.48	7.26	5.59	6.82
Total British countries ..	40.41	48.71	45.11	49.86	49.24	52.73
Total foreign countries ..	59.59	51.29	54.89	50.14	50.76	47.27
Total all countries ..	100.00	100.00	100.00	100.00	100.00	100.00

America, compared with 7½ per cent in 1946. But in 1938 the proportion was over 9 per cent, when the need to sell in the western hemisphere was less urgent. A similar trend is shown for South America. Imports from North America comprised 30 per cent of the total; this was a welcome reduction from the 1946 proportion of 33 per cent, but it is still well above the 22 per cent for 1938. The proportionate share of imports coming from Central and

TABLE II—BRITAIN'S TRADE PATTERN, 1947

Class	Hard Currency Areas	Other Areas	
		Sterling	Non-Sterling
	£ Million	£ Million	£ Million
Imports:—			
Food, drink, tobacco	830.3	569.4	367.8
Raw materials	418.8	268.0	118.6
Manufactures	216.0	210.1	133.7
	190.2	77.4	131.8
Exports:—			
Food, drink, tobacco	236.5	571.9	328.7
Raw materials	13.5	32.7	18.5
Manufactures:—	14.7	4.8	14.7
Metal goods	103.5	271.1	175.5
Textiles	54.5	128.7	41.6
Others	45.3	115.5	63.2
Re-exports	18.2	8.2	32.8
⁰ Visible Trade Balance	-575.6	+ 10.7	- 26.3

South America, however, was higher in 1947 than in the previous year and in 1938. The western hemisphere last year thus supplied Britain with 47½ per cent of its imports, compared with 49 per cent in 1946 and only 33 per cent in 1938, whereas this area took only 17 per cent of British exports, against 15 per cent in 1946 and 19 per cent before the war.

In 1947 Europe also supplied a larger proportion of imports

than in 1946 and took proportionately less exports. This again is a move in the right direction. Imports from and exports to Africa, India and Western Asia, although relatively smaller than in 1946, were substantially above their 1938 proportions. Trade with Oceania (chiefly Australia and New Zealand) has followed a different trend. The proportionate share of imports from this area has declined to 10.6 per cent compared with 13.1 per cent in 1938, and while exports have recovered to 10.2 per cent, this is still considerably below the prewar figure.

The analysis of Britain's trade with the hard currency, sterling and non-sterling area classified into the main commodity groups is shown in Table II. Britain's visible deficit for 1947 was £591 million, of which £576 million was due to the hard currency areas alone and a further £26 million consisted of the deficit with non-sterling areas. The only area with which Britain had a surplus (£11 million) was the sterling area. Well over a half Britain's imports of food, drink and tobacco came from hard currency countries, nearly 40 per cent of the raw material imports and nearly half the manufactured goods. The chief market for British exports was the sterling area, but hard currency countries took 43 per cent of British exports of raw materials, nearly a quarter of the textiles and nearly 20 per cent of the metal goods exported.

* * *

January Exports

The value of British exports in January was £119.5 million, a higher figure than in any month of 1947 and, in fact, a record since July, 1920. There were, however, two factors which tended to inflate the January total. First, the month contained the maximum number of working days—27 compared with 25 in December—and secondly, the total includes the late recording of some Christmas parcels. On the basis of a notional month of 26 working days, the rate of export in January continued the general upward movement which has been in evidence since September, but it was only very slightly above the rate for December.

RATE OF EXPORT ON BASIS OF 26 WORKING DAYS A MONTH
(£ Million)

May	89½	August	97½	November	106½
June	101	September	99	December	114½
July	106	October	104	January, 1948	115

The volume of exports in January has been provisionally estimated at 123 per cent of the 1938 volume, compared with 120 per cent in December, and 117 per cent for the fourth quarter of 1947. If allowance is made for both the length of the month and Christmas parcels, the volume of exports would show little change over December, and both months fall short of the original end-of-war target of 140 per cent of 1938 by about 14 per cent.

Exports of food and tobacco amounted to £8.2 million and were 19 per cent higher than in December, while raw material exports at £3.5 million were the highest since January, 1947—thanks, at last, to the resumption of overseas shipments of coal. The export of manufactured goods rose by 10 per cent and was probably entirely due to the longer working month. Only cotton goods and non-ferrous metals showed any marked increase, while the export of vehicles declined; the record number of motor cars (14,593) and cycles (146,000) sent overseas was counterbalanced by smaller exports of ships and aircraft. Machinery, however, established new records for value (£19.4 million) and quantity (69,601 tons) and its exports were 80 per cent heavier than in 1938. Shipments of textile and agricultural machinery showed the largest increase over the monthly average for the fourth quarter of 1947.

Imports into the United Kingdom reached a surprisingly high level, and totalled £161.8 million. This figure was only surpassed last July and August. The increase of £8.4 million over December was mainly due to higher values for food imports. Much larger quantities of tea and coffee were received while the import of animal feeding stuffs was the highest quantity since June, 1940. The monthly visible trade deficit, however, was reduced to £36.8 million, compared with £39.2 million in December.

* * *

Arranging the Argentine Payout

The coincidence next week of the disbursement of the Argentine rail moneys with the redemption of the "called" 3 per cent Conversion Loan is presenting the authorities with a more tricky technical problem in the art of credit management

than they have faced for many a day. The normal preparations for the Conversion Loan operation have, of course, been going on for some months, with the result that probably two thirds of the £302 million which is nominally due for repayment on March 1st has now been acquired by the "departments" and for all practical purposes has been redeemed already. The £100 million or so remaining in public hands is probably quite widely dispersed and, with the Argentine moneys, will involve a total disbursement of about £250 million. On most occasions in recent years when any similar situation has arisen, the technical problem of credit smoothing has been facilitated by the existence of a natural safety valve in the shape of a currently running "tap" for Government bonds. This time, not only is there no such ready channel into which a part of the surplus funds might be drawn, but the surplus itself will be further swollen by the maturing of £100 million of Treasury deposit receipts held by the banks.

The problem raised by the coincidence of the Conversion Loan and TDR maturities—in a week, moreover, which lies beyond the seasonal phase of large revenue surpluses—has been foreseeable for some time, and the plans which the authorities have been laying to meet it have long been visible to the money market. The "special buyer" of bills from the discount houses (and, at times, from the banks), whose services have been much in request lately to enable the market, by selling bills, to meet the pressure caused by revenue transfers, has shown a particular appetite for bills maturing next week. Thanks to these arrangements, the money market's share of the new issue of Treasury bills is likely to exceed by far the maturities held outside official quarters, and the resultant intake of funds by the authorities should offset a large part of the effective sum due to be paid out on the Conversion Loan. These are the normal devices of credit control; but something more is required to mop up the very large surplus which will remain. Ordinarily, an attempt might be made to achieve this by making an unusually big call upon the banks for money against new TDR's, and thereby to offset both the TDR maturities and a large part of the Argentine moneys. But that would not work for these particular disbursements, owing to their odd distribution. It is believed that a large proportion of these moneys will come to only three banks (bankers to the recipient railway companies), and one of these, although one of the smaller institutions, is due to receive almost half the total.

*

The authorities, however, seem to have risen to the occasion. They are often criticised—in these columns and elsewhere—for allowing tradition to prevent desirable improvements in technique, such as the introduction of the long-advocated 91-day Treasury Bill. But this time, it is believed, they have devised a novel formula for what must surely be a novel situation. It appears that the "special buyer" is not only assuming his occasional guise of "special seller" but is in effect arranging "forward" deals for next week on a very large scale. The net result should be that the banks will receive most of the Argentine moneys, not in cash, but in short bills, which will remain with the recipient banks as a flexible counterpart of the railway companies' deposits until the funds are paid out to stockholders. Only then, when the moneys become more evenly distributed through the whole banking system, will the normal TDR counterpart become again appropriate. At that stage, therefore, TDR's will presumably be issued to replace the bills. One other point deserves to be noted. Owing to the accident that the Supplementary Civil Estimates, permitting the advance payment to Argentina, had not been approved when the payment was made last week, it had to be shown "below-the-line" as a charge against the Civil Contingencies Fund, which rose by £120 million; there was, of course, a corresponding rise in departmental ways and means and tap bills. In effect, it will apparently be this Fund which will be the source of the bills to be released to the banks.

* * *

Last Railway Dividends

All the main line railway companies and the London Passenger Transport Board have now announced their dividends for 1947. Disbursements on the junior rail stocks flatter the poor dividend record of most of them over the past twenty-five years. In the final batch of payments, Great Western has lived up to the tradition of its former liberal distribution policy by proposing a payment of £7 5s. 8d. per cent on the ordinary stock; this compares with the record dividend of £7 10s. per cent paid for 1929. No allowance has been made in calculating the Great Western dividend for any compensation to be paid to directors for loss of office, and no proposal will be put from the floor at

the last general meeting at Paddington, although resolutions will be submitted to the meetings of the other three main line companies to pay £75,000 compensation to the seventeen directors of LMS, £63,000 to the twenty-one directors of LNER and £60,000 to the sixteen directors of the Southern Railway.

The dividends to be paid on the junior stocks of the other railway companies are shown in the accompanying table. The preferred ordinary of LNER is to receive 16s. 2½d. per cent for 1947, the first payment since 5s. per cent was made in 1930; the only other year between 1925 and 1947 in which more than 7s. 6d. per cent has been paid on this stock was in 1929, when the dividend was 3 per cent. The dividend for 1947 is therefore handsomely measured against this dismal record. Nor can the holders of LMS ordinary stock be dissatisfied with their final payment of just over 4½ per cent, for no dividend had been paid on the

RAILWAY REVENUE AND DISBURSEMENTS, 1947

Company and Marginal Stocks	Total Revenue for "Final Period" 1946 and 1947	Balance of Revenue Available for 1947	Service of Prior Charges 1947	Available After Meeting Prior Charges	1947 Dividend on Marginal Stocks (Per Cent)
	£000's	£000's	£000's	£000's	£ s. d.
Southern, Defd. Stk.	14,986	7,146	6,373	1,373	4 3 4(a)
L.M.S., Ord. Stk.	33,181	17,649	12,913	4,736	4 17 10.95
L.N.E.R., 5% Pref. Ord. (d)	16,533(b)	13,077(b)	3,456	16	2.4c
Gt. Western, Ord. Stk.	15,252	8,116	4,990	3,126	7 5 8
L.P.T.B., 'C' Stk.	9,415	4,719	3,902	817	3 3 7

(a) If resolution passed to pay £60,000 compensation to directors. (b) Estimated, total not yet announced. (c) On 5 per cent preferred ordinary; no payment on deferred ordinary. (d) Not yet announced.

stock since 1936 (apart from the 1½ per cent in respect of 1946 as part of a combined interim for 1946 and 1947 paid in February, 1947). The Southern deferred dividend was incorrectly stated in *The Economist* last week, the correct figure being 4½ per cent. The London Transport "C" Stock dividend of £3 3s. 7d. is slightly higher than that for the previous four years; it was last exceeded in 1943 when £3 5s. per cent was paid.

The sources of revenue available to the five concerns for payment of final dividends were laid down under the *Railways Control Agreement* and Section (20) of the Transport Act. The only room for surprises lay in the measure of flexibility allowed under Section 20(b) of the Transport Act, which entitled companies to transport, outside the scope of the *Railway Control Agreement*. These transfers have evidently been open-handed, but the last dividends of the "controlled undertakings," even so, are not greatly different from general expectations.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Imperial Tobacco; Harrods; Bolsover Colliery.

Prices, Year 1948 Jan. 1 to Feb. 25		Name of Security	Price, Feb. 18, 1948	Price, Feb. 25, 1948	Net Yield, Feb. 25, 1948 (n)	Gross Yield, Feb. 25, 1948	Prices, Year 1948 (Jan. 1 to Feb. 25)		Last Two Dividends			Name of Security	Price, Feb. 18, 1948	Price, Feb. 25, 1948	Yield, Feb. 25, 1948
High	Low						High	Low	(a)	(b)	(c)				
Other Securities															
101½	101	War Bonds 2½% August 1, 1949-51	101½	101½	0 7 1	1 10 6	103½	101½	%	%		103½	103½	2 19 0	
100½	100	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 11 4	1 7 3	94	92½	(d)	(d)		93	93	2 18 5	
102½	100½	War Bonds 2½% March 1, 1951-53	101½ x d	100½ x d	0 18 1	2 0 4	101	99½	(d)	(d)		100	100	3 10 0	
101½	100	War Bonds 2½% March 1, 1952-54	103½	103½	1 2 7	2 4 11 c	8½	7½	40 c	50 c		8	8½	3 1 6	
102½	101½	War Loan 3½% (after Dec. 1, 1952)	103½	103½	1 4 9	2 17 4 c	8½	8½	5 a	25 b		8½	8½	3 13 10	
104½	102½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 5 3	2 7 9½	76½	76½	62½	10 c	15 c	66½	66½	4 13 9½	
101½	99½	War Bonds 2½% Aug. 15, 1952-57	102½	102½	1 5 10	2 10 10½	38½	29½	40 c	40 c		32½	32½	3 13 8	
102½	100½	Funding 2½% June 15, 1954-58	103½	103½	1 6 8	2 13 7½	84½	74½	7 a	7 b		77½	74½	3 15 8	
104½	102½	National Def. 3½% July 15, 1954-59	103½	103½	1 7 2	2 18 4½	104½	94½	15 a	120 b		94½	94½	2 13 4½	
102½	100½	War Loan 3½% Sept. 15, 1955-65	101½	101½	1 11 10	2 13 3½	46½	39½	8½	12 b	8 a	90½	90½	4 8 11	
99½	96½	Funding 2½% April 15, 1956-61	99½	99½	1 11 5	2 18 10½	32½	25½	25 a	7 a		28½	26½	3 16 11	
102½	100½	Funding 3½% April 15, 1959-69	102½	102½	1 1 4	2 16 0 c	31½	27½	8 c	8 c		30½	28½	5 11 4	
114½	111½	Funding 4½% May 1, 1960-90	113½	113½	1 12 4	2 19 2½	79½	68½	12 c	15 c		70½	69½	4 6 4	
102½	99½	Savings Bonds 3½% Sept. 1, 1960-70	100½ x d	99½	1 13 11	2 17 7½	53½	44½	7 b	3 b		46½	45½	4 8 5	
96	93½	Savings Bonds 2½% May 1, 1964-67	95½	95½	1 4 11	2 17 9½	6½	5½	13½ a	19½ b		5½ x d	5½	6 2	
115½	112½	Victory Bonds 4½% Sept. 1, 1920-76	114½	114½	1 13 6	3 0 6½	48½	40½	10 c	10 c		43½	41½	4 17 0	
110	108½	Savings Bonds 3½% Aug. 15, 1965-75	100½	100½	1 2 6	2 17 1 ½	56½	49½	6 c	5 c		61/3	59½	4 14 4	
106½	107½	Consols 4½% (after Feb. 1, 1957)	106½	104½ x d	1 10 11	3 1 4 c	61½	49½	10 c	12½ c		55½	55½	3 18 10	
83½	78½	Conversion 3½% (after Apr. 1, 1961)	80½	78½ x d	1 14 10	3 2½	35½	34½	24 a	24 a		35½	35½	5 7 10	
99	94½	Treas. Stk. 3½% (after Apr. 1, 1975)	96½	96½	1 14 6	3 2 0½	65½	49½	20 a	20 a		65½	65½	5 0 0	
100	96½	Redemp. Stk. 3½% Oct. 1, 1986-96	97½	97½ x d	1 14 11	3 3 8½	59½	49½	30½	+69.58	174 c	32½	30½	2 8 7½	
83½	78½	Consols 2½%	80	78½	1 14 11	3 3 8½	65½	74½	15 b	12½ a		53½	50½	5 0 0	
98½	95½	British Transport 3½% Gtd. 1978-88	98½	98½	1 14 5	3 2 0½	85½	74½	15 b	12½ a		78½	76½	1 19 4½	
100½	96½	British Transport 3½% Gtd. 1967-72	100½	99½	1 11 6	2 18 6½	7½	5½	12½ a	12½ b		6½	5½	4 5 3	
							90½	73½	3½	11½ b		78½	75½	4 0 0	
							92½	79½	15 a	55 b		82½	80½	4 7 6	
Redemption yields on stocks optionally or finally redeemable within the next five years															

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 24 per cent free of income tax. Yield worked on 15 per cent basis. (g) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.). (h) To latest redemption date. (i) Free of tax.

Imperial Tobacco and Leaf Stocks

It is evident from a careful reading of the Imperial Tobacco report that the position about tobacco leaf stocks must be giving the directors much cause for concern. Doubtless this is a major theme which is likely to be included in the president's speech at the annual meeting next month. But it emerges that stocks of tobacco leaf in bond and of manufactured tobacco are smaller in quantity than at the end of October, 1946, though this fall is masked by the substantial increase in values which has arisen from the increased duty which Mr Dalton imposed last April. The prospect of future raw tobacco supplies in fact dominates the situation of the group. Despite the easy notion that supplies of Empire tobacco can be increased to replace dollar tobacco, it has long been clear that the limitations to the expansion of Rhodesian production which are imposed by labour and other difficulties rule out any prospects of the enormous increase which would be needed if dollar imports were forgone. The prospect for Imperial Tobacco this year is dominated, like so many other sectors of the British economy, by the varying prospect of Marshall aid—the only difference, perhaps, being that American comments on the Marshall programme do not conceal the importance which tobacco exports will play in it.

The Imperial Tobacco report (which is analysed and discussed in some detail in the *Records and Statistics Supplement* this week) will not be regarded as an encouraging document by stockholders, at any rate so far as the current year's prospects are concerned, for the results of the past year were considerably influenced by the relatively high volume of trade during the first half of the financial year until the Budget. The current basis of production, which appears to restrict supplies below the effective level of demand, is likely to prevail—subject to what Sir Stafford Cripps may have in mind for his April Budget—for the whole of the current financial year. And this, moreover, will bear a full year's Profits Tax, a not unimportant point of view of the relatively heavy burden which it involved for 1947. Meanwhile the company's permanent capital remains quite out of line with the effective capital which is being used in the business, and the Bonus Issues Tax has put out of court an official capital of the lines which the directors were contemplating a year or more ago because it would involve the Group in the fantastic charge of £9,000,000. The uncertainties of the current year are reflected clearly enough in the present yield of £6 9s. per cent on the ordinary stock which is a full £1 10s. per cent more than the average yield on industrials. Clearly the current year, on the best assumptions, is bound to show lower profits than for the past financial year, but that does not mean—unless Britain is forced to become a nation of non-smokers—that the long-term investment merits of Imperial Tobacco will ultimately be less favourable to ordinary stockholders than they have been in the past.

COMPANY MEETINGS

GENERAL MORTGAGE
BANK OF PALESTINE,
LIMITED

PROGRESS DURING PAST YEAR

The twenty-sixth annual general meeting of the General Mortgage Bank of Palestine, Limited, was held on the 8th instant, at the bank's offices in Tel-Aviv.

In the absence of Mr. S. Hoofien, Dr. A. Barth was in the chair. He reported on the progress made by the bank during the year under review. The item "Loans on Mortgage" had increased by 21 per cent., or £P.602,000, after repayments in an amount of £P.263,000, including £P.103,000 repaid in advance of maturity. There was a strong demand for mortgage loans and, although the bank now concentrated its activities exclusively to financing new housing, it could not always meet all applications. There was every reason to expect that this demand would continue during the forthcoming year. Although housing activity had made considerable headway, the scarcity of housing accommodation remained acute, as a consequence of continuous immigration.

The debenture circulation had increased by £P.550,000, or about 25 per cent., this being the highest increase during the last 12 years. The greater part of these debentures was placed locally. Their registration with the Securities and Exchange Commission in the U.S.A. and the placing of the debentures abroad had been retarded by the foreign exchange regulations.

THE FUTURE

The chairman concluded by pointing out that after the establishment of an independent Jewish State the bank's tasks would most likely take on appreciably larger dimensions. Increased immigration and consequently greatly enhanced housing requirements would undoubtedly widen the scope of the bank's activities. Statistical data of savings and potential investment possibilities led to the presumption that the necessary financial means would be largely available locally. The participation of foreign capital would also be sought and, it was hoped, not without success.

The report and accounts were unanimously adopted.

A dividend of 6 per cent. on both the ordinary and preference shares was proposed and approved.

NOTICES

CANBERRA UNIVERSITY COLLEGE

The Canberra University College invites applications for appointment to full-time lectureship as follows:
Lecturer in Economics (2 positions).
Lecturer in Political Science.
SALARY: The salary range of the positions is £600-£800 p.a. Salaries are subject to cost-of-living adjustments (at present an additional £70 p.a.), and the commencing rate within the range will be in accordance with qualifications and experience. (All amounts are stated in Australian currency.)
Further particulars may be obtained from the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is April 16, 1948.

PERSONNEL AND WELFARE MANAGER required by well-known and old-established manufacturers in Birmingham employing approximately 1,000 people. Duties of the post are in the main those recommended by Industrial Welfare Society. Write, giving age, salary required and full particulars of previous experience.—Box 677.

EXPERIENCED lady secretary seeks contacts for work at home. Typewriting, duplicating; also available for shorthand. High standard.—Wordsworth 2615.

WANTED, copies of *The Economist* from June 1, 1947, to date. State price.—Walker, Fonthill Abbey, Rathfarnham, Co. Dublin.

UNITED SERDANG (SUMATRA)
RUBBER PLANTATIONS,
LIMITED

MR. ERIC MILLER'S REVIEW

The fortieth annual general meeting of this company was held in London, on the 25th instant.

Mr. H. Eric Miller, the chairman, who presided, said in the course of his address that the majority of the company's rubber estates in Sumatra had been re-occupied and that losses so far ascertained seemed to be less severe than those of some other companies operating in the same territory.

Continuing, Mr. Miller said:
The political problem is still far from solved and in economic questions we have to rely on contact with the Dutch authorities in Indonesia, who have so far given no sign that they appreciate the necessity to create an atmosphere of encouragement instead of frustration if the economic recovery of the territories is to proceed at a pace which will stave off disaster. When the question of sending out new capital equipment or funds for rehabilitation arises we naturally have to observe the rulings of our own exchange control. This country and we ourselves cannot afford to embark on one-way traffic, and unless there is the certainty of recovering any new sterling remittances within a reasonable measure of time stalemate must continue.

The N.I. are retaining the whole of the foreign exchange brought in by sales of produce and we have no assurance as to when we may be allowed to remit home any part of such profit as our efforts may earn.

Working under such a complete stranglehold is not conducive to generating enthusiasm for the task in hand.

EXAMPLE OF MALAYA

The speedy recovery made by British Malaya is an example of what can be done when individual initiative and improvisation are allowed reasonable play. Many of us feel that we are over-governed there numerically, but at least we have been encouraged to put our best foot foremost to good effect, and it is high time the N.I. authorities followed suit in all areas which are now under peaceful control.

Taking a realistic view, however, I am afraid that in the best event recovery can only be gradual in face of world-wide shortages of so many essential materials, not least of which are foodstuffs, and the risk of intermittent yet serious setbacks as a result of extremist political activities.

Having thus put the stark realities before you, I hope the Netherlands Indies Government may also appreciate that this is a fair presentation of the problems facing us. I would, however, like to assure you and them that given fair play and reasonable encouragement, we have the talent and the organising ability to parallel on the East Coast of

Sumatra the wonderful recovery made in a short space of time by British Malaya.

You are all aware of the outstanding value of natural rubber as a dollar earner, and how unfortunate it is from that point of view that the U.S.A. Government, for reasons of national security, feel compelled to maintain compulsory use of synthetic rubber at this time of our greatest need.

Their action is, however, clear evidence of the strong competitive position which natural rubber would hold in a free market and provided the strategic stockpile of natural rubber which the U.S. Government are gradually building up is rigorously maintained for national security purposes only, the outlook for natural rubber producers seems reasonably encouraging when one measures the great strides which are being taken all over the world in the wider application of this wonderful material.

The report was adopted.

STERLING TRUST, LIMITED
INCREASED REVENUE

The thirty-first ordinary general meeting of the Sterling Trust, Limited, was held, on the 24th instant, in London, MR. MAURICE HEY-HUTCHINSON, M.C. (the chairman), presiding.

The following is an extract from his circulated statement:—Your directors decided to transfer from the reserve account the sum of £235,978 representing the net premium on the share issue made in 1928, and to apply it in writing-down the cost of certain investments, principally European bonds expressed in foreign currencies. This appropriation leaves the reserve at £324,022, to which has been added a transfer of £25,978 from the revenue account, bringing it up to £350,000 against £560,000 last year.

The result of these adjustments is to reduce the balance-sheet value of the investments, which are now stated at £4,273,170. The valuation at December 31 was £5,446,223, showing an appreciation of £1,173,053, or 27.5 per cent.

On valuation figures, the geographical spread is Great Britain and Empire 85½ per cent., South America 9½ per cent., Europe 2½ per cent., Asia 1½ per cent., other countries 1 per cent. and the classification is British Government securities 4½ per cent., other bonds 16½ per cent., preference stocks 31½ per cent., ordinary stocks 47½ per cent.

Our total gross revenue at £238,406 shows an increase of £9,793. This is again a substantial improvement. In view, however, of the satisfactory results for the year, your directors consider that a moderate increase in the ordinary dividend is justified, and they accordingly recommend a final of 4½ per cent., making 6½ per cent. for the year, as against 6 per cent. for 1946.

We have made an estimate of income for the current year. It shows some decrease but it indicates a good margin over the dividend now recommended.

The report was adopted.

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS' EXAMINATIONS.

The next Examinations will be held at London, Manchester, Leeds, Cardiff, Glasgow, Dublin and Belfast as follows:—

Final Examination: May 4, 5 and 6, 1948.
Intermediate Examination: May 5 and 6, 1948.
Preliminary Examination: May 4 and 5, 1948.

Candidates are requested to make their own arrangements for accommodation.

Applications on the appropriate forms must be lodged on or before Tuesday, March 16, 1948, with the undersigned.

Incorporated Accountants' Hall,
Victoria Embankment, London, W.C.2. A. A. GARRETT, Secretary.

EX-SUDAN Government (Short Contract) Official (31), married, well-educated, energetic, knowledge of M.E. countries and affairs, lit., math., musical, with COMM. ECON., STATISTICAL (incl. research), ADMIN. and TEACHING exp., excel. test., wants resp. and progr. post any sphere anywhere England. Tel.: Skipwith 68.—Box 664.

CAMBRIDGE Graduate with administrative and judicial experience East Africa, and trade association experience U.K., seeks post.—Write Box 672.

IRISHMAN (27), B.Comm. (2nd Class Honours), eight years' business experience, desires position in U.K. or Empire.—Box 651.

GOVERNMENT RETURNS

For the week ended February 21, 1948, total ordinary revenue was £111,891,000 against ordinary expenditure of £114,703,000 and issues to sinking fund allocations of £13,627,000 the surplus accrued since April 1st is £738,588,000 against a deficit of £337,946,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to Feb. 22, 1947	April 1 to Feb. 21, 1948	Week ended Feb. 21, 1947	Week ended Feb. 21, 1948
ORDINARY REVENUE					
Income Tax	108,600	960,347	1,010,026	47,956	70,326
Sur-tax	80,000	59,742	72,255	4,250	4,700
Estate, etc., Duties	155,000	131,689	149,879	2,940	3,700
Stamps	57,000	33,004	48,080	1,700	1,000
N.D.C.	206,000	29,562	31,070	350	1,000
E.P.T.	300,961	229,568	3,835	4,600	
Other Inland Rev.	1,000	469	620	66	155
Total Inland Rev.	158,500	1,515,774	1,541,498	61,097	85,481
Customs	742,460	547,108	704,493	12,080	14,236
Excise	668,540	524,100	575,600	7,500	10,300
Total Customs & Excise	1,411,000	1,071,208	1,280,093	19,580	24,536
Motor Duties	50,000	48,249	47,885	...	...
Surplus War Stores	95,000	121,813	166,742	4,140	440
Surplus Receipts from Trading	55,000	40,000	91,261	...	...
Post Office (Net Receipts)	11,000	4,550	3,480	Dr 200	Dr 150
Wireless Licences	1,000	8,210	9,240	...	...
Crown Lands	1,000	840	880	...	...
Receipts from Sundry Loans	21,000	23,489	22,991	...	...
Miscell. Receipts	270,000	40,810	209,371	730	1,585
Total Ord. Rev.	3,499,000	2,874,944	3,373,442	85,347	111,891
SELF-BALANCING					
Post Office	144,230	115,400	125,850	3,200	3,150
Income Tax on E.P.T. Refunds	49,000	144,008	20,624	1,040	284
Total	3,692,230	3,134,352	3,519,916	89,587	115,325
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to Feb. 22, 1947	April 1 to Feb. 21, 1948	Week ended Feb. 21, 1947	Week ended Feb. 21, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	442,581	448,462	7,332	42,629
Payments to N. Ireland	23,000	15,700	19,017	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	7,063	6,951	...	34
Total	556,000	515,344	474,430	7,332	42,663
Supply Services	26,351,114	26,842,110	21,467,797	66,815	72,040
Total Ord. Exp.	31,911,114	31,995,554	26,212,227	74,147	114,703
SELF-BALANCING					
Post Office	144,230	115,400	125,850	3,200	3,150
Income Tax on E.P.T. Refunds	49,000	144,008	20,624	1,040	284
Total	33,844,344	34,589,622	27,767,701	78,387	118,137

After increasing Exchequer balances by £186,151 to £3,515,330 the other operations for the week decreased the gross National Debt by £134,506,686 to £25,452 million.

NET ISSUES (£ thousand)

P.O. and Telegraph	450
E.P.T. Refunds	347
Overseas Trade Guarantees Act, 1939, sec. 4 (1)	71
Local Authorities Loans Act, 1945, sec. 3 (1)	4,900
War Damage: War Damage Commission	5,000
Civil Contingencies Fund	120,000
Finance Acts, 1946 and 1947, Post-war Credits	661
Total	131,429

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Treasury Bills	3% Def. Bonds
Nat. Savings	3% Def. Bonds
2% Def. Bonds	3% Def. Bonds
Other Debt	3% Def. Bonds
External	3% Def. Bonds
Ways & Means Advances	3% Def. Bonds
202,547	68,439

* Including £2,943,000 paid off on maturity.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
Feb. 22	2165-0	2506-6	446-5	...	1508-0	6626-1
Nov. 8	2250-0	2539-3	337-7	...	1252-5	6379-4
" 15	2250-0	2527-5	346-7	13-5	1292-5	6430-2
" 22	2250-0	2579-7	339-1	6-8	1317-5	6493-1
" 29	2250-0	2551-0	338-6	...	1337-5	6487-1
Dec. 6	2250-0	2582-2	340-3	...	1372-5	6545-0
" 13	2250-0	2569-5	325-1	...	1367-5	6512-1
" 20	2250-0	2605-4	306-6	6-3	1377-0	6545-2
" 31	2250-0	2550-7	305-6	...	1402-5	6508-8
1948						
Jan. 10	2220-0	2516-3	317-2	...	1374-0	6427-5
" 17	2210-0	2474-3	373-7	...	1335-5	6393-5
" 24	2210-0	2426-6	341-1	...	1330-0	6297-7
" 31	2190-0	2357-3	371-3	...	1329-5	6248-1
Feb. 7	2170-0	2351-5	301-6	...	1329-5	6152-6
" 14	2160-0	2307-4	366-4	...	1274-5	6108-3
" 21	2160-0	2346-8	447-6	...	1236-5	6190-9

TREASURY BILLS

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1947					
Feb. 21	170-0	277-9	170-0	10	1-79
Nov. 21	170-0	271-2	170-0	10	1-70
" 28	170-0	269-2	170-0	10	3-02
Dec. 5	170-0	300-6	170-0	10	2-26
" 12	170-0	289-8	170-0	10	2-66
" 19	170-0	274-7	170-0	10	2-89
" 24	170-0	288-1	170-0	10	2-73
1948					
Jan. 2	170-0	274-2	170-0	10	2-99
" 9	170-0	285-2	170-0	10	2-63
" 16	170-0	251-2	160-0	10	3-41
" 23	160-0	269-1	160-0	10	2-97
" 30	150-0	282-7	150-0	9	11-56
Feb. 6	160-0	276-5	160-0	9	11-89
" 13	170-0	240-2	170-0	10	0-92
" 20	170-0	266-0	170-0	10	0-16

On February 20th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 52 per cent of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at 99 17s. 1d. and above in full. £170 million (maximum) of Treasury Bills are being offered for February 27th. For the week ended February 28th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

	Week Ended		Totals
	Feb. 15, 1947	Feb. 14, 1948	Mar. 31 to Feb. 14, 1948
Savings Certificates:—			
Receipts	3,600	4,250	198,700
Repayments	3,450	2,500	118,550
Net Savings	150	1,750	80,150
Defence Bonds:—			
Receipts	2,500	710	62,415
Repayments	718	898	35,188
Net Savings	1,782	Dr. 188	27,227
P.O. and Trustee Savings Banks:—			
Receipts	12,185	15,110	615,531
Repayments	9,024	10,351	546,224
Net Savings	3,161	4,759	69,307
Total Net Savings	5,093	6,321	176,684
Interest on certificates repaid	621	450	22,339
Interest accrued on savings remaining invested	2,331	2,380	99,646

BANK OF ENGLAND
RETURNS

FEBRUARY 25, 1948

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	1231,610,931	Other Govt. Securities	1338,201,324
In Bank of England	118,636,902	Other Secs.	773,307
		Coin other than Gold	10,269
		Aut. of Fid.	1350,000,000
		Issue by Gold Coin and Bullion (at 172s. 3d. per oz. fine)...	247,833
	1350,247,833		1350,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.....	263,324,079
Res.	3,887,944	Other Secs.:	
Public Deps.*	12,064,470	Discounts and Advances	11,277,392
		Securities.....	20,977,394
Other Deps.:			
Bankers	290,609,508		
Other Accts...	93,324,262		
	383,933,770	Notes.....	118,636,902
		Coin.....	223,417
	414,439,184		414,439,184

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



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UNIVERSITY OF OXFORD

The Delegacy for Social Training proposes shortly to appoint a Senior Tutor (Woman), the appointment to begin as soon as possible. The stipend will be £600-£700, according to age and experience, and will be subject to the conditions of the Federated Superannuation System for Universities. Children's allowances are payable under the system in force in the University.

Applications for this post (six copies), with the names of three referees and a short account of the applicant's qualifications, experience, and academic career, should be sent before March 15th, to the Registrar, University Registry, from whom further particulars can be obtained. Testimonials are not required.

The choice of the electors will not be limited to those who apply.

BALLIOL COLLEGE, OXFORD

The College proposes shortly to elect an Official Fellow in Modern History as from September 29, 1948, and invites applications, to be received not later than April 17, 1948.

Applicants should be prepared to teach mainly nineteenth and twentieth century European history, and also political theory. The choice of the College will not be confined to those who apply.

Applications should be sent to the College Secretary, Balliol College, Oxford, from whom further details may be obtained.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Public Administration tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications must be received not later than April 27, 1948, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON

A course of five lectures on "The Transmogrification of Economics" will be given by Professor G. Stigler (Columbia University, New York) at the London School of Economics, Houghton Street, Aldwych, W.C.2, on March 8th, 10th, 12th, 15th and 17th, at 5 p.m. Admission free, without ticket.

JAMES HENDERSON, Academic Registrar.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

The half-yearly PRELIMINARY, INTERMEDIATE and FINAL EXAMINATIONS for candidates will be held on Tuesday, Wednesday and Thursday, June 8th, 9th and 10th next in Aberdeen, Belfast, Birmingham, Bournemouth, Bristol, Cardiff, Cork, Dublin, Edinburgh, Glasgow, Hull, Leeds, Liverpool, London, Manchester, Newcastle-on-Tyne, Nottingham, Plymouth and Sheffield, and at such other Centres, if any, as circumstances may warrant.

Entries must be received on or before April 1, 1948, at the offices of the Association, 22, Bedford Square, London, W.C.1.

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CIVIL SERVICE COMMISSION

THE CIVIL SERVICE COMMISSIONERS announce an Open Competition for about 10 vacancies in the Statistician Class of the Home Civil Service, to be held in 1948 concurrently with the competition under Method I for the Administrative Class of the Home Civil Service, and with an examination on the same lines as for that Method except for certain additional subjects. Age limits at least 20 and under 33 on August 1, 1948. Entry as Assistant Statistician on the salary scale, for men in London, of £360 x £25—£410 x £30—£720; higher starting pay for entrants with approved post-graduate experience. Salaries are somewhat lower for women and for officers serving outside London. There are prospects of promotion to higher grades. Superannuation under the Federated Superannuation System for Universities.

Further particulars and forms of application obtainable from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 2125; completed application forms must be received by him by March 15, 1948.

CONSUMER RESEARCH. A man is required to direct the Consumer Research Department of a food manufacturing Company in the Home Counties. The post is one of high responsibility, and a man of outstanding ability and experience in this field is sought. He will initiate and plan a continuous programme of sample surveys, direct the work of the Company's own staff of interviewers, analyse and interpret the results of their work, and make policy recommendations arising therefrom. He must not only be master of the techniques of Consumer Research in current use, but must be capable of adapting them to new uses and of improving upon them. The appointment carries an initial salary of at least £2,500, with superannuation rights. Apply, in confidence, with full particulars of career and salaries earned, to Box 676.

EXPORT DIVISION of large engineering combine in Westminster has vacancy for LADY EXPORT SALES ASSISTANT. Duties involve prosecution export promotion in Engineering products, typing own correspondence. Applicants must have degree standard educational background and one fluent foreign language, also practical experience in a post which involved independent commercial initiative. Previous experience dealing light engineering or technical products advantage. Contributory Pension Scheme. Salary offered, £420-£530 p.a., according experience.—Apply Box 673.

ASSISTANT EDITOR required by specialised economic journal of international standing. Applicant, preferably between 25 and 40, must be an able and experienced journalist, a keen, hard worker, of sound education and some economic training. Good salary, according to qualification. Excellent prospects.—Box 669.

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A VACANCY exists on the non-residential staff of an old-established and successful Correspondence College for an experienced Tutor in Statistics; must hold appropriate Degree, preferably Honours.—Box 674.

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Prospectus from Dept. P17, WOLSEY HALL, OXFORD

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March 6, 1948

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Action After Prague

CZECHOSLOVAKIA and Finland—the two countries upon which the Soviet vice is closing—are more than two small countries engulfed by the tyranny of a powerful neighbour. They are symbols and portents in the mind of Europe—symbols of a former betrayal by the west, portents of war and destruction which might be in store. The wave of grief and alarm that has swept over the free world draws some, at least, of its strength and bitterness from memories of 1939. So much bloodshed, so much sacrifice, so much suffering have been spent and borne to undo the injustices of that year. Now, barely a decade later, Europe is apparently back at that melancholy starting point.

Yet the western nations should not resort to mere foreboding in measuring the significance of the Communists' latest moves. What has happened in Prague resembles only in part the aggression of the Nazis nine years ago. Both acts of violation involved the destruction of free government by an internal minority allied to an outside Power, but the motives are not the same. Paradoxical though it may seem, Russia's action in Czechoslovakia is in one important respect a defensive act—a consolidation of a control already in being in order to ward off imagined dangers from without.

In truth, neither in Czechoslovakia nor in Finland could the Communists be certain of maintaining their position at the forthcoming elections in May and July. On the contrary, all the evidence suggested that they were likely to lose ground quite heavily. This set-back would have occurred at a time when political confidence and economic recovery in the west are likely to be strengthened by the first stage of the Marshall Plan. Indeed, the fall in Communist popularity may already have been partly caused by new hope of better times among the free peoples of the west. The Russians have been on the defensive ever since the chance of a recovery programme appeared on Europe's horizon, when the Cominform was hastily brought into being as the General Staff of the ideological war against the Marshall Plan. Czechoslovakia, the most democratic member in form and spirit of the east European bloc, whose Government first accepted the invitation to participate in the Paris Conference and then, on Russian instructions, withdrew, was the most exposed salient in the anti-Marshall line. Last week's coup hammered out the salient and closed the chief door by which pernicious influences from the west might have entered.

The policy practised at Prague, in its brutality, its open duplicity, clumsy fakes, disguises, and contradictions, bears, in spite of its careful secret preparation, many of the marks of an action dictated by fear. And, like most actions dictated by fear, some of its results will not accord with what its perpetrators intended. If Russia's aim in screwing down the nails in the Czechs' coffin was to lessen the chances of the Marshall Plan and to win a round in the struggle against European recovery, the coup at Prague has failed. The Communists have, in fact, vastly increased the chances that the Marshall Plan may succeed outside their sphere.

The reaction has been general and immediate. In Washington, Senator Vandenberg, in the masterly fashion he has made his own, has been

able to present his Bill for European Recovery to the Senate in an atmosphere which makes isolationism seem lunacy and support for Mr Wallace almost treason. In western Europe at large, the urgency of uniting the Sixteen Nations in a single bloc has gained fresh point. Inside each nation, all parties have received a last warning that no spoon is long enough for those who sup with the Communists. This realisation may, perhaps, even offer some hope that, in France, the bickerings between the non-Communist groups may cease. General de Gaulle may decide to join forces with the constitutional parties and the strength and influence of M. Léon Jouhaux and his *Force Ouvrière* may receive a new impetus. In Italy, the defection of Left-wing Nenni Socialists to the constitutional Saragat wing is reported to be considerable. All save the Communists and their fellow-travellers are now alive to the real meaning of the great variety of Communist "shadow organisations" which exist in every field and ominously recall Czechoslovakia's "action committees." Prudent Russian policy would have wooed America and Europe into a false sense of security. Instead, every red light, every burglar alarm, every whistle has been set blinking and blaring from one end of the Continent to the other.

★

To recognise the Communist danger for what it is, and to realise that the latest moves are primarily defensive is not, however, to say that there is no real threat to western Europe and that nothing needs to be done. The ruthlessness of the Czech coup is a measure not only of the Communists' fear, but also of their determination. The Cominform's field of activity covers France and Italy—in each of which roughly one-quarter of the voters have been ready in the past to vote the Communist ticket. In both these countries, a desperate effort will certainly be made to defeat the recovery plan before it starts, even, perhaps, at the risk of civil war.

While there is imminent risk to the safety of these two exposed members of the western community, a more remote but no less real danger hangs over that community as a whole. It is that the plan for western association and the drive for European recovery are still only in the preparatory stage. Lord Pakenham created fresh hopes on Wednesday when he said that "a start is being made to give living embodiment to the Western Union idea." But it is still permissible to wonder whether the western powers are not scared of it too—at least scared enough to hesitate to take the plunge from the crumbling bank of national sovereignty into the unknown waters of sharing, pooling, co-operation, integration and all the other unfamiliar responsibilities which western association demands.

The lesson is clear. The answer to the Czech coup is two-fold—first to maintain free government in Italy and France, where the next Communist offensive will be launched; at the same time to lay with all possible speed the foundations of western union. The chief responsibility in the first case must lie with the French and Italian Governments. They alone can decide on the steps to prevent a minority from overthrowing the republic by unconstitutional action. But the governments which form the core of any future western association—Britain, France and the Low Countries—can go a certain distance to increase the general strength and security of the western fringe. After Prague, can they afford to delay any longer in uniting themselves in a formal defensive alliance against all outside aggression, either against themselves or any other western European state? Have they given any thought to the legal and constitutional problem of defining "aggression" more closely so as to cover such modern methods of aggression as infiltration or the use of armed minorities within the country to overthrow lawfully elected governments? The pact would be open to all like-minded states, but the five founder members

would need to establish at once regular staff discussion to co-ordinate policy and standardise equipment.

There are two reasons why it is essential that the United States should be associated with any such pact. The first is obvious. If Russian policy is, after all, adventurous and aggressive, that pact is not simply the concern of western Europe. It is the concern of the world, and the United States, as the most powerful member of the world community, has an equal responsibility with western Europe to check aggression. If possible it should be checked peacefully by making it clear in advance that any attack delivered in any quarter will lead to a major war.

The second reason for American participation is inherent in the present economic weakness of western Europe. Since nearly all the nations likely to be concerned with a defence pact are on the razor edge between collapse and recovery, largely as a result of the war they have already fought, the addition of a rearmament programme to their over-strained industrial capacity might prejudice their whole chance of success under the Recovery Programme. For a year or two, at least, there is need for some arrangement—possibly under a modified form of lend-lease—whereby American and Canadian equipment can be made available to the armies of Europe. Nor is it simply a question of materials; manpower is just as short. Although a policy of reinforcements to the American armies of occupation in Germany, Austria and Trieste may be unpalatable to a country as profoundly pacific as the United States, the lesson of all the dreary years of appeasement is surely that failure to take reasonable precautions in time involves a nation later in infinitely greater suffering and expense.

This question of timing is particularly important when the Russian case is considered. It can be argued that there is no drive within the Communist system which irresistibly compels the Russians to war. Unlike Hitler, Stalin has repeatedly shown himself able to retreat and to reconsider his tactics. The one thing that might tempt the Russians to further adventures would be the belief that the western world as a whole was as unwilling and unable to resist as the non-Communist groups in Czechoslovakia. At times of uncertainty such as these the temptation to the waverers to climb on the Communist bandwagon is great. There is still time to pull them back with an American guarantee of western Europe's integrity.

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The major objective remains, however, not military pacts and defensive alliances, but the building of a western union. No garrisons, no defences will save the western world in the long run if it cannot find the secret of revival within itself. On this front, the news, though confused, is a little better. The warning from Prague has jolted the western nations into activity. An immediate meeting between officials of France, Britain and the Low Countries opened on Thursday in Brussels. The agenda of association will be fully discussed and preparations made for a general meeting of the Sixteen in Paris on March 16th which Mr Bevin will attend. But it is vital that at this conference the nations should pass beyond formal resolutions and general speechmaking. By then the Senate Bill will have given them an idea of the amount of aid they will be able to rely on for the first nine months. On that basis, the making of concrete plans can begin, provided that the right agencies exist to undertake the work.

This, then, is the crucial first decision to be taken at Paris—the decision to set up a continuing organisation or a central planning agency, staffed with men whose energy and experience are adequate to the tremendous task of evolving the proper methods of western co-operation. If these plans and methods are adequate, unity will grow; if they are not, unity will founder and, with it, western Europe.

How Strong is the Eastern Bloc?

WITH the fall of Prague the last obstacle to complete Soviet control of all eastern Europe north of Greece was removed. The obstacle, as events have shown, was not formidable: in foreign policy Czechoslovakia was already the complete and faithful ally of the Soviet Union. If the Russians wanted nothing more than security against foreign threats, and a firm grip on a geographical position and economic resources of great strategic importance, they had every reason to be satisfied with things as they were before February 25th.

Over four years ago, before the war was over, Messrs Fierlinger and Molotov had signed in Moscow a treaty wider in scope and more precise in commitments than the pact of Dunkirk between France and Britain. Like all other east European pacts its main avowed object was to prevent German aggression; it assured mutual assistance if either party were "involved in mutual respect of independence and sovereignty, non-interference in each other's internal affairs, economic relations on the largest scale" and permanent friendship and collaboration. This treaty became the corner stone of Prague's foreign policy, and was proudly regarded by men of all parties. It was also the corner stone of the Soviet's east European fortress. That the Communists in Czechoslovakia should have thought it necessary, with the approval, if not on the advice, of Moscow, to break the National Front and seize complete power is a sign of the grandiose proportions that the structure was intended to have, and of the haste with which its builders are now working.

The intention is clearly to make of seven or eight countries (the fate of Finland is not yet decided for reasons discussed in an article on page 380) a solid bloc, held together by exactly similar political and economic regimes, directed by the greatest experts in power-politics modern Europe has seen—the Moscow-trained satraps. The bloc is to provide not only a bulwark against the west but also a firm base for action in whatever direction future Soviet policy in Europe may turn: towards the Aegean, the North Sea or the western Mediterranean; against Turkey, Greece, Sweden, Italy or the Rhine Valley. Since Mr Marshall took charge of American foreign policy a year ago, the process of completing the bloc has been speeded up. And since the Cominform got busy last autumn, each country has taken one or more steps forward along the pre-determined path followed by its associates; Bulgaria to the Yugoslav and Albanian stage of development, Rumania to the Bulgarian stage, Hungary and Poland to the Rumanian, and now Czechoslovakia to the Hungarian. The tempo steadily grows faster and soon the Communists will have completed that "monolithic unity" for which they crave. The finishing touches may well be given before even the vague outline of western union is visible.

The time has come therefore to examine carefully the strength and the weakness of this Soviet base. Is the bloc indeed an organisation of "kindred souls"—to use Mr Bevin's phrase? Have the age-old feuds of some of its members been buried for good? Can the social and political levelling be made complete? Is the monolith as solid and as smooth as it looks?

Before the end of this year, this east European base will probably consist of Finland, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Yugoslavia, Albania and the Russian zones of Austria and Germany. About its economic resources more will be said in a subsequent article; it is sufficient now to mention Silesian coal, Rumanian oil, the mineral ores of Hungary and Yugoslavia, and the highly developed industries and skilled

workers of Saxony, Bohemia, Lower Austria and Budapest. Its population numbers over 110 million, with excellent military material. At present only Yugoslavia has an army of importance; and it will take time to equip and retrain mass armies in the other countries on Red Army lines. But the task has certainly been begun. Russian-trained generals and staff officers—in the case of Poland numerous senior officers of Soviet nationality—are in charge at the key points; "political departments" have been set up to indoctrinate all ranks through commissars corresponding to the Soviet *politruk*. When "politically reliable" cadres are sufficiently numerous, the armies of the ex-enemy states, now limited by the peace treaties, will be expanded. Armaments will be provided by the heavy industry of the Soviet Union, supplemented from the industrial regions of the bloc. Whatever their quality, the quantity of such arms will be impressive.

On the credit side then, the Russians have gained from their supremacy east of the Elbe a useful salient into central Europe, access to the Adriatic, a mighty increase of man-power and raw



materials, and many economic advantages useful to their war potential. But the very uniformity and strictness which give cohesion to the seven or eight governments are signs of the difficulties and weaknesses which must worry their master.

The first weakness on the debit side of the Russian investment in eastern Europe is the general hostility of the east European peoples to Communism. It takes several forms. In Catholic Poland, Czechoslovakia, Hungary, Croatia and Slovenia the Church, which has great influence over the peasants, is a centre of powerful discontent. These same peasants, and others who are not Catholics, fear forcible collectivisation. In fact no steps are being taken to collectivise the peasants; the policy of the Communists is almost identical with that of the Russian Bolsheviks during the New Economic Policy after 1921. But NEP gave way after a few years to Stalin's drive for collectivisation, and there is little reason to doubt that the example will be followed by the east European disciples when they think the time is ripe. In any case, even if the "kolkhoz bogey" is laid, the peasants are antagonised by laws compelling them to sell the bulk of their produce to the state at low fixed prices, by the disparity between industrial and agricultural prices, and by the extreme scarcity of manufactured goods.

Even more hostile are the professional classes, whose cultural background has been predominantly western; and the shortage of experts and technicians in all fields makes their attitude a source of serious embarrassment to the regimes. Finally, the working class is by no means uniformly enthusiastic about Communism. Stakhanovite methods of speeding up work may or may not suit Serbs and Bulgars; but among the Poles there were unofficial strikes in Lodz in the autumn, and in Czechoslovakia workers' resentment against Communist management in the factories was growing until quite recently. Open opposition to the Communists may be impossible; but hidden resentment is a factor to be reckoned with in a time of crisis.

A second source of weakness lies in the nationalist rivalries that exist between the states of the bloc. The nineteen pacts which have been woven since 1943 across the pattern of older enmities have not entirely concealed these rivalries. For example, there is still no pact between Czechoslovakia and Hungary. In Hungary even Communist leaders express indignation at a peace settlement which is severer than Trianon; and the Czechoslovak-Polish dispute over Teschen has been postponed, not solved. Finally, the master-planners in Moscow still face the impossible task of reconciling Germans with Poles and Czechs.

Perhaps more dangerous than inter-state rivalries is the deep and strong nationalism within each nation, which is directed above all against Russia, the foreign conqueror and oppressor. Hatred of Russia has long been intense in Poland and serious in Rumania and Hungary. Even in the south Slav countries it has grown since 1945, and may now extend to Czechoslovakia.

Operation Canute

THE President of the Board of Trade, declared Mr Lyttelton in last Tuesday's debate, has become a modern Canute who piously implores the tide of rising prices to retreat from his chair; but the President will get his feet wet—very wet. This puts so vividly the most obvious criticism of the Government's latest prescription for countering inflation that it is a pity to challenge the metaphor. But the truth is that, though the Government's methods are no better than Canute's, there is a world of difference between their problem and his. The tidal pressure against which they contend is one which they certainly could abate if they but went the right way to work.

Obviously, it was right to show that the so-called anti-inflation policy is more likely to increase inflationary pressure than to reduce it, and that the only real remedy lies in turning off the inflationary taps at the source, by reducing the excessive flow of incomes and the surplus volume of money. But the Government are unlikely to change the whole foundation of their policy: at the least, they are likely to stand by it until the results of their request to the Federation of British Industries to produce a plan for reducing prices and profits have been studied. In the meantime, they contend that, although their measures will not of themselves reduce the pressure against the dams of control, they are taking steps to strengthen the dams. Such an argument, were it allowed to go unchallenged, might even now have a specious appeal to many people.

Certainly, a full appraisal of the effects of price control is long overdue. In Parliament, it has been neglected in the past principally because of a lack of sufficiently clear and comprehensive information of how the system really works. But, since the Government intend to rely even more heavily upon price control in future, attention ought to be drawn without delay to certain leading questions. How is it that a system which in future is expected to restrain increases in prices has so patently failed to do so in the past? What effects does price control have upon industrial efficiency? To what extent does it distort the struc-

The foundation of this nationalism throughout history has been the peasantry. But even among the Left elements in the intelligentsia, who were at first inclined to welcome Russian leadership as a unifying and socially progressive force, bitter disillusionment has grown. To east Europeans national survival seems at stake. It is easy to talk of the retrograde character of nationalism, and the merits of great multi-national units. But these men, with their backs to the wall, fear that they will be degraded to the level of Udmurts or Yakuts.

These weaknesses must be weighed against the Soviet gains. It would, however, be foolish to overestimate them. All three existed under the wartime German yoke, yet Hitler had little difficulty in maintaining his grip, at least until the end of 1943. It seems probable, too, that the Communists have a better technique than the Germans. Hitler confined himself to exploiting existing rivalries, and relied on kings, generals, landowners and bureaucrats, who vaguely sympathised with Nazism, supported Germany when it was strong, but proved unreliable in adversity. The Kremlin prefers to rule through its devoted stooges, schooled by years of staff training in the Comintern in Moscow and of field experience in the world Communist underground. Communist propaganda is far more truly totalitarian than was that of the Nazis. Finally, it is probable that the Communists, by improving the material lot of a considerable minority of the population, will win some genuine enthusiastic support. They trust their stooges further than did the Nazis, and they will see that all the arms available go to them. For these reasons it would be wise to assume that the Soviet grip on eastern Europe will be stronger—even if more resented—than was the German.

ture of production? Will the latest extensions make the system work more, or less, efficiently?

To the uninitiated, it might seem that the big rise in prices in the past two years is in itself proof that the system of control has not been working according to plan. But this is not so. Although the biggest rises have, of course, occurred in uncontrolled goods (mainly luxuries) many of the increases in more essential goods have been lawful increases, often specifically sanctioned by the authorities. Except in the very short run, price controllers have never been able to devise any better test of the reasonableness of prices than their relationship to costs of production. This does not mean that all price controls work upon the crudest cost-plus basis; but, in general, the system has enabled manufacturers to pass on their cost increases to consumers. That, in itself, imposes a strain upon industrial efficiency because it encourages manufacturers to assume—sometimes wrongly—that they will never be penalised for inefficiency.

Unfortunately, the ill effects are often greatly exacerbated by particular techniques of price control. These are complicated, but a brief summary of their main features serves to illustrate the difficulties which are involved in "Operation Canute." Since 1941, the price controllers have progressively extended the range of goods which are controlled by means of a uniform maximum price for each article or grade of article. But, until the Orders made last week, many of the less essential consumers goods were still controlled only by that crude formula adopted at the outbreak of war. Under that system, the controllers did not fix any specific prices at all, but simply decreed that a firm must not raise its price above the prewar level by more than the amount of any increase in its cost per unit of producing or selling an article of the same type. The effect of this formula, to the extent that it worked, was to stabilise the cash profit per unit at the prewar level, but to leave costs

wholly uncontrolled. During the war, as more ambitious techniques of control were applied to essential goods and as production of many non-essential goods ceased altogether, the weaknesses of the 1939 system became of diminishing significance. But since 1945, as production has become more diversified, the evil effects of this old formula have become more apparent. Not only was it impossible to track down and punish more than a few of the presumed infringements, but any firm could escape quite legally by producing or marketing goods which, often in some minor particular, were different from those it sold in 1939.

Unfortunately, it is not only in these less essential categories of goods that the principle of cost-plus has been doing damage to industrial efficiency. Indeed, it is often in the more essential categories that the worst effects can arise. The Board of Trade has resorted increasingly to standard maximum prices wherever the types of goods could be precisely defined and their qualities specified. But this system of uniform maximum prices (as distinct from a different maximum price for each individual firm working under a cost-plus formula) had the result, always abhorrent to price controllers, that a price which gave no more than a reasonable profit to the average firm would leave the low-cost firm with a very high profit and might perhaps involve actual losses for firms with the highest costs. Yet the need to secure the maximum output of scarce goods made it necessary to ensure that even the marginal firm could secure a "fair" profit. Hence the authorities devised for some important industries a supplementary method of control, resorting once again to the cost-plus principle. Under this hybrid system the maximum price which could be charged by a manufacturer of, say, utility clothing was either the prescribed maximum price of, which operated for all manufacturers of the article in question, or the maximum based upon his own costs, if his individual maximum was less than the general maximum.

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The anomalous results of this system are easy to see. Whenever widely different maximum prices, all equally lawful, exist cheek by jowl for identical goods, the effects upon efficiency and morale are bound to be bad—for the lowest maximum prices govern the firms with the lowest costs, while the highest price is available only for the firm whose costs are highest. But the evil of this Gilbertian situation is greatly aggravated by the percentage "mark-up" system of controlling profits. In these days of physical limitations upon output, that often means that a manufacturer cannot increase his profits unless he inflates his costs. Yet if he refrains from doing so, he actually gives his wholesaler or retailer customers (whose gross profits are likewise governed by a cost percentage) an incentive to take their business to a higher-cost manufacturer.

Probably not much diversion in fact takes place for this

reason; most goods are so scarce that they will be bought at any price—even a low one. But this case, though extreme, is in principle typical of the way in which price control not only strikes at the roots of efficiency and business morality, but provides a constant inducement to business men to do precisely the opposite of what the controllers intend. This tendency is not peculiar to the crude cost-plus system. Inevitably, it is the most essential goods (especially the standardised utility goods) which are most closely controlled, and the tighter the control there, the greater is the incentive to switch production to less essential goods where control of profits or costs is more lax and where quality may not be controllable at all.

Will the latest extension of control reduce these evils? On the contrary, it is more likely to aggravate them, for it follows the familiar and dreary technique of trying to block up loopholes. In particular it imposes upon the less essential categories of goods which still were subject to the old 1939 formula a system which Mr Harold Wilson describes as "more up-to-date and realistic." Yet this control is nothing more than a standstill at existing price levels, from which manufacturers may escape by the device of slightly modifying the specifications of their goods. True, they then face a different form of control, but this, in Mr Wilson's own words, is "rough-and-ready and need be no more" because it is "designed to prevent evasion." Such naivety is scarcely to be expected from a President of the Board after ten years of price control. This "rough" system proves to be the oddest version yet of the cost-plus method; the percentage "mark-up" is to be applied, not to total costs, or even to prime costs, but merely to the cost of materials, and the same mark-up applies whether a firm manufactures from its own raw materials or produces the same article by the assembly of purchased components. The scope here for "legal" abuses looks wide indeed. The other new instrument in the armoury of price control is in principle more effective, for it extends to all cost-plus systems the new rule that increases in rates of wages, salaries or commission will not be allowed as increased costs unless the Board of Trade agrees that the increases in rates were justified by the principles laid down in the Personal Incomes White Paper. When applications for adjudication on this knotty point begin to flow in, the Board of Trade will face a severe headache.

The truth is that such efforts to stop up the leaking dams will never keep pace with the damage that inflation wreaks upon them. The Government's policy seems to them inevitably to require more and more control, more snooping, more cost investigations, and more prosecutions. Yet it could never succeed—not, at least, with any level of control below that of the most far-reaching totalitarian dragooning of the whole economy. It is much simpler, and incomparably less costly—whether in terms of politics or economics or social objectives—merely to turn down the pressure of inflation.

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Flying Blind

THE greatest handicap to British civil aviation at present is not lack of a policy so much as failure to carry out an agreed policy. The conditions under which the three state-owned air corporations should operate were approved by Parliament and laid down in the Civil Aviation Act of 1946. The limitations were realised and the cost was accepted "with eyes wide open," as the Minister of Civil Aviation has recently affirmed. In simple terms, British air lines had the choice of flying with modern American aircraft, which would give them better prospects of commercial success from the outset, or of "flying British" at a heavy and unavoidable loss for several years, with the ultimate intention of encouraging British manufacturers to produce aircraft capable of competing effectively with American types.

There are few who would deny the good sense of the decision to take the second course. But the bill has already been heavy, and the next instalment is likely to be heavier. On their first year's operations the three Corporations exceeded their authorised deficit of £10 million by £214,274. This loss would undoubtedly have been smaller if the Corporations could have suspended several uneconomic routes or have avoided heavy initial expenditure. But that would have been to abandon the whole justification for the nationalisation of air services. On grounds of imperial policy, services, say, to Australia could not be stopped by reason of their expense: the Middle Eastern services, again, which are also essential in the national interest, cost another £600,000. Such losses cannot be charged directly to nationalisation; they represent the cost of services which would have to be provided under any regime. And the loss of British Overseas Airways Corporation, to that extent, is of the same character as the subsidy which would have to be paid to privately-owned airlines to maintain similar services.

But, even so, the loss would probably not have been so heavy. Private companies would have been less tolerant of departmental interference and indecision, which have cost the Air Corporations dear. Because there is, as yet, no single co-ordinating authority to supervise all aspects of civil aviation policy, avoidable expenses and disappointments have resulted. As Mr Lennox-Boyd pointed out, when opening the useful, if inconclusive, debate on civil aviation last week, "In a field where the Government could provide a lead, and where a lead is necessary, they have never provided that lead." The charge is reflected only too clearly in the report of the Courtney Committee on the development of the Tudor aircraft. The success of the original policy of 1946 depended entirely on the speediest development of satisfactory interim types of large British civil aircraft, and it was on the Tudor that the highest hopes were placed. Everyone now knows that its development has been unduly slow and that none of the parties involved is free from blame.

Two main weaknesses are emphasised in the Courtney Report. The first is the lack of any central responsibility for the efficient execution of civil aviation policy. The Committee concluded that "defective co-operation between user and producer" was the root cause of the trouble with the Tudor:

There was such an effective division of constitutional responsibility among the organisations concerned that each could find unimpeachable reasons for keeping its constructive activity within moderate limits; and on none of the parties was there such a clear financial responsibility as would have impelled action. None the less, effective leadership could have come from either of the two departments (the Ministries of Supply and Civil Aviation) but, for reasons which doubtless seemed good at the time, it did not.

It was not that this was a failure in a sudden crisis. The process of inaction was lengthy and its nature was common knowledge.

It is, therefore, hard to absolve the Government from lack of drive or from unjustified preoccupation with problems which were secondary to the prime purpose of getting satisfactory machines into the air. There is something to be said for the respect which the departments have sometimes shown to the autonomous character of the Corporations and for their hesitation to interfere in the development of a new type of public body. But even so there has been an excessive regard for susceptibilities and form. A Cabinet sub-committee could have knocked together the heads of the organisations concerned without diminishing their status.

The second weakness is the costly and cumbersome procedure for bringing a new aircraft into service. Something has been done to improve it since the period covered by the Courtney Report and an experienced and impartial committee is now investigating the problem. But the assurance of the Minister of Supply in the recent debate that "the future programming of planes for the Corporations is under constant review" hardly sounds very direct or forceful. It would need a much more inspiring report of vigilance and alertness to allay public anxieties about civil aircraft. More important, it raises yet again the question whether the Ministry of Supply has any rightful place at all in the acquisition of new machines by the Corporations. The research and development functions of the Ministry are important: their value has been noted by American manufacturers whose works are now operating at only about 3 per cent of their capacity and whose losses last year were estimated at some \$70 million. The recent suggestion—endorsed in the debate by several Members—that the Ministry of Supply should withdraw, once the Corporations have placed their orders, seems sound. Its adoption would save time, money and friction. It would improve relations between manufacturers of aircraft and the Corporations which operate them. It would certainly please the Corporations. What they think of the present arrangements which, incidentally, are reliably estimated to add between 2 and 3 per cent to the direct cost of an aircraft, in addition to the indirect cost of any delay in bringing it into operation, is stated in forthright terms in the report of British South American Airways.

The present system of ordering aircraft through the Ministry of Supply is entirely contrary to the interests of the Corporation. It imposes a third party between the user and the manufacturer, causing delays and misunderstandings. It takes control from the Corporation but leaves it with responsibility; it adds to the cost of aircraft, as the manufacturers' price is loaded with departmental overheads. One of the prerequisites of successful airline operation is that the right aircraft should be available at the right time at the right price. Under the present system, the Corporation has no control over price, it is in the hands of the Ministry of Supply as to priority, and is subject to very considerable interferences as to design.

It is hard to believe that a central body for civil aviation, whether temporary or permanent, could have failed to correct such a situation before it became a matter of open comment.

Nevertheless, it would be unwise to set up such a central authority now. The urgent need is now to give the machinery of the Civil Aviation Act a chance to run, though its aims could profitably be reviewed and adjustments could be made to it. There is plenty of "play" in the machine and not all its parts are properly synchronised. The "fly British" policy is implicitly intended to save dollars, as well as to support the British aircraft industry. Nevertheless, some American aircraft have been bought and six more are on order. These are for the North Atlantic route, yet the present Constellations, although they are most efficiently operated, have insufficient

capacity to secure for Britain its fair share of traffic, and the Boeing Stratocruisers will not be available for some time. But in the meantime, the Tudor will probably prove inadequate to the traffic tasks of the Transatlantic service. When this first became apparent an ingenious compromise aircraft was proposed—a Constellation airframe with Bristol engines. It was rejected. It could now have been starting to pay for itself, for the Tudors are still not ready and in any case they could better serve the less exacting Empire routes. In recent weeks it has been suggested that BOAC should acquire the Canadair IV—a Skymaster airframe with Rolls-Royce engines—which is already in operation. A case might be made for the acquisition of a few of these aircraft on the ground that they are equivalent to raw materials with a high dollar earning capacity, and that engine maintenance and replacement, which is one of the costliest charges on an air line, would not cost dollars, since the engines are British. It is therefore curious to note that the Minister of Supply does not know whether the proposal "has gone so far as being put as a proposition to the Chancellor of the Exchequer." This is indeed a distant attitude to adopt on such crucial problems as the saving of dollars and the supply of aircraft. Similarly, it is surprising that the transfer of BOAC's Atlantic maintenance base from Montreal to Bristol could not have been effected earlier.

Dollars involve the Treasury. The exact part which this department plays in civil aviation policy is not clear. But on a lower level of book-keeping, as two debates in the House of Lords and the Commons have shown, it is surely desirable that some indication should be given in the Corporations' accounts of the cost of services which would not be run as a commercial venture. This is desirable to provide data for assessing the cost of national as distinct from commercial operations. When the expenses of state airfields or of the system of navigational aids are included, it is obvious that the total effective cost of assistance

NOTES OF THE WEEK

A Covey of Conferences

Events are conspiring to make people believe that Western defence pacts, talks about Germany, committees on customs of the union, united Europe movements and the next meeting of the governments interested in the European Recovery Plan are all somehow products of one mind and parts of one programme. In fact they are not, and it is important that the main ideas of ERP and Western Union should be held clear of the present diplomatic and Scandi-scrimmage. Otherwise the weight of the Swiss and the Scandinavians will be quickly withdrawn from the team of fifteen governments which Mr Bevin will address in Paris on or about March 16.

That conference's chief task will be to give to a working committee firm and clear instructions, which should lead to the creation within a month or less of a permanent body to administer ERP. All the 16 governments will take part in the committee's work and the leading role seems likely to fall—either within or outside the permanent body—to this country. Some difficult appointments have to be made; a place of work has to be chosen; a secretariat has to be formed; and the range of the body's activity has to be roughly defined. The chances are that all this will be done quickly and efficiently; the officials working on ERP have already developed a promising team spirit. Obviously forms and methods of co-operation useful to Western Union—when it comes—will emerge from the ERP conference. But they will represent the work of 16 governments; whereas what they will represent for economic co-operation come out of the Brussels conference of Ambassadors and experts, which began on Thursday, will represent the work of Britain, France and Benelux only.

Cooler Heads Needed

The rapidly increased tempo of diplomatic activity in the last week has rather flurried the more leisurely talks on Germany which have been going on in London. As a result, it is hardly likely that the British, French and American ideas about Germany's part in ERP and Western union will have been brought much closer than they were a fortnight ago. The French

to civil aviation is bigger than the Corporations' accounts show. These high costs for airfields and other facilities are the justification, so rightly stressed by the Parliamentary Under-Secretary for Civil Aviation in a generally disappointing speech, for charging the State air lines the same landing fees as other lines.

The same point underlines the vital difference between the regular services, which the state Air Corporations run, and the activities of charter operators. The Corporations fly their services, weather permitting, whether full or not. The charter operators by definition, fly only when they have a load: and their fares are not controlled. Comparisons, always odious, are here inaccurate as well. So are comparisons between various companies which operate with fundamentally different aims and under entirely different conditions. There is no true basis of comparison, so long as national policy is a paramount consideration for some companies, while others are governed by purely commercial aims. Geographical factors similarly play their part. The long stages of BSAA's routes—the Azores to Bermuda leg is the longest in the world and perhaps the most difficult—mean smaller groundstuffs at fewer bases; it follows that miles flown per person employed are high. The other Corporations are laying broad foundations for what is as yet a small superstructure. Hence in their case miles flown per person employed are much lower, and they give a quite inadequate picture of the operators' activity and future promise.

For their promise is great. Its realisation can be hastened by some of the measures discussed here—a tuning up of the machine in order to give it a proper trial rather than its scrapping or rebuilding. The general economic deterioration of the country of course makes the task more difficult. But British Civil Aviation can and should improve its supply of motive power—by acquiring its own aircraft. And it should mark its course more clearly, and having marked it, hold to it.

delegation must have wondered whether their journey was really necessary when they found that the first week was spent in stating cases which, in their main features, have been known for months.

The last ten days have shown once again that the mere mention of defence pacts is enough to set diplomats off in full cry along a well-worn trail, abandoning the fresher scents laid by Mr Bevin in his Western Union speech. The war scare which has followed the news from Prague is neither rational nor dignified; and it is to be hoped that heads will be cooler by the time the Paris meeting takes place. To discuss European recovery with the fear of imminent war in mind does not make sense. The strategic situation, as distinct from the political, is no different from what it was a year ago. What is new is the avowed determination of the Western governments not to be pushed around. To produce that determination has clearly been Mr Marshall's intention all along; and he is a man who, like Mr Stalin, calculates risks very carefully.

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Defence Debate

The debate last Monday on the Government's statement relating to defence was a poor affair. Everyone was on edge owing to the week end's news from abroad. Members who have been thinking of defence as something to have ready in ten years' time were asking, rather unfairly, why it was not ready now, considering that it is to cost £692 million for the coming financial year. Mr Alexander's speech was disappointing: it gave little more than a paraphrase of the White Paper, and lacked the clarity of ideas and imaginative sweep that a good Minister of Defence should command. Mr Alexander in that position is too much like one of the battleships he has recently scrapped; solid, slow, old-fashioned, reliable but with too much weight above the water-line for the Bikini age. Indeed the most cogent charge against his exposition was that the new defence policy has too much of the old look.

Yet the Government case deserves more understanding and sympathy than it has received. It is too early to redraft the strategic scheme in the light of scientific developments: unless

a breathing space is given to the research workers and the staff officers they will certainly prepare for future war on the lines that they fought the last—and so justify the jibe that is always waiting for them on the lips of politicians. If, on the other hand, they are told to be ready for war now or in the very near future, they will certainly propose an outlay of money, men and productive resources which would make nonsense of the White Paper's basic principle—that "the first element in any coherent defence policy is the establishment of a healthy economy."

The touchstone here is really civil defence, which, for quite grotesque reasons, does not come under Mr Alexander's department; if the Government's advisers expect war soon, then the organisation and defence of workers and factories should begin now. If they do not, then they are quite right to ask for flexibility and caution in the disposal of men and the preparation of weapons over the whole field of national and Commonwealth defence. Their critics must make it clear in the coming debates on the Estimates whether they want fully efficient defence before 1950 or by 1960; it is quite clear they cannot have both.

If 1960 is to be the date, then the amount of money and men (in and out of uniform) for which the Service Ministries are budgeting is excessive, even if allowance is made for the difficulties of absorbing and training the National Servicemen. Mr Alexander should hold firmly to his first principle that the source of military strength lies in a healthy economy, and should cut down the financial and industrial burden still further. The condition of doing so is for Mr Bevin to say quite candidly now to the Americans and the Dominions, and later to the possible members of a Western Union, that Britain is contributing far more than its fair share to their defence. Mr Crossman was quite right to argue in the debate that British military commitments are excessive; but he is wrong to ask that more of them should be abandoned without a vigorous effort to share them with others, whether in Europe, the Middle East, India or Africa.

The Opposition grumbled a good deal about the Government's secrecy. There is an easy way round this difficulty; Opposition leaders could and should be taken into the confidence of Mr Alexander. Mr Attlee should try to be magnanimous enough to consult Mr Churchill. Otherwise politics and security will get mixed up, to the detriment of both.

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Labour and the Marshall Plan

The Labour Party's memorandum on the Marshall Plan is in many respects an interesting document; chiefly perhaps because the occasional flashes of real insight are so suddenly obscured by the distorting fog of party doctrines. It seems, for example, to recognise clearly enough that the degree of integration envisaged in the Report of the Committee on European Economic Co-operation is not enough, and that something much more fundamental will be necessary to turn the European queue into a team; but when it comes to translating this into practice the joint planning advocated resolves itself into an extension of existing schemes for international allotment of commodities and the international socialisation of the steel and chemical industries—hardly a very attractive programme for any but the minority Socialist opinion in the sixteen countries. Co-operative development of African resources by the colony-owning powers is also recommended, in order to diminish European dependence on the western hemisphere. This in principle would meet with general approval, but it would be exceedingly rash to build upon it any exaggerated hopes.

So again the economic integration of Europe is put forward as a revolutionary aim which must be "recognised and exploited" as a dynamic new ideal, progress "by the unconscious broadening from precedent to precedent" being "quite inadequate to withstand the strains and stresses to which the recovery programme will certainly be subjected in the coming years." But the momentous reaction suggested to this challenge is merely a public declaration of faith in European unity. Is this really what the special meaning for Socialists of the idea of unity in Western Europe amounts to? Apparently not, for it is also revealed between the lines that the real significance of Western European unity is that it alone can make the world safe for Socialism, and Socialists everywhere are warned to guard against the prostitution of this constructive ideal into the vulgar instrument of anti-Soviet propaganda by discredited (non-Socialist?) politicians who hope to rebuild their shattered fortunes. Finally, Socialists must take the lead in promoting European unity, for the success of the European Recovery Programme is declared to "depend to a large degree on the spread of ideas and practices for which Socialists have always fought," though it is graciously admitted

that it would be incorrect to say that "Socialists alone are capable of a disinterested passion for European unity."

There is something so disagreeable in this type of party self-esteem that it may easily blind the reader to much that is admirable in the memorandum, which in other respects sets out very fairly the aims of the Marshall Plan, its progress to date and its difficulties. The more the pity, therefore, that the Labour Party continues to display the same petty-mindedness which boycotted the Hague Conference. It is all very well to summon a conference of trade union delegates from the sixteen countries, but it is far more important to mobilise public opinion of every political complexion to co-operate in the cause of European unity.

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Which Method for Italy?

Those who believe the Russians are prepared to push to any lengths their resistance to the Marshall Plan look anxiously at Italy. Is a *coup d'état* in Rome and Milan next in the Cominform's calculations? One thing is certain. The Communist Party in Italy is in no position to repeat the exploits of Mr Gottwald in Czechoslovakia. The Communists, and with them the Socialists, were edged out of the Italian Government in May, 1947; they have since been in no position to lay their hands on the Ministry of the Interior. This is the key position of political power in any state, but especially so in Italy, where twenty years of Mussolini did not entirely efface the memory of Giolitti and his methods of fixing elections in pre-Fascist Italy.

Any fixing that is accomplished before the first elections under the new constitution—in April—will have been the work of the strongest single party, the Christian Democrats. Control of the Ministry of the Interior has also given Signor de Gasperi's non-Communist Government control of the police—which played a crucial part in Prague. When, last autumn, the Communists and Nenni Socialists attempted to force their way back into the coalition by strikes and demonstrations, the police—armed, motorised and reported to be 150,000 strong—were used with impressive effect, particularly in Rome, where the general strike petered out on its second morning.

But the Left claims to be overwhelmingly strong in other fields. It has attempted to organise in every sphere a species of shadow state beneath the real republic—with Communist committees in factories, Communist land movements, Communist municipalities and Communist partisans. Yet their strength is an uncertain quantity. It should be strongest in the factories; but the Communist leader of the trade unions, de Vittorio, has been criticised for his "weakness" in dealing with the vocally anti-Communist minority. If he were to decree strike action for blatantly political purposes, he might find his numbers dwindling, as did the French Communists in the November strikes.

Although a Gottwald coup is out of the question, there are two other ways of winning power open to Signor Togliatti and his men—a victory at the elections and a successful civil war. Victory at the polls is almost certainly ruled out. At the last elections the Christian Democrats and the Right polled more than the Communists and the Socialists combined. Today the Saragat section of the Socialists—probably a growing section—has parted company with the Communists and is represented in the Government. If voting reflects this development, the Centre-Right poll will increase.

There remains the most dangerous possibility—civil war. The Communists could not win outright, but they might reproduce the wasting sickness of Greece. Their chances are made the brighter by the inefficiency of the present Government and by the economic dislocation caused by its deflationary policies. If opposition to the Communists led the Christian Democrats into unholy alliance with the neo-Fascists, other moderate Italians might take to the hills.

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Spring Prospects in France

When M. Bidault made his moving appeal for unity in France between all those who value "the freedom of the Fatherland and the freedom of all fatherlands," the whole Chamber with the exception of the Communists rose to their feet to applaud. Their action is perhaps a symbol of the impact of the Czech crisis on French opinion; and there is at least a little evidence of a genuine effort behind the scenes to resolve party differences and create a stable majority in parliament.

But if the Communists should decide to renew the offensive, it is not in the Chamber but in the fields and factories that the struggle would develop. Their newspapers have spoken of the development of "action committees" in industry and agriculture,

and it is to some such state within the state that they might look for their main reinforcements. Yet if this is the plan, it is possible that they struck too soon last November. The independent *Force Ouvrière* has been busily organising itself since then, working out its relations with other autonomous unions. It hopes, when its first convention is held in April, to have a million workers behind it, which compares not unfavourably with the million and a-half in the Communist-dominated *Confédération Générale du Travail*. These figures are not, however, certain and many workers are doubtless deferring choice between the two bodies until they see which way prices go.

This is the crucial point. Can the French Government keep a measure of support among the working class in the three critical months before the harvest? The long-range prospects are not discouraging. Production in coal, electricity and heavy industry is back to, and even above, the record level of October, 1947; the general index is slightly above the level of 1938. The prospects for the harvest are good, with over 4,000,000 more acres under grain than last year and the likelihood of big yields. The franc is holding its own on the free market, and is actually stronger than it was in December, 1946. And M. Mayer has received an unconvicted mercy in the shape of 5 billion francs of unclaimed 5,000 franc notes, the result of the recent blocking operation. There is also a chance that the arrears of unpaid taxes will be paid up as a result of that measure.

The danger signal is the price level. January saw a sharp advance in industrial prices, since the subsidies of coal and steel had just been removed. Heating and lighting costs rose by one-third, and the overall advance was 4.5 per cent above December. The price of food rose only 3 per cent. If M. Schuman and M. Mayer can hold food prices steady there is hope for them, for the *Force Ouvrière*, and indeed for France.

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Trade Unions in the Czech Coup

The leading part played in the Czechoslovak revolution by the trade unions and works councils is an ominous example of the very precise aims and methods pursued by the Communists in these bodies.

As in all countries in the Russian sphere—including the Eastern Zone of Germany—the Czech trade union organisation was re-formed after the war on the Russian model, from the top downwards, instead of from the bottom up. A central executive was established, led by the Communist Zapotocky and the fake Socialist, Evzen Erban. It was placed in absolute control of the unions, which were organised on an industrial basis, grouped in a single Revolutionary Trade Union (URO). To refer to URO as the Czech TUC is, therefore, misleading. Its centralised control of dependent industrial unions makes this Russian type of organisation essentially different from the British.

Efforts were concentrated (as everywhere) on gaining the controlling posts in the key unions—engineering, mining and transport. The police, under the Communist Ministry of the Interior, were also formed into a union which was a sub-division of URO. By pressing a button in Prague, therefore, the country's life could be brought to a standstill.

For months past the Communists had been trying to bring URO into the National Front in order to weight the balance in favour of the Left, but were resisted by the other political parties. None the less, the organisation took the lead in demanding various measures, including the nationalisation of all businesses employing more than 50 people, and arrogated to itself the rights of a political party. In the months before the *putsch*, there had been a campaign of intimidation of Socialist workers, aimed at forcing them to join the Communist party. Control of the works councils was being secured. Characteristically, the leading representative of the trade union inside a plant tended also to lead the works council. Communist practice is, in fact, to make the trade union superior to the works council in order to ensure a single centralised direction of the entire labour world.

In the *putsch* itself, URO had the role of threatening President Benes with a general strike, if he refused to accept the new Government. The strike was never called because the President submitted. Previously, URO had been responsible for a token strike and a demonstration in Prague—in which, it may be noted, the overwhelming number of delegates came from the engineering and transport industries, and from the works councils of the big, Communist-run plants. Finally, factories were seized by the "action committees" and by the armed works militia, which had been entirely disbanded since the liberation.

The Best of Both Worlds?

The supply side debate on trade policy in the House of Commons on Tuesday hardly contributed very much to the enlightenment of the public. That was largely because the political attractions of the Russian Trade Agreement proved almost irresistible as a subject of discussion, and the quite exaggerated official secrecy about prices made informed criticism impossible. In the circumstances, therefore, it was scarcely to be expected that critics of the agreement would be able to make out a very strong case. But Mr Lyttelton's remark that the coarse grains bought from Russia would be paid for in the hardest of hard currencies, namely, vital items of machinery and equipment, was scarcely appropriate. If Britain can use these manufactures to buy food and feeding-stuffs, so much the better, provided that the terms of trade are reasonable—the essential point on which the Government persists in keeping the public in ignorance. In order to make his point against the agreement, Mr Lyttelton would have to prove that the particular machinery, rails, locomotives, etc., could be sold elsewhere (e.g., in the Western Hemisphere) on more profitable terms in exchange for equally essential imports. And this he was, of course, unable to do. Meanwhile, the public must be left to gather some comfort from the assurance of the President of the Board of Trade that the prices paid for Soviet barley, maize and oats were considerably below the highest world prices ruling today.

On the question of multilateralism and bilateralism the debate was even less informative. Mr Bottomley's contention that the present policy of bilateral agreements, being pursued by the Government as an interim policy until conditions are ripe for playing the multilateral game, was really making the best of both worlds can hardly be taken seriously. It is true that in some of these agreements it has been possible to avoid the restriction of trade to a minimum of bare necessities and to secure at any rate a half-opened door for British exports; but the fact remains that the restrictive effects of bilateralism are inescapable. What is more, the combination of large-scale Government buying of imports, against implied undertakings, however indefinite, to provide from a largely private economy a given quantity of exports—to say nothing of definite commitments about exports of that still very scarce commodity, coal—provides a singularly unsatisfactory foundation for the development of foreign trade, even though in the circumstances of today it can hardly be avoided. For bilateralism is the ill-omened offspring of two inauspicious parents, world scarcity and monetary disequilibrium between the Eastern and the Western Hemispheres. As long as these two factors persist, it is difficult to see how any stable system of multilateral world trade can be brought into being. The present phase of bilateral agreements is at best a *pis aller* for this country, and it is devoutly to be hoped that with Marshall aid a multilateral system can gradually be built up.

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Parliament and Public Boards

One of the troubles of the new public boards is that they are too attractive game to leave unhunted. Hence the enthusiasm of Members of Parliament to join in the chase. So much was evident from the debate on the subject of parliamentary questions to Ministers about nationalised industries which took place in the House of Commons on Wednesday. Unfortunately neither side contributed any really instructive suggestions to the fundamental problem of how much control a democratic country ought to exercise over its nationalised and monopoly industries, and Mr Morrison was, therefore, easily able to evade his pursuers by the usual answer that public boards must not be caught up in the toils of Question Time; though his attribution of mere mischief as the motive for opposition questions was rather an unworthy jibe.

It was unfortunate that the debate was narrowed to the single issue of how far Ministers are liable to answer questions about public boards. Mr Speaker had already given a much more satisfactory elaboration of his first explanation about the procedure for sorting out parliamentary questions on public boards, and this aspect of control might well have been side-stepped. The real issue is whether some more formal method of investigation is required. Only Mr Molson and Mr Diamond tackled this question at all fundamentally.

At this stage in the development of the new-style nationalised industries it is extremely difficult to take an impartial and long-term view of the subject. The experiment of nationalisation is so recent, so controversial, and its success so fundamental to the economic health of the country that everyone is itching to know what is going on and ready to pounce on any mistakes which leak

out. Such an attitude is very natural, but it is also very hard on the Boards themselves, which are having to create themselves out of nothing at a period of maximum difficulty. If Mr Diamond's suggestion that each Board should have an "Efficiency Auditor-General" responsible to Parliament, on the lines of the Comptroller and Auditor-General, were accepted, this would involve an almost impossible degree of interference in the Board's work. Some quite different procedure is required and time should be allowed to evolve it. Meanwhile it would be a mistake to foist an elaborate machine on these corporations which may be found to be quite unnecessary. That does not mean that things should simply be left as they are, and it is a pity that Mr Morrison did not accept Captain Crookshank's suggestion of a select committee to report on the best way of dealing with the problem.

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Transport Wages* and the White Paper

Both the railwaymen's and the London busmen's wage settlements, which will bring considerable increases in weekly earnings, can be justified theoretically on the ground that they had been under negotiation long before the White Paper on Personal Incomes was published. In the case of the railwaymen, the agreement on a new wages structure follows the recommendation of the Guillebaud Court of Inquiry which had granted an interim increase of 7s. 6d. Full details of the new structure, which sets out new scales and grades, are not yet available, nor is it certain how many of the 800,000 railwaymen involved in the negotiations will benefit, nor how much the adjustments and removals of present anomalies will add to the wages bill. The railway unions can also argue that they have been rapidly becoming one of the "undermanned industries" and that without these wage improvements the labour force on the railways would become dangerously low.

It is less easy to apply this reasoning to the busmen, who have been awarded increases averaging 7s. 6d. in their weekly wages, together with increased overtime payment for Sunday duties. These increases, it is estimated, will cost London Transport about £1,500,000 a year. It is true that in return the men have agreed to the principle of working increased overtime and are proposing a relaxation of their self-imposed limit of five standing passengers. This is perhaps the only way in which the busmen could show their willingness to increase production. It is likely that, had this wage concession not been made, widespread trouble would have arisen in the passenger transport section. At the same time, the London busmen are already among the highest-paid sections of the working population and in the last two years they have secured both increased wages and shorter hours.

Whatever may be said by union spokesmen, it is difficult to reconcile the two wage agreements with the letter or the spirit of the White Paper. They will undoubtedly be used as a precedent for other trades where wage claims are pending. The difficulties of drawing the line are only too clear, and in the meantime every increase will accentuate the mounting inflationary pressure. Moreover, the public will want to know whether the Transport Executive intends to adopt the principle of the White Paper and refrain from passing on to the consumer the increased cost of wages in the form of higher fares and higher freight rates.

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Sermon for the Stern Gang

The statement addressed to the Jewish Agency and community on Monday by the Palestine Government is of the same order as the protest addressed by Britain to Albania after the mining of the Corfu Channel. Aggrieved, yet dignified, it talks a language which is still understood in the West, but which is mere words to the kind of European who has emerged from Hitler's Europe. The Stern Gang will merely note with satisfaction that their mining of a British troop train on Sunday, with the loss of 27 lives, seems to have struck home. And tens of thousands of young Palestine Jews will agree with them. The sermon, too, will be wasted on the Jewish Agency, whose present leaders are now concerned only with keeping their heads above water.

The Stern Gang gave their allegiance to Russia only last December, but they are showing themselves loyal agents. In the past fortnight they have kidnapped and murdered two Poles, both well known in Palestine, where their connections were predominantly Jewish. The two victims certainly did not, like some other Polish exiles, give help to the Arabs; but one of them distinguished himself by anti-Soviet activities; the other by having many British friends.

The pro-Russian bloc in Palestine Jewry now ranges from the Stern Gang, through the new merger of the Left-wing settlers—Hashomer Hatzair—with the Labour Unity group, to the Communists. Of the last there are two sections, the (Jewish) Palestine Communist Party, which found no difficulty in changing overnight from a violent anti-partition platform to enthusiastic acceptance of partition, and the Association of Hebrew Communists, a "National-Bolshevik" group. Among young Jews all these groups can count on sentiment in favour of Russia and the new Poland, to which they give vent in a number of fellow-travelling associations, "For Soviet-Palestine Friendship," "Friendship for Democratic Poland," the "V-League," and even a section of the "Slav Union." The "Lepac" publishing house and bookshop in Tel Aviv has a massive output of Soviet literature supplemented by well-attended lectures and meetings.

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A Communist Jewish State?

Over all these strange bedfellows, differing in their internal policies but united by a common hatred of Britain and America and hysterical adoration of Russia, presides the strident figure of Dr Moshe Sneh, who resigned from the General Zionist (Centre) Party and from the Jewish Agency Executive soon after the United Nations decision. In a visit to his native Poland last year, Dr Sneh is said to have made some violent anti-British and pro-Soviet speeches; no doubt he also made some useful contacts. In Palestine it is believed that he can rely particularly on the support of the larger terrorist organisation, the Irgun Zvai Leumi.

Before a Jewish state has even come into being, the "polarisation" of its politics is far advanced. The pro-Soviet bloc has been clamouring for new elections, and already provides the semblance of a "National democratic front" of the familiar East European type. Its counterpart in the USA is the mass of Jewish voters who elected Henry Wallace's candidate in the Bronx, and who are now calling Warren Austin—or President Truman—a "new Neville Chamberlain." The friends of the Agency, on the other hand, are using the existence of the bloc as a threat of what may happen if America does not forestall the Russians by itself giving effective help to the Jews against the Arabs.

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Lull in the Health Service Fight

Since the results of the British Medical Association's plebiscite became known there appears to have been a lull in the fight between the doctors and the Minister of Health. Mr Bevan's department is presumably going ahead with its plans for introducing the health service on July 5th—an estimate of £149 million for it appears in the civil estimates for the coming financial year—but what steps are being taken to bring the two sides together is not known. The special representative meeting of the BMA, to be held on March 17th, will be asked to consider a resolution put forward by the council which, while not closing the door to the resumption of negotiations, insists on amending legislation, designed to "maintain the integrity of medicine and to prevent doctors being turned into state servants," before the profession can be advised to enter the new service.

Mr Bevan's speech in the recent debate on the health service would appear to rule out any amending legislation—at least as long as he is Minister of Health. Is he therefore gambling on the opposition to him from the rank and file of the profession melting away before July 5th? He is very optimistic if he counts on enough doctors giving way, on financial grounds, to make his health service a success; for even if 17,000 had voted for him instead of against him, the service would still have been stretched to the limit of its resources. It has been suggested that Mr Attlee should change his Minister of Health, but it is unlikely that Mr Attlee would take a step which would be read as giving way to a political demonstration against his Government.

Another possibility is that negotiators should be nominated by both sides, not the Minister of Health and not any representative of the BMA, who would try to see if a compromise solution could be reached and then put it to their respective parties. When deadlock first appeared to have been reached, in January, 1947, the presidents of the three Royal Colleges paved the way to the reopening of negotiations. It may, therefore, be significant that the Royal College of Physicians is holding its hand and taking no decision on the dispute until after the BMA meeting, when it will consider what action it could most usefully take in the

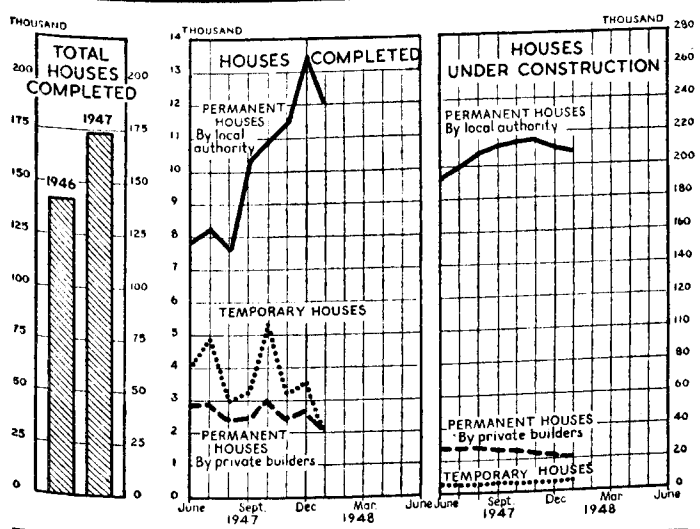
interests of the profession and the public. Is Lord Moran, its president, medical adviser to the leader of the Opposition, to be an envoy of peace?

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Fewer Brick Houses

There are few official statistics more exasperating than those published each month in the Housing Returns. It appears that the health departments for England and Scotland cannot agree on any form of joint return, but must each persist in their frustrating idiosyncrasies which effectively prevent any but the most determined statisticians from making sensible deductions. Unless Ministers have an interest in this practice, they ought to bang their officials' heads together and force them into combination.

The figures for January,* published this week, show clearly enough a disappointing fall in the numbers of permanent houses completed during the month from 17,796 in December to 15,401 in January. It is, however, virtually impossible to make national comparisons for another set of equally important figures which would reveal future trends. Only for England and Wales is it possible to foresee at all clearly the effects of the future building programme in the demand for building labour and materials. Yet this is likely to be an inflammatory subject as soon as building labour becomes redundant in a big way.



When Mr Bevan was successfully defending his current housing programme from the Chancellor's capital cuts, he warned the country that imports of timber were the chief threat to the future programme. It now appears that he is attempting to reduce this threat by substituting factory-built for brick-built houses, because they use less timber. During January the number of tenders approved for traditional, or brick-built, houses was 2,262, while 3,176 tenders were approved for permanent non-traditional type houses; for the first nine months of 1947 the average monthly figures were 4,782 and 2,980 respectively, and this change in emphasis is likely to increase.

The consequences on the building industry will be startling. The *Economist* has always maintained that the country could not afford a building labour force of over a million, of which 600,000 were employed on housebuilding. If less than 3,000 brick-built houses are going to be started a month large cuts will soon have to be made in the country's building force and the industries which feed it on the site. The process may free labour for more essential purposes, but the adjustments will be painful.

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Habeas Corpus Militis

Last week the High Court released, on an application for a writ of *habeas corpus*, an officer who had been sentenced by a court martial after his period of active duty had come to an end. The facts were straightforward enough. The officer concerned was commissioned in 1940 with an emergency commission. He was released in 1945, after which he received no pay, no longer wore uniform and took up employment as a civilian—in this, of course, he resembled the vast majority of officers who held emergency commissions during the war. In December, 1946, without the formality of a recall, he was arrested by Army authorities,

*Cmd. 7333 and 7334.

taken to Germany, court martialled on charges of fraudulent conversion and sentenced to two years imprisonment (subsequently reduced to 18 months). The application for the writ of *habeas corpus* was based on the ground that the officer was no longer subject to the Army Act, 1881, and so no longer subject to trial by court martial, unless the proceedings were started within three months of the date when he ceased to be so subject. It was successful.

The case is remarkable for the curious myopia of the War Office. During the case the Lord Chief Justice traced the circumstances that render an officer liable to trial by court martial. The obvious requisite is that he must be subject to military law. To be subject to military law he must be on the active list, and the test of being on the active list is simply whether or not the individual officer receives army pay. In the case of this officer, as with all officers on emergency commissions, pay ceased at the end of the period of release leave. All these facts are not so obscure or unusual that the War Office can be excused for its action. Apparently, someone thought it was perfectly proper to send the military police to arrest a man who had been a civilian for nearly a year, then to take him to Germany and, five months later, sentence him to two years of imprisonment, some of which probably were spent in a German gaol.

There is one further, and more general, point to make. Is it essential, or even desirable, to use the machinery of the court martial to try a fundamentally civilian offence such as fraudulent conversion? To the popular mind, the court martial is a part of the military machine intended to preserve discipline in the field and to try those cases where the crime is solely one against military law. A civilian court, with a civilian jury, would seem to be a better tribunal for the investigation of a charge which must in the main involve matters of accountancy and responsibility for custody. Perhaps the shock—and the financial consequences—of this decision will make the War Office think again over its future attitude to this kind of case.

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Party Line at the Bank

The King's new prerogative in approving reappointments and elections to the Court of Directors to the Bank of England was duly exercised at the beginning of this month. Two directors whose terms of office expired on February 29th were re-appointed for the customary period of four years. They are Mr D. G. M. Bernard, a full time executive director, and Mr J. C. Hanbury-Williams. Two other directors whose terms of office also expired, Mr B. G. Catterns and Mr E. Holland-Martin, did not seek re-nomination. Their place has been taken by Lord Braintree and Mr G. L. F. Bolton, the latter replacing Mr Holland-Martin as a full-time executive director. Mr Bolton's appointment is an event which every argument of reason and circumstance contrives to make inevitable. He will bring a solid and energising contribution to the deliberations of the Court. His technical knowledge of foreign exchange and his qualities as a negotiator should also enable him to take some weight off the shoulders of the Deputy-Governor who has been all too hard pressed in recent turbulent months.

Of Lord Braintree's appointment the feature that springs most readily to mind is that it further promotes the tradition, studiously followed since the nationalisation of the Bank, of electing as new part-time directors men who have had affiliations of one kind or another with the Labour Party. These new appointments may indeed be justified by individual merit, but when six out of the seven new part-time directors, elected since nationalisation, are found to be friends of the party in office, the notion that their political colour had a part in their appointment in addition to their other qualifications becomes rather difficult to resist. The part-time directors of the Bank may have only a limited impact on policy making, but this fact does little to mitigate the distaste which this regular political preferment in the Central Bank is beginning to create.

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Hongkong and China

Figures of the trade of Hongkong quoted on page 384 of *The Economist* this week indicate a remarkable economic recovery. That such a merchants' haven should exist in the Far East today is a benefit to the world at large, and there is no case for surrendering any part of Hongkong territory, whether ceded or leased, to which this country has a proper legal title.

It is the more regrettable that *The Economist's* comments on the Kowloon City dispute in the issue of January 24th appear

to have been interpreted in the British Hongkong press as a suggestion for a "surrender of responsibility" following the recent renunciation of old treaty rights in China. What was in fact pointed out was that China had never recognised the validity of the Order in Council of 1899 which abrogated the reservation of Kowloon City to Chinese jurisdiction in the treaty of 1898, and that a legal dispute existed between Britain and China. The existence of such a dispute has since been fully borne out by the Chinese Government's Note of February 4th, which asserts the Chinese view with considerable acerbity. For the *Hongkong Telegraph*, however, there is really no dispute; it is merely stated in refutation of *The Economist's* "ignorance" that "there can be no argument about the legality of British jurisdiction"—an attitude curiously similar to that of Argentina and Chile when they refuse to submit their claims to the Falklands Dependencies to the International Court on the plea that they are "indisputable."

As its own solution the *Hongkong Telegraph* declares that "a more practical and realistic attitude would be for Nanking to show approval of the proposed scheme to convert the disputed area into a public park, the amenities of which would be enjoyed by the colony's Chinese." Undoubtedly it would be practical and realistic; unfortunately these are the qualities least to be expected from a nationalist movement with an ancient grievance at a time when it is politically expedient to revive it. Chinese memories are almost as long as Irish, and the events of fifty years ago are the equivalent of the Battle of the Boyne. What has caused the Kuomintang—or at any rate its Youth Corps—to give the support it did to the anti-British rioting in Canton was most probably the need to compete with the intense anti-British and anti-American propaganda carried on by the Chinese Communists—a propaganda which makes a powerful appeal to sentiments of popular xenophobia. The Kuomintang is naturally afraid of being left high and dry as the party of the puppets of foreign imperialism; it can talk about Port Arthur and Dairen, but in Canton Manchuria is a long way off; the only effective turn is to have a crack at Hongkong. These political motives for the disturbances which have occurred are painfully obvious, but they do not affect the wisdom of offering some procedure for judicial settlement of the legal dispute which they have taken as a pretext.

Future of the Sudan

The announcement from Cairo this week that Egypt had rejected the British proposal for a conference on the Sudan is disappointing news. The future of the Sudan cannot be satisfactorily settled until the two condominium powers stop their haggling. The Egyptians now complain that, under the Treaty of 1899, the Sudan Government should never have dealt with constitutional policy which is specifically reserved for the condominium. As the Sudan Government have made it clear that the ordinance for increasing the Sudanese share in the government of their own country is essentially a draft ordinance and subject to the approval of the condominium, the Egyptian complaint is groundless. Egypt has put itself severely in the wrong by refusing to discuss the Sudanese proposals with Britain and it has once more laid itself open to the charge that its only desire is to make the Sudan an Egyptian colony.

The change of heart of the Egyptian Government seems to have been caused by the vociferous opposition press. The position of the Prime Minister, Nokrashy Pasha, is awkward. His public statements that he cannot negotiate until British troops are withdrawn make it difficult for him to behave in a manner befitting a statesman, while the increasing power of the Wafdist opposition has made him appease the hotheaded and irresponsible Cairo crowds.

In one sense Egypt's rejection of the British proposal may be a blessing in disguise for the Sudan. Britain has every justification now for taking unilateral action in spite of the Treaty. If Egypt will not work with Britain in carrying out the duties of the condominium, then Britain can and should continue the work alone. The draft ordinance of the Sudan Government for the new reforms was published last week and it should not take the British Government long to approve in detail what they have already approved in principle. The reforms, which were originally worked out by the Sudanese themselves, show an enlightened approach to the problem of developing self-government in a country unaccustomed to such responsibilities.

Constitution for India

The drafting committee of the Indian Constituent Assembly has submitted its report and the Constituent Assembly itself is

expected to meet to consider it sometime in April. The draft shows the results of careful study of modern written constitutions, especially that of the United States of America, and also of the British political system with which educated Indians have long been familiar. The draft aims at reconciling the actual diversity of India with an ideal of national unity by means of a federal structure. It includes the American device of a central legislature with two chambers, of which one represents the constituent units of the federation, and a Supreme Court to be the custodian of constitutional rights.

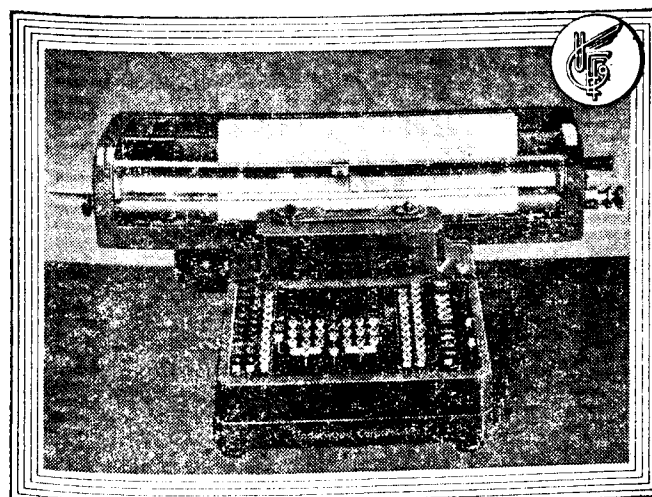
The constituent units will all be called States, thus putting on an equal footing the present Provinces and Indian States; the latter will be distinguished only by having as their constitutional heads hereditary princes instead of appointed governors. The lower house of the central legislature, to be called the House of the People, will be directly elected by universal adult franchise (with certain seats reserved for Moslem and other minorities), while the upper house, to be called the Council of States, will consist of 235 representatives of the States and 15 to be nominated by the President for distinction in literature, science or the arts. An electoral college of both Houses of Parliament and elected members of State Legislatures will elect the President, who will hold office for five years and be eligible for re-election only once.

The President is to have considerable powers, but his Cabinet, headed by a Prime Minister, will be collectively responsible to the House of the People; in this respect the Constitution will follow the British rather than the American model. The Drafting Committee have evidently tried to steer a middle course between reducing the President to a mere figurehead and giving him powers similar to those of the American President, which, with India's lack of democratic experience, would be an invitation to dictatorship. To obtain strong central rule without despotism is indeed India's problem and, as far as a written Constitution can achieve such an aim, the planners seem to have done their work well.

A Small Pop

Rumours notwithstanding, there is not to be found at the Treasury a room from which strange noises emerge, whose door bears the legend *Hellzapoppin*, and which is inhabited by those officials whose business it is to sort out the dollar-expenditure aspect of transatlantic theatre-traffic. What with Mickey Rooney, Danny Kaye, Mae West, Johnny Weissmuller, Joe Louis and *Oklahoma*, London has absorbed of late a formidable volume of what may be called audible imports, at a considerable price per performer. True, Britain has sent in exchange the Old Vic Company and a number of successful recruits to Hollywood; but it has no exportable torsos to vie with that of Johnny Weissmuller, her human armaments industry produces no Brown Bombers, nor have any of her theatrical companies hit the Broadway jackpot in the *Oklahoma* manner. Moreover, British artists in America, particularly in Hollywood, spend where the spending is good; most of their American counterparts here, on the same principle, take the bulk of their earnings home with them.

In the second half of last year the remittances of American entertainers amounted, according to Sir Stafford Cripps, to £174,000. There is no comparable figure for the remittances of British entertainers in America, but official quarters have no doubt that the net balance is heavily adverse to Britain—and likely to be more so this year. But compared with expenditure on films, let alone petrol and tobacco, the net dollar price of Messrs. Olsen and Johnson, Kaye, Rooney, *et al.*, is, as they themselves would probably say, chickenfeed. In the balance of payments, Joe Louis and Mae West are featherweights. Whether even that price is worth paying in the present state of that balance is another matter. It is also arguable that in no circumstances whatever are X, Y and Z worth paying anything for at all; that a *cordon sanitaire* against the spreading blight of Tin Pan Alley would be a by-product of crisis as salutary as the self-denying ordinance of Hollywood; that while it would be very sad if America were to retaliate by banning the Old Vic, her loss would be Britain's gain; and that while cultural exchanges are an excellent thing, the exchange of culture for X, Y and Z is much too one-sided. A selective *cordon sanitaire* is, unfortunately, hard to operate. Perhaps in one case at least the difficulty might be got over by retaining the entire cast of *Hellzapoppin*, not as entertainers, but as technical advisers on the conduct of economic policy.



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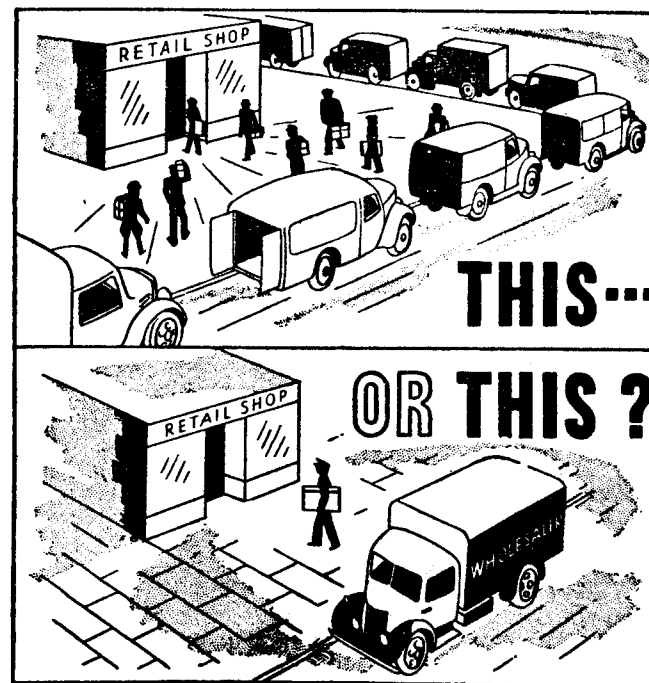
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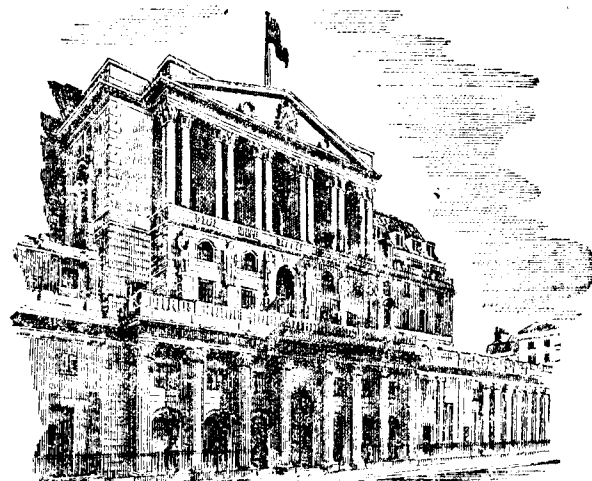
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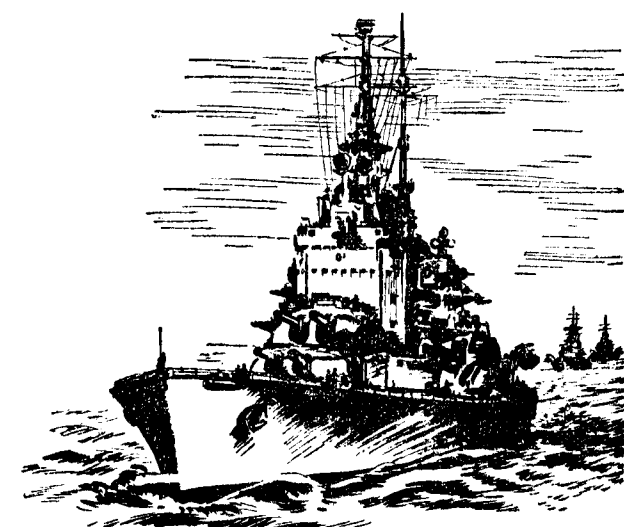
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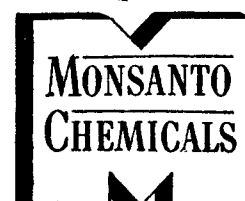
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Letters to the Editor

On the Rocks

SIR,—Mr D. Davidson states in a letter to you of February 21st that while motor vehicle production is equal to prewar, there are now 550,000 persons employed in the industry against 387,000 prewar.

I should be interested to know from whence he obtains his figures as I have not seen them in any official publication. If they come from the *Monthly Digest of Statistics*, then the figures there for motor vehicles, cycles and aircraft are grouped together and there is no separate differentiation for the motor industry.

The number employed in the works of motor vehicle manufacturers before the war was estimated to be about 150,000 and that has now risen, as far as can be ascertained, to 158,000. There is also a number engaged on accessory manufacture but this includes so many varying industries that it is difficult to assess. There is, however, no reason to suppose that the increase is in any larger proportion.

The rise from 150,000 to 158,000 for motor vehicle manufacture would be accounted for by the 5-day week and by the fact that the emphasis in production in the motor industry has been changed since prewar from car to commercial vehicles.—Yours faithfully,

R. GRESHAM COOKE, Director
The Society of Motor Manufacturers and Traders Limited,
148 Piccadilly, London, W. 1

Third Party or No Party?

SIR,—Your correspondent's analysis of middle class politics based in part on exceedingly dubious hypotheses as to the characters of the Conservative and Socialist Parties, has called forth two odd letters in your issue of February 28th. Both deal with a situation in which the Liberals could hold the balance in the House of Commons. One contemplates this with equanimity and the other with such enthusiasm that machinery for its achievement is suggested.

I am at a loss to understand all this. It is, of course, a fact that if seats in the House of Commons were held in strict proportion to the percentage of the electorate voting for the various parties at the last election, the Liberals would hold some such balance at this moment. But whether such a situation came about through the application of a mathematician's notion of justice or in some other way, why should it be envisaged with anything save the gravest misgivings? What special attributes of political purity fit for this position a political party which in its day had certainly no fewer faults than the others and which the electorate has not thought worthy of its confidence for a quarter of a century? And what more dangerous negation of a democracy could there be than that the representatives of a minority view should possess virtual power of life and death over a Government formed by the majority party?—Yours faithfully,

PETER GOLDMAN

to Ridge Hill, London, N.W. 11

Salaries of Public Boards

SIR,—I expect that other readers beside myself were astonished at the salaries and expenses allowances to be paid to the gentlemen appointed to be chairmen and high officials of our nationalised industries. The Government expresses its belief in nationalisation as a means towards a share-and-share-alike equality. Surely such salaries and expenses (which are free of income tax) make a mockery of such a belief.

You say that "the expenses allowances, though lavish by the standard of the Civil Service, are perhaps reasonable compared to business practice." But "business practice" is the very thing the Government condemn, so they should show some other reason for this apparently unnecessary expenditure of public money. How can Mr Attlee and Sir Stafford Cripps reconcile this expenditure with their appeal to everyone to accept lower incomes, to refrain from seeking higher wages or salaries, and to reduce prices and profits?—Yours faithfully,

Rowenhurst, Oxted, Surrey

R. ARNOLD PRICE

Raw Material for Rayon

SIR,—I am very grateful to you for the notice which you gave in *The Economist* of February 21st of my lecture in Manchester. There is, however, one error which I regret. I did not advise importing straw pulping plant but making it here. There is, in fact, plant being exported to India which we could, with great advantage, erect in this country and thus quickly diminish part of our dependence on imported pulp.—Yours faithfully,

HERBERT LEVINSTEIN

Sand Hill, Claydon, Nr. Bletchley

Official English

SIR,—The substance of the Economic Survey for 1948 has probably now been settled. Is it too late to suggest to His Majesty's Government that they should carefully consider its language and avoid some current absurdities?

1. A deterrent should not be called a "disincentive."
2. Deflation should not be called "disinflation."
3. "Backlog" should not be used to convey a meaning that is not to be found in any dictionary.
4. The adjective "overall" should never be used, where its omission would make no difference to the sense.
5. "Scarce" is better than "in short supply."
6. If the words "substitute" and "substitution" are used, they should be used correctly. Mr Herbert Morrison recently announced the setting up of a Committee on Industrial Productivity with a panel to deal with "Import Substitution." In a subsequent speech he showed that the Government's object was far more sensible than these words indicated. The Government were not proposing to substitute imports for something else, but on the contrary to replace them by home production. When they said "Import Substitution," what they meant was "Substitutes for Imports."
7. "Breakdown" should not be used, where "analysis" or "classification" is intended. When an official speaks of "the breakdown of the European services of the B.B.C.," most people conclude that these services have broken down. In fact he is probably referring to the relative numbers of B.B.C. broadcasts to different European countries.

It is better to use the King's English.—Yours faithfully,
House of Commons

HENRY STRAUSS

From *The Economist* of 1848

March 4, 1848

We are not among those who can congratulate either the Government or the country upon the change announced on Monday night in the financial proposals for the year. . . . Before Lord John Russell propounded the plan of the Government to Parliament, the public mind was perfectly reconciled to an increase of taxation. An obvious necessity was a sufficient justification. Nay more, the public were reconciled to the fact that the income tax was not only to be made permanent, but increased. But what they did expect was that a fair distribution of this burthen should be made over various kinds of income—but fluctuating and uncertain incomes should not be taxed at the same rate as those of a steady and permanent character. It was admitted on all hands that to make this tax perfectly equal was impossible; but that was no reason why every effort should not be made to obtain as near an approximation to that object as possible. The absence of such an attempt was the real sting of the financial scheme. The impossibility of perfectly accomplishing such an object is no good ground why it should not be obtained as nearly as possible. Absolute perfection belongs to no human effort; but the closest approximation is the first duty of a Government. No tax that was ever imposed, or that can ever be imposed, was, or will be, free from the charge of some inequality. As it is, therefore, the Government has made concessions to the public demonstrations, which, while they place the finances in a condition of danger, and impose upon Parliament new proposals, which cannot, consistently with its duty and its dignity, be accepted, does not remove any part of the more serious objections entertained by the public.

Books and Publications

Japan under Occupation

"The Phoenix Cup." By John Morris. Cresset Press. 12s. 6d.

THE author grimly warns his readers that they are in for "a series of traveller's notes." Fortunately he is an uncommon traveller, who shows in the selection of items from his notebook a subtle and sensitive discernment that well matches his penetrating observation. The brief, brisk, introductory "Outward Journey" conjures up so authentic a picture that one lives again the hot trickling sweat of one's own interminable waits at blistering Indian airstrips, the frozen-bottomed agony of long dull flights in service aircraft, and the whirling, bumping, terminal jeep-rides. There is an unforgettable vignette of General Homma before the War Crimes Tribunal in Manila, a depressing glimpse of Okinawa, and then Japan.

The long second part of the book, "The Machine in Ruins," is a "portrait of Japan in 1946." Though it betrays a touch of nostalgia not unbecoming in one who has seen Japan's better days, this tale of the death of a regime rings true. The portrait is faithful, forthrightly outlined, and given third-dimensional life through a number of vivid, enlightening incidents and interviews. Like Ruth Benedict (whose brilliant sociological analysis, "The Chrysanthemum and the Sword," dovetails neatly into this traveller's tale), John Morris endorses both the American decision to retain the Emperor as a constitutional monarch, and their "Occupation without Humiliation." His study covers a wide social field, the position of the Emperor, the militarists, the politicians, the new constitution, the allies' policies, the family system, the arts and post-war entertainment, romanisation of the Japanese script, and education for democracy. Personalities abound—the Emperor and his powerful nobles; the caged generals in Sugamo prison; Hedizo, son of Black Dragon Toyama; priests, peasants, and bewildered prisoners returning to an unguessable reception. Each character study sheds a different light on the Japanese enigma, the poignant story of Private Tanaka alone being worth the price of the book.

The short concluding chapters give a brief survey of conditions in the Philippines, Siam and Burma, important less for themselves than for the perspective they give of the *malaise* in Japan, and John Morris's own views on what should be done about it.

Altogether, this is a worthwhile and very readable book.

Wake Up and Dream?

"The Awakening." By L. S. Amery. Macdonald. 269 pages. 8s. 6d.

THE "Awakening" of Mr Amery's title is an awakening from "the whole mentality of the last hundred years"—in particular from any outdated dreams of One World and of free trade therein. (Mr Amery generally refers to uncontrolled international trade by the well-chosen epithet "promiscuous.") The whole nineteenth-century trend towards free trade, the abandonment of subsidy, discrimination, protective tariffs and planning generally, was a hideous mistake, which Mr Amery underlines with a thunderous quotation from Disraeli. The prosperity and expansion

which followed, chronologically speaking, on the adoption of Free Trade, were in fact not due to that disastrous error but to the good effects of the previous policy, dating back to Edward III—a Listian policy, as Mr Amery sees it, of wisely fostering infant industries, protecting skills in the process of evolution, and laying up stores of capital and of technical know-how for the future. The majority of economic historians take a less flattering view of the consistency, let alone the success of these policies, but it is, of course, perfectly true that free trade offers much more immediately alluring rewards to a nation in a strong technological position than to one for whom its adoption means a radical rearrangement of its resources.

Had Mr Amery been content to underline this point, to stress—as he does—that the nation as an economic unit is not an imagination of jingoes or bureaucrats but a solid and undissolvable fact; had he sought to estimate the precise extent to which the organisation on a national basis of currency, social services, and employment policy invalidates theories built up on the assumption of internal *laissez-faire* and the self-adjustment of economic atoms; had he framed his criticisms of Bretton Woods, the Washington Loan Agreements, and the Geneva Report in the light of his conclusions; had he done these things, he would have produced a work of solid value instead of a piece of merely entertaining polemics.

He has some excellent things to say—nothing could be better, both for point and fairness, than his comments on Lend-Lease and its ending—and his vision of Commonwealth economics as a kind of deliberate ecological process is in the tradition of the best kind of Empire-building. But he has perversely elected to rest his whole argument on a condemnation of free trade between nations which could equally well be applied—and in his admired mediæval days was in fact applied over most of Europe—to free trade between provinces, cities, and even adjoining villages. He never really answers the Free-trader's obstinate inquiry why, since Yorkshire, London and Bournemouth thrive on "economic promiscuity," Britain, America and Italy—say—should not do likewise. One can think of a good many possible, though not unassailable, reasons; but they are not to be found in the pages of "The Awakening."

Shorter Notices

"Is This the Way? A Call to Jews." By Walter Zander. Victor Gollancz, Limited. 1s. net.

THIS pamphlet is addressed to the Jewish community by a courageous, clear-sighted and religious Jew. He tells the leaders of Jewry in Palestine that they misled their people about the Balfour Declaration; that they decided they could ride roughshod over the Arabs, and made no attempt to conciliate them, and that they boasted of the material prosperity they had brought the Arabs, as though a self-respecting people would sell its place in its own homeland for cash. They then pretended that no Arab problem existed, and when they discovered their mistake, could not conceive that they could themselves be in the wrong and throw all the blame on the British. "Gandhi warned you and you would not listen. In all this you were transgressing the principles of your own religion and the only hope for Palestine is that you re-learn them."

It is a remarkable manifesto and very difficult to answer.



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Whirlwind Harvest

(From Our US Editorial Staff)

"THIS," the United States can say at last with truth about any decision reached on Palestine, "will hurt me as much as it hurts you." Until now it has been possible to appease the American Zionists at the expense of friends and allies, but in future the cost will have to be paid in the currency of American interests as well. The realisation of this gloomy fact—long understood in the State and Defence Departments—finally seeped up to the White House, and there were recent rumours of belated attempts to get bipartisan support for an American policy which considered national interests first. Since Republicans, as well as Democrats, have always tried to squeeze the last drop of party advantage out of appeasing the Zionists, there was never much chance that they would accept the suggestion. Senator Taft's statement three days before the Security Council met—in which he raised the President's bid with counterfeit chips—destroyed any lingering hope.

Mr Truman, in his predicament, got as little respite from the left as from the right. The Bronx election—in a district where 55 per cent of the voters are Jewish—proved that vague promises, alternating with bitter reproaches, to Zionist leaders who visited the White House, could not stand up against the offers of a third party, in no danger of being called on to make them good. The American Labour Party's victorious candidate admitted that "Due to the emphasis we placed on the Palestine issue, I would say it played a great part in deciding the election." And Mr Wallace has since shown—in his evidence on ERP and his comments on Mr Austin's statement at Lake Success—that he is chasing the Zionist vote for all he is worth.

It has always been possible for minority pressure groups to secure sectional advantages at the expense of the public good because the damage to American interests did not become apparent at once.

In the past, also, even when no domestic issues were raised, minorities who voted, or threatened to vote, as a group, were allowed to advocate, foment and raise money to assist the overthrow of governments by force, often encouraged by pious resolutions in Congress. In the House of Representatives, in particular, urgent legislation has waited while speeches in favour of Indian independence were made, and as recently as last month two Irish societies appeared before the Committees considering the Marshall Plan and asked that no ERP money should go to Britain until it abandoned the military occupation of Ulster.

It is unfortunate for the Zionists that the results of their efforts are likely to be direct and immediately apparent rather than indirect and attributable to other countries. Since the end of the war their case has been stated at great length and with great heat, but it cannot be said to have been debated, newspapers in search of advertising having shown little more backbone than candidates in search of votes. Still less has the morality of their tactics been questioned. Yet they have used

every method of political blackmail to get commitments from candidates. And, as Mr Carroll Binder, one of the few editors with the courage to speak the truth, told the American Council for Judaism last month,

the commitments, made so blithely by candidates who never reckoned with the possibility that our government, rather than the British, would be called on to implement them, are beginning to turn up for implementation.

These commitments—Mr Truman's repetitive insistence that 100,000 Jews should be allowed into Palestine, for instance—inconvenienced only the British until the problem moved to the United Nations in the autumn. Still appeasing, but apparently unaware that the moment had come when the United States might get involved, the President passed the Zionist pressure on to the small nations. Mr Kermit Roosevelt has described what happened in the January number of the *Middle East Journal*:

So the Zionists took the fight into their own hands. Rallying a group of influential Americans and selecting their targets with care, they exerted all possible influence—personal suasion, floods of telegrams and letters and political and economic pressure. Six countries which had indicated their intention of voting against partition were the chosen targets—Haiti, Liberia, the Philippines, China, Ethiopia and Greece. . . . Many of the telegrams were from Congressmen, and others invoked the name and prestige of the United States Government. An ex-Governor, a prominent Democrat with White House connections, personally telephoned Haiti. . . . He spoke firmly and might be presumed to speak with authority. A well-known economist also close to the White House exerted his powers . . . upon the Liberian delegate. . . .

Mr Binder might well ask

What right had the United States to use its economic and political power to compel weaker, but none the less sovereign, states to act contrary to what they believed to be their national and the world's interests for the furtherance of the presumed domestic political interests of the Truman administration?

With the Partition resolution passed, the Zionists became the anxious defenders of the reputation of the United Nations. The question, they announced primly, is no longer whether a Jewish state should be set up. Can the United Nations, they asked, survive if it fails to carry out the recommendation of the General Assembly? What of its prestige if it allows its decisions to be flouted by a few feudal Arab states? (The words "feudal" and "Arab" are now, like Tristan and Isolde, never used singly.) This question is one which genuinely troubles others who, though uncomfortable last November when small nations were bullied and threatened, now feel that, having allowed the Zionists to make its bed, the United Nations must go on lying. But there was no anxiety in Zionist circles at what Professor Wright of Princeton University called two weeks ago "the exploitation of the United Nations by a great power—our own government." Professor Wright thinks that "to prostitute the United Nations for a few thousand votes is the surest way to discredit it."

By coincidence the Great Cold this winter came to underline the case of those whose fears of partition are based on strategic reasons. The warnings of men like Mr Harold Ickes that American reserves of oil were disappearing at an alarming rate had been largely disregarded. The Lord, it was felt, would not fail to provide and ensure the discovery of vast new oilfields.

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long before the passage of fifteen years, which was the minimum time even the most pessimistic thought proved reserves would last. But, during the last two months, city after city has been put on an emergency rationing basis and in 1948 the United States will be, for the first time, a net importer of oil. The American people have felt the effects of being thirsty for oil and have been told firmly the only place where they will get more in the future. Zionists persistently preach that the oil issue is not a real one. In any war, they say, Russia will seize the oilfields at once and no Middle Eastern oil will be available for American forces. The truth is that the oil is needed now, partly to offset existing shortages, partly for ERP and, perhaps most of all to preserve some strategic reserves in this country.

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The American statement before the Security Council may have been legally unimpeachable, but it neither guaranteed the Jewish State nor did it promise that America would not ultimately be involved. It therefore pleased nobody. Some thought it chose the worst points from both the possible extremes—American troops, as part of a UN army, might find themselves in a war without even establishing the Zionist objective. “We assumed,” Mr Austin said, “that there would be Charter observance,” an assumption for which there had never been any firm grounds. “The life of this union,” he also said, “depends upon obedience to the law. If any member should violate its obligations to refrain . . . from the threat or use of force the Security Council itself must act.” But there are more kinds of force than physical force. There is economic force and there is political force, both of which the Arabs had seen used at Lake Success in November to obtain a recommendation which could have got the necessary majority by no other means. It may have been reprehensible, but it was not surprising, that they used the only kind of force available to them. They have now seen, in the American resolution, the sign of weakness they were waiting for. Partition, they and many others are saying, is dead, “as dead as the Great Auk,” thinks the *Washington Post*.

There are three tragedies here. There is the tragedy of the United Nations which, however legally immaculate its position may be, will be thought to have failed—before a demonstration of physical force—to carry out its own decisions. The American statement certainly drew attention to a flaw in the UN structure—there is no machinery for carrying out Assembly recommendations. But the structural weakness was aggravated by the nature of the decision itself and the methods by which it was reached. The second tragedy is that of Palestine, which is no nearer a solution than it was on April 2nd last year when the United Nations first considered it, though many months nearer to catastrophe. The third is that of American Jewry—both Zionist and anti-Zionist. Mr Wallace Deuel reported in the *Chicago Daily News* two months ago that the American Government was wondering whether “American Zionist leaders should be required to register as agents of foreign powers when there is an independent Jewish state in Palestine whose interests they seek to promote.” Those agents who have so far been the agents of a non-existent foreign power may find their position increasingly difficult now that they have largely cut their ties with those among whom they were born and lost their sympathy. The anti-Zionist Jews, whose organisation is the American Council for Judaism, and who are probably in a numerical and certainly in a vocal minority, have been desperately watching their hopes of integration fade before the insistent Jewish nationalism of the Zionists.

American Notes

Is the Marshall Plan Enough?

There was a new note of urgency in Senator Vandenberg's eloquence as he launched the European Recovery plan into the full Senate debate. The Communist coup in Czechoslovakia and the squeeze on Finland, he said, made it more than ever necessary to speed the Marshall Plan to stave off World War III and to prevent “the iron curtain from coming to the rims of the Atlantic.” It is now hoped that the Senate will have passed the Bill by March 15th, and the House is under pressure to have

completed its work before April 1st. But it is no longer merely a case of the Russians coming once more to the aid of the Marshall Plan. The State Department, as its apologists insist, may have written off Czechoslovakia long ago, but the coup has come as a profound shock to public and to Congressional opinion. A month ago the question was: is the Marshall Plan asking too much? Overnight it has become: is it enough?

Senator Vandenberg, after his great fight to preserve the Marshall Plan, now finds that his chief problem is the anxiety of some Senators to expand it to cover military commitments. Senator Ball is pressing an amendment to the Recovery Bill which would set up a rival Security Council. Senator Lodge, speaking for the Bill early this week, said

In the past few days Czechoslovakia has gone entirely behind the iron curtain. We see Finland about to go down. Italy may fall a victim. If that happens, dollars will not be enough to meet the situation.

Senator Knowland, one of the 20 Revisionist Senators, said ERP did not go far enough and called for the adoption of universal military training and the creation of a strong air force. There are reports that President Truman is flying back from his holiday to discuss the situation with the US chiefs of Staff.

As yet, although opinion is moving very fast, it has not crystallised. But Czechoslovakia has created new allies for what one columnist calls the “long-range worriers in the State Department,” men who have never been convinced that political stability and military security would automatically flower from economic aid, and who have wondered whether political federation and outside military guarantees were not essential to the success of economic reconstruction. Even Mr Hoover, alarmed lest weakness should lead Europe to proclaim its neutrality in another war and thus deprive America of allies, has urged the Western European nations to form a defence union within the framework of the United Nations which “would avoid the United States being involved in military alliances.” The *Herald Tribune* welcomes the joint note of protest against the seizure of Czechoslovakia as the announcement of a Triple Entente in defence of Europe against the Communist threat. The lesson of events is being learned so rapidly in the United States that the watch-word to Europe may be hurry, hurry, hurry, rather than the cautious, over-the-shoulder-glance-at-Congress restraints imposed a month ago.

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Expanding the Truman Doctrine

The debate does not stop there. The question being asked is whether the United States should take the revolutionary step, at odds with all the nation's past, of extending military support, and, either directly or by implication, military guarantees to what remains of Europe. Mr Byrnes's proposal of a 40-year pact guaranteeing German demilitarisation has at last been formally abandoned. Should the United States substitute a regional security pact with Britain, France and Benelux of the type permitted by the United Nations Charter and already applied to the Americas? Should the United States extend the Truman Doctrine, already in effect in Greece and Turkey, to the whole of Western Europe at a time when it may be seriously challenged in a way the Monroe Doctrine never was? It is urged that if action is to be taken the Italian elections in April set a strategic deadline.

The alternative was very clearly put by Mr Henry Wallace when, testifying against ERP, this avowed internationalist and idealist suggested that the United States and Russia might conclude a deal, similar, though covering a wider area, to that between Russia and Britain in 1907, which divided Persia into spheres of influence. Such a cynical advocacy of old-fashioned power politics took the committee by surprise; no one pointed out that in 1907 appeasement no more led to stability than it did in 1938.

The strategic consequences to American security flowing from the fall of Czechoslovakia and the threat to Italy and Austria have not been lost upon an Administration in which the Service view is so strongly represented. Will that view lead the President to ask Congress in an election year to underwrite the defence of Europe? A formal military pledge would require the consent of

the Senate. The President, by virtue of his control over foreign policy and the armed forces has, of course, considerable freedom of action and the power so to arrange events as to make it difficult for Congress to repudiate his policies—a power of which both Franklin Roosevelt and Theodore Roosevelt took full advantage. But Mr Truman is no Roosevelt; he has always shown every desire to observe meticulously the Senate's right to give advice and consent in matters of foreign policy. At the moment, indeed, the initiative is being taken on the floor of the Senate. Congressmen of both parties who listened without enthusiasm to Mr Bernard Baruch in January are now remembering his prophetic warning:

The European nations must compact together against aggression. . . . Otherwise they invite being broken one by one. Any economic aid will be inadequate without this common readiness of Europeans to stand up and fight for their independence and freedoms. Given such a determination, the United States should pledge itself to come to the defence of these uniting nations in case of aggression. . . . Our world, this country, have come to the point where there can be no assurance of peace unless the American people make clear where they stand.

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Half-out of the Democrat's Bag

“The Southern states are aroused and the present leadership of the Democratic Party will soon realise that the South is no longer ‘in the bag,’” declared the Southern Governors Committee after their meeting with Senator McGrath, chairman of the Democratic National Committee. They had come to Washington as emissaries of the Southern Governors' Conference, to protest against the President's civil rights programme. The Senator had been as conciliatory as he could be without offering any compromise on the programme, but neither the Governors nor the Southern representatives in Congress appear to share his hope of “a happy reunion in the not too distant future.” Nor, indeed, have they at present much desire for such a reunion, since they have at last found a method by which they can “bolt” the party without ending up in the wilderness; they propose, in fact, to initiate a well-controlled “half-bolt,” by which they can threaten to ensure the defeat of President Truman if he is nominated, without actually leaving the party.

Governor Tuck, of Virginia, has asked his State Assembly to pass a Bill removing the names of Presidential candidates from ballot papers in the State, so that the voter would choose representatives in the electoral college who were pledged only to a particular party, not to a particular candidate. There seems no doubt that the Bill will pass and that it is constitutional; similar Bills are expected in other Southern States. If, as a result, the Southern representatives next November were to vote for someone other than the national Democratic candidate, there might not be a clear majority for any Presidential candidate in the electoral college. The election would then go to the House of Representatives, where the Southern States could probably prevent the election of any candidate they did not favour.

Although the Confederate flag is already waving from the top of the Virginia Capitol, Southern defiance will probably not go to the limits of ensuring a Republican victory. But the defiance is not only accompanied by a more realistic threat than in the past, but is also expressed at a time when the party is even more dependent than usual upon the South. The real basis of the South's discontent is the Democratic Party's habit of taking its support for granted: its constitutional ingenuity may be as effective a means of breaking this as would be the restoration of the two-thirds majority vote in party decisions which enabled the South to dominate Democratic conventions until 1936. Mr Truman may find that the attack from the South can only be bought off by making irreparable breaches in his defences against the even more dangerous attack from the North. It is perhaps not surprising that Washington is beginning to discuss the possibility that the Democratic candidate next November might be someone other than Mr Truman, who two months ago, according to Dr Gallup, could have beaten any Republican candidate in the field.

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Oil for the Lamps of China

Two more aid programmes, for China, and for Greece and Turkey, now lie beside the European Recovery plan for Congressional action. They may be wrapped up into one parcel in the House, which has grown impatient at the way Bills for foreign expenditure keep straggling in. The Administration has requested \$275 million for arms for Greek and Turkish defence, noting that civilian needs for Greece will be met under ERP. The China Bill is an interesting example of pressure politics.

It is the first Republican-sponsored aid Bill, and at \$570 million to run till June 30, 1949, nearly twice what Mr Marshall thought would be adequate last November, a reflection both of China's inexhaustible need and the equally inexhaustible zeal of her friends like Representative Judd, Mr Bullitt, and Senator Bridges. Of the total, \$510 million is for essential imports (cotton, \$150 million, cereals \$130 million, petroleum and petroleum products \$110 million) and \$60 million for a miniature Marshall Plan of reconstruction well behind the fighting lines. Before the House Foreign Affairs Committee Mr Marshall insisted that other imports and military supplies must be paid for out of Chinese resources, and that in the Chinese quagmire there is no firm foundation for any substantial parallel to ERP. The Administration view is that the programme should be directed by the administrator of the European Recovery Programme as soon as he is established in office, a concession which appeals to those members of Congress who would go even farther and transfer from the State Department to the new administrator control over all foreign aid programmes, including Germany, Japan and Trieste.

The programme satisfies no one. Though the amount is barely enough to keep the lamps of China from going out entirely, it will drain away supplies needed in Europe. Mr Judd, his appetite whetted rather than sated, is now calling for \$1.5 billion. The influential support of Senator Taft and Mr Martin, Speaker of the House, has been secured for a policy of regarding China as the Greece of the East, bringing it under the Truman Doctrine and providing it with arms and a military mission. Senator Taft chose the week in which the fall of Czechoslovakia shocked the world to declare his strong belief that the “Far East is ultimately even more important to our future peace than is Europe.” A year ago Senator Taft supported the Truman Doctrine only because he felt that the President had mortgaged American prestige. The doctrine that the duty of an opposition is to oppose makes for political agility, at least.

On the issue of arms and military advice for China, Mr Marshall's authority—by virtue of his military experience, and his year in China—is invincible, and he employed it with crushing effect at the hearings. “There has not been a lack of advice,” Mr Marshall said. “It has been continuous and emphatic—and ignored.” And a year of involvement in Greek politics lay behind his insistence that the United States should shun responsibility for the conduct of the economic, political or military affairs of China.

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Injunction Against the Typographers

Last week in Indianapolis labour lost the first round in the fight, and possibly the most important, of the series of court tests which the Taft-Hartley Act is about to undergo. The International Typographers' Union (American Federation of Labour), charged with “unfair labour practices” under the Act, is accused of twenty-three different kinds of illegal activities, many of them attempts to maintain the closed shop, directed against newspaper publishers in various parts of the country. The National Labour Relations Board cannot be expected to come to a quick decision on such a complicated case, and in the meantime the objectionable activities continue; in Chicago they have led to a newspaper strike which has already lasted for over three months. Therefore, Mr Robert Denham, general counsel of the NLRB, is seeking a temporary injunction, under Section 10j of the Taft-Hartley Act, that would force the union to refrain from “illegal acts” or from action in furtherance of them, until the NLRB has issued its decision.

The union contested his right to seek such an injunction, on the grounds that this section of the Act was unconstitutional, and that in any case only the whole Board and not Mr Denham alone could take this step. However, in the Indianapolis Federal Circuit Court Judge Swygert denied the union's motion that the injunction suit be dismissed, and thus gave the first specific ruling on the constitutional position of the injunctive process set up by the Taft-Hartley Act, which to labour is one of the most disagreeable sections of that Act. The injunction suit itself is being heard this week, but, even if it is granted, the Chicago strike may not be called off immediately, since the union maintains that it is striking for higher wages, not, as the newspaper publishers contend, in furtherance of the allegedly unfair labour practices.

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Closing the Labour Ranks

The involuntary resignation of Mr Lee Pressman, general counsel to the Congress of Industrial Organisations since 1938, has drawn attention to the sharpening of internal strains in the

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the Paris conference. Since then Switzerland has been present not only at Paris but also at all the subsequent meetings of the "participating countries" at Brussels, at Rome and elsewhere.

The policy adopted by the Swiss Government seems to enjoy the general support of the nation. The support is neither very articulate, nor is it at all enthusiastic, but it is well-nigh unanimous. The only consistent opposition has come from the Communists, to whose approved slogans of "national sovereignty" and "American imperialism," has been added an occasional critical reference to the sacrifice of Swiss neutrality on the altar of Wall Street. This has brought a touch of humour to an otherwise dull campaign and one too obviously inspired to be inspiring. The sudden solicitude about the traditional foreign policy of Switzerland has struck Swiss opinion as rather odd. It was being displayed for the first time by the only party which had hitherto condemned that policy and urged adhesion to the San Francisco Charter.

Applause for Marshall Plan

Why the Government, with the overwhelming support of parliament, has adopted a policy of co-operation, is to be explained by two reasons, one negative and the other positive.

Ever since the war and the birth of the United Nations, Berne seems to have been affected by a certain dread of international loneliness. Fearing their absence from Lake Success might be misinterpreted, Swiss official circles have left no stone unturned to display their interest in and their sympathy for all forms of international co-operation which are not incompatible with their religion of political neutrality. That is why Switzerland is taking an almost ostentatiously active part in the International Labour Organisation, Unesco, the Food and Agricultural Organisation and most of the other "special agencies." That is why the Swiss authorities have granted the United Nations and their officials terms of residence in Geneva appreciably more generous than those which they enjoy in New York. That is why they also accepted the Paris invitation even before it had been addressed directly to them.

The more positive consideration which led Switzerland to applaud the American offer is not dissimilar from that which had prompted it. If that offer be defined as an American investment in European peace and freedom, it is but natural that Switzerland should be most grateful for it. It may not be able itself to take any appreciable share in the investment and it will certainly claim no exclusive dividends therefrom, but no state in the world is more interested in European peace and freedom than Switzerland which, from its Alpine retreat, has witnessed twice in the course of one generation the ravages of war on all its borders. Without peace in Europe it can enjoy neither security nor prosperity. As for political freedom in Europe, it is the very life blood of the Swiss, not only because it is the condition of peace, but because their seven hundred years old history is nothing but a continuous struggle against external and internal oppression.

Switzerland has therefore become one of the "Sixteen" both because it welcomes every form of non-political international co-operation and because it fully shares the hope that peace and freedom may be preserved in at least a part of Europe, which will be economically rehabilitated and socially consolidated thanks to American aid.

What does Switzerland expect to receive from the Marshall plan? Immediately, nothing at all, and even ultimately, nothing exclusive. Indirectly, however, Switzerland hopes to profit not only politically, but also economically from the anticipated recovery of its European neighbours.

DIRECTION OF SWISS TRADE
(Millions of Swiss Francs*)

Imports			Exports		
	1947	1938		1947	1938
United States	1031.8	125.5	United States	394.8	90.7
France	458.8	229.2	Belgium	305.7	41.8
Belgium	427.5	68.9	France	298.2	121.4
United Kingdom	322.7	97.2	Sweden	218.0	40.6
Italy	320.6	116.7	Italy	209.5	91.2
Argentina	276.4	58.4	Argentina	175.3	35.8
Czechoslovakia	261.4	57.2	Czechoslovakia	159.4	44.0
Netherlands	165.9	55.5	Netherlands	152.9	61.9
Denmark	149.8	13.9	Brazil	140.4	16.6
Germany	133.4	373.1	United Kingdom	117.0	149.7
Sweden	132.6	18.5	India	100.4	23.3
Austria	89.3	33.4	South Africa	72.2	15.7
Brazil	88.9	11.8	Portugal	66.9	7.8
Poland	79.0	25.8	Denmark	65.8	18.9
Canada	55.8	24.1	Germany	15.5	206.1

*Official rate: 17.30 francs=£1. Free market rate: approx. 10 francs=£1.

A few figures will show why and how Switzerland's prosperity depends on that of the outside world and particularly on that of the other "participating countries." In the last year prior to the Second World War, Switzerland's foreign trade amounted to 2,923 million Swiss francs, that is 697 francs per head of the population. The corresponding figures for 1947 were 8,088 million and 1,877 francs.

A perusal of the first table will suffice to explain why Switzerland could hardly afford to remain aloof from the Marshall Plan conferences. Initiated by the country which, as a result of the war, has become by far Switzerland's most important supplier and customer, they are being carried on between sixteen European countries, of which nine are among its fifteen most important suppliers and eight among its fifteen best customers.

Compared with this, the following figures illustrate the minor importance of Swiss trade with the principal countries of eastern Europe:

(Millions of Swiss Francs)

Imports			Exports		
	1947	1938		1947	1938
Czechoslovakia	261.4	57.2	Czechoslovakia	159.4	44.0
Poland	79.0	25.8	Hungary	32.2	15.2
Hungary	35.6	25.6	Poland	29.0	22.5
Yugoslavia	23.1	11.1	Romania	21.7	14.0
U.S.S.R.	8.6	29.0	Yugoslavia	14.6	10.9
Bulgaria	4.5	5.1	U.S.S.R.	4.9	10.1
Rumania	4.3	25.0	Bulgaria	3.1	4.1

The potential resources of eastern Europe are, of course, enormous, and its total population is more than equal to that of western Europe. It is therefore likely that its commercial relations with Switzerland will appreciably increase in the future—if that future be one of peace. For the present, however, Switzerland, like all other countries of western Europe which have lost in Germany both their most important supplier and their best customer, is looking westwards rather than eastwards for the promotion of its foreign trade.

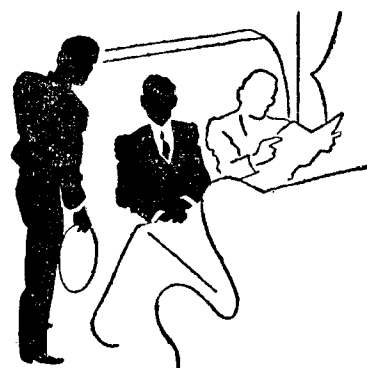
As Switzerland has been, is, and hopes to remain able to pay for her imports without American aid, it is, with Portugal, the only participating country which asks for none. On the other hand it is not easy to imagine what new and constructive contribution Switzerland could make to the efforts of European economic co-operation. Its production, with the assistance of over 100,000 recent Italian immigrants, is today already strained to the limit and its exports could hardly be increased. It has opened its markets, wider than most, to foreign exports. Its customs tariff is probably the lowest in Europe. The import quotas, with which the Swiss unfortunately feel obliged to protect their agriculture, are often waived. Alone in Europe Switzerland practises no form of exchange control. Moreover, since the war, Switzerland has given and lent nearly 1,000 million Swiss francs to its war-ravaged neighbours for their economic reconstruction.

Cult of Neutrality

Switzerland and European Union is a topic about which much has been written. The most penetrating authors present the subject as a study in contrasts. On the one hand, the multilingual federal state in the heart of Europe is often heralded from without, and is sometimes even tempted to look upon itself, as the micro-cosmic model of a future rejuvenated Old World. On the other hand, traditionally neutral, Switzerland is in some ways the least co-operative member of the European family.

A small state, for centuries surrounded by great powers and inhabited by a people whose various tongues and faiths have ever attracted them towards different and often warring neighbours, Switzerland has long deemed it wise to remain aloof from the quarrels of others. The cult of neutrality has thus become the essence of Helvetic patriotism. Ever since the Thirty Years' War in the seventeenth century, the fear of internal disunity, no less than that of foreign invasion, has made of that principle the corner stone of Swiss foreign policy.

For nearly five centuries Switzerland has practised that policy and, except for the Napoleonic wars, has thereby escaped invasion. Is it surprising that, attributing as they do their astonishing immunity at least in part to their political tradition, the Swiss will not discard neutrality? Would it not be expecting too much of their idealism and decidedly too little of their common



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sense, to believe that the generation of Swiss, which has survived two world wars unscathed, would be prepared to reverse it?

In favour of what could they be tempted to do so? The United Nations, whose main characteristic is their fundamental disunion and whose Charter does not even pretend to shield the weak against the strong? A European Union, that is either a western *bloc*, formed to protect one-half of Europe against the other, or, for the tragic present at least, the idlest of day dreams?

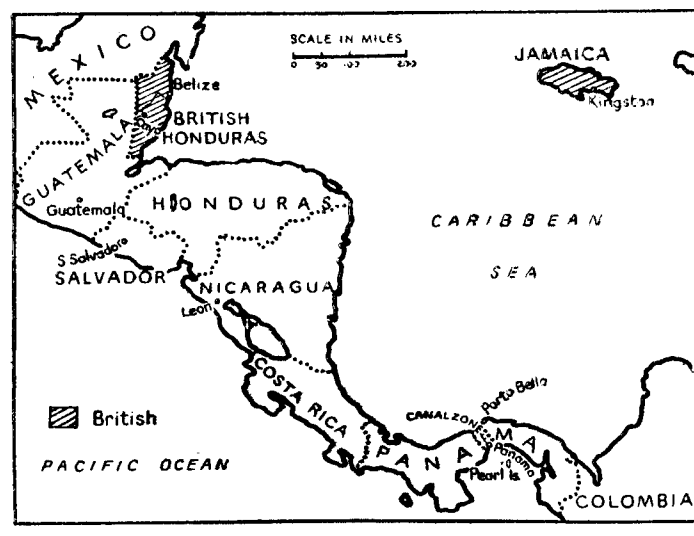
No. Switzerland's traditions, its sentiment and its self-interest will prompt it to do everything in its power to promote the economic reconstruction of Europe, of western and of eastern Europe alike. But these traditions, sentiments and self-interests will, with equal force, deter Switzerland from joining any political union, unless and until it can be truly continental or, better still, universal in scope.

Switzerland's national experience and internal structure lead it to believe that there will be no secure peace and freedom in the world before all national sovereignties are merged in a supra-national federation. But foreign history has convinced the Swiss people that, pending that dispensation and especially in the present mad state of the world, they can best save themselves by avoiding all political and military commitments, save a general undertaking of armed neutrality and hostility to every aggressor.

They are the less ashamed of their traditional policy in this matter, because past and recent history seems to show that, properly understood and humanely practised, that policy may well serve the interests of others hardly less than their own.

British Honduras

SENDING the Royal Navy to the support of the Crown Colony of British Honduras in the century-old quarrel with Guatemala, which was revived last week, was both a successful and apt gesture. For it was a naval officer, Admiral Sir William Burnaby, who, in 1765, first gave British Honduras an improvised code of laws and who implemented its first constitution, granted by George III in the same year. The colony originally grew up in the buccaneering days of the 17th century when English pirates found its complicated system of reefs and cays an ideal haven from their Spanish pursuers. Its later development was gradual, but by the beginning of the last century "new and more respectable sources of wealth had been discovered."



The two chief sources of wealth in British Honduras are mahogany and chicle, a substance from the chicle tree used as the basis of chewing gum. In the last few years efforts have been made to expand its products, and grape-fruit, coconuts, and the nuts of the cohune palm have been added to the colony's exports. But timber remains its most important asset; of an area of 8,600 square miles, 93.9 per cent is forest land, and the majority of the population of 60,000 are employed in timber-cutting and hauling. Roads are few and bad, but development schemes now in progress should do much to remedy this defect. Airfields have been built at the capital, Belize, and at the largest town in the hinterland, Cayo.

The position of Belize is a serious drawback to the development of the colony. It was originally chosen as a settlement because of its harbour, but a vast mangrove swamp separates it from the hinterland. To lay roads across this swamp is difficult, while the mosquitoes, sandflies and land crabs which infest it make the journey singularly unpleasant. "If there is anything that bites," say the Belizeans, "we have it."

Economically, British Honduras is a flourishing little country, well worth the funds allocated to it by Britain. Its export trade in 1946, the latest year for which figures are available, amounted to \$5,222,028, of which half was obtained from mahogany and chicle sales and half from other products such as grape-fruit juice and coconuts. Its principal imports are rice, flour, textiles, cars, lorries and tractors. Income tax is on a sliding scale from 5 per cent on an income of \$1,000 rising to 40 per cent on \$35,000 and above. The people are a diverse mixture of "creoles"—English-speaking West Indian negroes—Indians, Caribs, East Indians, and a few hundred Europeans.

Guatemala's Claims and Threats

The dispute with Guatemala arises out of the treaty signed in 1859 by which Guatemala agreed to recognise the British title to the colony in exchange for a road to be built from Guatemala City to the Atlantic coast. It was then found that to build this road would be impracticable, and Britain offered to pay Guatemala an indemnity of £50,000 instead. Guatemala retaliated by threatening to withdraw its recognition of British Honduras as a Crown Colony. In 1936 the dispute was revived and Guatemala then claimed that as Britain had not built the road, the original treaty was invalid and that British Honduras belonged to Guatemala. At the beginning of the war, President Ubico postponed the dispute as a recognition of Britain's engagements elsewhere, but in 1944 President Ubico was deposed, and the new President, Juan José Arévalo, began to press Guatemala's claims once more. Britain's suggestion that the matter should be referred to the International Court of Justice was rejected and last week threats of armed invasion were made. These threats subsided as a result of the prompt dispatch of British forces to the colony.

There the matter now rests, but more will probably be heard from Guatemala at the forthcoming pan-American conference at Bogota, when Guatemala will probably join Argentina, Chile and Venezuela in their protests against the "violation" of South American territory by Britain.

Revival of Hongkong

LOCAL political squabbles are not reflected in the figures just published of Hongkong's foreign trade last year. Their most significant item is the swift rise of Japanese imports from virtually nothing in 1946 to a value of nearly \$37 million in 1947. In the same period the value of piece-goods and textiles imported rose from \$101 million to \$215 million, which latter figure is exceeded only by oils and fats at \$246 million and food at \$240 million—although sundries amount to \$259 million. The largest rise in the main groups of merchandise is in dyeing and tanning materials, from \$12 million to \$66 million, metals from \$40 million to \$103 million, and minerals and ores from \$1,500,000 to \$9,000,000. The total value of imports was \$1,550 million compared with \$933 million in 1946. "Treasure" worth \$50 million—more than twice the 1946 sum—was also imported. The United States with goods worth \$299 million ousted South China with \$281 million as the largest importer. The United Kingdom's share increased from \$44 million to \$164 million and is now third largest. British Malaya, Australia and Canada also imported considerably more.

Hongkong's exports in 1947 totalled \$1,217 million, exclusive of "treasure" worth \$99 million. In 1946 they amounted to \$767 million. The main items were oils and fats, \$271 million; "sundries," \$245 million, piece-goods and textiles, \$194 million; food, \$159 million; and metals, \$74 million. Most went to British Malaya, which took goods worth \$214 million compared with \$162 million the previous year. Exports to South China amounted to \$167 million; to the United States, \$152 million; and to the United Kingdom, no more than \$38 million. These trade figures, which are given in greater detail in this week's *Records and Statistics Supplement*, underline the good prospects for Far Eastern trade—if political conditions allow.

THE BUSINESS WORLD

Shipbuilding Problems Now

BRITISH shipbuilders have increased the preponderance in world shipbuilding which they held before the war. This is clear from the final summary of world output of shipping in 1947 issued by Lloyd's Register. It is permissible, now that the wartime peak is past and the fantastic American mass-production effort has disappeared from the scene, to look for the outlines of a post-war pattern in the world shipbuilding industry. Last year 2,111,886 tons gross of merchant shipping were launched in the world (excluding Russia, Germany, and Japan); this is about the level of 1936, and is indeed less than in any of the intervening years except 1940. It is only slightly less, by 25,000 tons, than in 1946. British yards launched 1,202,024 tons—56.9 per cent of the world total, 69,000 tons more than in 1946 and, if the British wartime peak of 1942 is left out, more than in any year since 1930. United States output dropped from 501,294 tons to 164,848; Swedish launchings rose from 146,875 tons to 222,598 and displaced the United States for second place in the world table. Canada retained fourth place with 103,987 tons (an increase of 32,000). Next came France (91,911) and the Netherlands (87,801), each achieving its first substantial production since the interruption of the war years.

Among the British launchings were the *Caronia*, *Orcades*, *Edinburgh Castle*, and *Pretoria Castle* (28,500 tons and over), seven liners of 13,000 to 16,000 tons each (two for export to Portugal), a whaling factory ship of 17,000 tons for Norway, and a tanker of 12,200 tons. Of the sixteen ships of 12,000 tons and over launched in the world during 1947, thirteen came from British yards. Sixteen of the 35 tankers built were British. An unusually high proportion (380,000 tons or 31.6 per cent) of the British output was built for foreign owners—compared with 10.2 per cent in 1946, 19.8 per cent in 1938, 10.9 per cent in 1936, 44.0 per cent in 1930, and 17.1 per cent in 1929. The biggest overseas customers were France (79,000 tons), Norway (74,000 tons), and Portugal (52,000).

In 1913 British launchings were 58 per cent of world launchings; last year they were not a great deal less. What other major industry can show the same record? In the intervening years the share has, at times, fallen a good deal lower—it was 25.8 per cent in 1932 and 34 per cent in 1938. The shipbuilders would seem to have a good deal of reason to congratulate themselves. But in fact their utterances have lately been perplexed and dissatisfied. The shipbuilders are not fitting comfortably, it seems, into the new world of planning; the planners, they clearly feel, do not use them well. They themselves are doing much, but if Government departments did not interfere they could do so much more. Their main complaint is, naturally, about steel.

Steel is a sore subject in most industries now; accusations of parsimonious steel allocations come from all the main users, and are themselves the Government's best defence against the charge of unfairness. Steel production has increased, but there is not enough to go round. And the prospects for a continued and steady increase (depending, as they do, on such doubtful quantities as the supply of German scrap) are not firm enough to encourage bold allocation. That the shipbuilders, like others, should blame the allocation system for injuries for which short-

age is really to blame, is not surprising. Last year the industry got a good deal more steel than was allocated to it; it has now been allocated substantially less, and at the same time a new system has been introduced to ensure that deliveries approximate more nearly to allocations than they have done in the past. Left to themselves, the shipbuilders may reasonably feel, they would have done better.

The truth is that ill-feeling between the shipbuilders and the planners is aggravated by a singular cause; the shipbuilders are good planners themselves. They learned the hard lessons of the early thirties, and have come to leave as little as possible to chance. But they have now to adjust themselves to planning from above which is outside their control, and which, therefore, confronts them with a new factor of uncertainty. And here the Government planners might well study what can be done to improve matters. The shipbuilders may or may not be right in believing their allocations of steel for the first months of 1948 to be unreasonably low. Nobody can say; the allocations are not published, and the conflicting claims of the various industries have never been impartially presented to the public. Objective discussion of the merits of the various cases has not been possible, because the data are missing. Naturally, if the Ministry of Supply takes refuge in silence and obscurity, industrialists take refuge in special pleading. But in the uncertainty of steel allocation plans the shipbuilders have a clear and reasonable complaint. They complain, too, of failure to consult them, and that they learnt of the January cut in steel supplies from the press. This should not happen. They must know in advance, and with reasonable certainty, what they can do. Uncertain and uneven supplies reduce them from a well-organised and well-planned industry to one peculiarly liable to spasmodic interference, peculiarly at the mercy of the winds of trade.

What, after all, do the shipbuilders want? Are their requirements in conflict with the needs of the national economy? The two interests are—if quarrels over the immediate supply of steel can be suspended for a moment—substantially the same. The primary purpose of any plan for shipbuilding, in the face of the immediate economic crisis, must be simply to ensure that the best use of the industry's potential is made in the national interest, economic and strategic. The longer-term and for the moment secondary purpose must be to take any possible steps to prevent a future shipbuilding slump, with its consequent dislocation and unemployment which would not be confined within the limits of the industry. This calls for the levelling out of the worst fluctuations in demand to ensure a more steady flow of work, merchant and naval, over the years. These two main objectives are not likely to be contested. Any divergence of views is likely to be on the method rather than on the purpose.

It is pertinent to consider what are, for the time being, the chief demands on the shipbuilding potential of the country. In the first place there is the need to restore the deficiencies in tonnage caused by the war. This is as important to all the European maritime nations as it is to Great Britain, for until they have the ships they are deprived of the means to save dollar expenditure on freights, and to earn dollars for

shipping services rendered. Next comes the need to increase the total supply of world tanker tonnage, of which (though world tanker capacity is already some 50 per cent greater than it was at the outbreak of war) there is a general shortage. Thirdly, there is the need to improve the quality of the merchant fleets, to replace the heavy losses of specialised tonnage, such as refrigerated ships, fruit and timber carriers, short-sea traders, coasters and the like, whose duties can never be economically performed in peacetime by the makeshift standard tonnage which was built on such a scale in North America to meet the needs of war. The export value of the shipbuilding industry is a fourth factor which cannot be forgotten.

British shipyards have made a creditable effort to meet these demands. They have been delivering new ships at the rate of about a million tons gross a year for the past two years. But despite their efforts, despite the absorption of a good deal of ex-enemy tonnage into the register and the purchase of well over a million tons gross of war-built ships from America, United Kingdom merchant tonnage is still some 2,000,000 tons gross below the 1939 level. In quality and age, it is immeasurably inferior, and rough use in the war has accelerated its obsolescence. Other Marshall Plan nations, notably Norway, Denmark, the Netherlands and France, are in the same difficulty; all rely to a large extent on British shipyards to make good their deficiencies. The deficiency of tanker tonnage is world-wide, and the proportion of tankers under construction and on order at the moment bears witness to the demand and to the effort to meet it. At the end of December there were 50 tankers totalling 447,945 tons gross under construction in Great Britain, most of them still on the stocks. But shipbuilders had orders on their books for a further 118 tankers, totalling more than 1,100,000 tons, which account for a good 50 per cent of the total tonnage awaiting berths. Owing to their greater subdivision, tanker hulls ton for ton need more steel than passenger or cargo hulls. Current changes in the kind of demand for shipping mean, therefore, that requirements of shipbuilding steel will increase as the new orders reach the building stage.

*

In direct exports, the industry is doing well. For some time the proportion of export work in hand has been increasing; it is now about one-third, and if ships in hand and on order are taken together it may well amount to £100 million. If this could be completed within, say, three years, its contribution to the export programme would be substantial and timely.

"It is at present," said the White Paper on capital expenditure, "quite as advantageous to build ships for British owners as for export, even where the exports are to hard-currency

countries." This may be an over-simplified statement. The benefit, it must be added, is lost unless the ships are used to the best trading advantage, and the unsatisfactory figures given in the White Paper on the Balance of Payments leave room for doubt whether this is being achieved. At any rate the net foreign earnings of United Kingdom shipping increased from £9 million in 1946 to £17 million in 1947. It is fair to argue that another one or two million tons of merchant shipping would have brought a more than proportionate increase in foreign earnings. Neither the dry cargo fleet nor the tanker fleet is big enough yet to exclude the necessity of spending heavily in hard currency for the charter of American and Canadian ships; and, given more ships, earnings from the cross-trades could be a good deal higher than they are. The limited improvement which was achieved may be largely attributed to the output of high-quality liner tonnage for British owners from the shipyards during those two years. The output would have been much higher if it had not been for the serious deficiencies in raw materials and components and for congestion in the fitting-out stages caused by the large amount of reconversion work still being undertaken. But the back of the job has now been broken. Net shipping income should show a substantial increase in 1948; many more passenger liners will be back in service and four new liners of over 28,000 tons gross each are approaching completion.

What are the shipbuilding prospects for 1948? Shortages of various kinds may be expected to continue sporadically, but the prospects of a more regular flow of materials and components—except steel—are better than they have been. Shipbuilders have no general shortage of labour to contend with. They are equipped with more modern plant than ever before. They have, for the time being, plenty of orders to keep work flowing regularly through their yards. Their capacity is not stretched to its limit. Left to themselves, but given enough steel and fittings and components, they might be able by 1949 to produce finished ships at the rate of nearly 2,000,000 tons a year.

If such ideal conditions existed, it would be necessary to consider what would be the international economic repercussions of producing ships at a rate approaching the present world production. But they do not exist, and are not likely to be attained so quickly. The shipbuilders, as they themselves are aware, depend on a multitude of supplying trades for the components which go into the fitting and furnishing of their ships. They are as worried as any industrialists by the ever-rising trend of their costs. They are, in fact, exposed directly to the economic problems of the country at large. It is this point which sets the limit to their immediate case, sound though it may be, for some additional steel supplies.

The New Companies Act—I

Re-shaping the Balance Sheet

ON July 1st next, the accounting provisions of the new Companies Act will come into force. Many companies have already anticipated the changes which the new Act demands, but there are still a greater number whose directors and accountants have yet to address themselves to the new requirements. There are two fundamental statutory principles from which all the detailed stipulations about accounts can be said to flow. The first is that the balance sheet shall give a true and fair view of the state of affairs of the company at the end of its financial year, and also that the profit and loss account shall give a true and fair view of the profit or loss of the company for the financial year. The second principle is that companies with holdings in subsidiary companies will in future be obliged (with a few exceptions) to issue "group accounts."

The general effect of both of these principles will be to bring the laggards into line with the best practice, rather than to make any great advance on what is already being done by many enlightened boards of directors. The Act will have the advantage, however, of encouraging some degree of standardisation of practice and consistency in the use of technical accounting terms—though even here it builds on a foundation which the Institute of Chartered Accountants, by its extremely valuable recommendations on accounting practice, has already done much to consolidate. For example, the Institute's recommendations on "reserves" and "provisions" have been closely followed. "Reserves" are surpluses; that is, they are accretions to the proprietors of the business, either as undistributed profits or other revenue reserves (which can be distri-

buted as dividend if thought fit) or as capital surpluses, like profits on the sale of fixed assets and receipts from share premiums (which are "capital reserves" and whose distribution is therefore subject to certain limitations or outright prohibition).

In this, the first of two articles on the future shape of Company Accounts, it is proposed to deal with the balance sheet, and to leave the profit and loss account for later discussion. In the past, the left-hand side of a balance sheet has often presented an unsorted mixture of proprietorship balances (including capital, reserves, and undistributed profits) and of liabilities (with which free reserves are sometimes lumped together). The right-hand side might include such national "assets" as a debit balance on profit and loss or discounts on shares issued. The new obligation to classify the items in a balance sheet under the headings of capital, reserves, liabilities, and provisions (the latter are liabilities "of which the amount cannot be ascertained with substantial accuracy"), and fixed and current assets, will result in an improvement in the structure of the average balance sheet. It will, therefore, be easier to see the relationship between the funds contributed directly by shareholders, those provided indirectly from accumulated profits, and those borrowed, or financed by normal trade credit. The new form will distinguish resources sunk in fixed assets (which are not defined, but in general cover durable property and equipment, long-term claims, and other assets not convertible into cash within twelve months) from current or floating assets, which are turned over more or less rapidly in the course of trade, or represent the temporary investment of surplus funds. The general balance sheet form will therefore be as follows:—

Share Capital	Fixed Assets
Undistributed Profits and Reserves	Current Assets
Share Premium Account	Discount on Shares
Capital Reserves	Preliminary Expenses
Revenue Reserves	Profit and Loss Account
Profit and Loss Account	(debit balance)
Long-term Liabilities	
Current Liabilities and Provisions	

This is a clearer form than many balance sheets, but it is not revolutionary in any of its conceptions.

The detailed requirements of the new Act on the construction of accounts are extremely technical, and they have increased, rather than reduced, the scope for professional argument. But accounts in future will undoubtedly mean more to the layman than in the past. Most significantly, "secret reserves" will no longer be permissible, except for banking, discount and assurance companies. It is hard to imagine how a profit and loss account can ever have been worth the name if it failed to show a figure of profit or loss which reflected as closely as possible the results of manufacture and trading.

But public companies have often developed a practice of "tucking away" profits in good years, and the practice has long reposed on the legal sanction in *Newton v. Birmingham Small Arms Company*, 1906.

Accounting does not lend itself to detailed statutory regulation, and, unless a proper sense of judgment is preserved, niggling attention to detail can easily frustrate the fundamental ideas which accounts should satisfy. The accounting provisions of the Act are very largely what accountants have asked for through their professional bodies, and it is interesting that some of them are now wondering whether the Act will not involve them in more onerous responsibilities than they were inclined to anticipate. This, no doubt, is in part a reaction which is due to the technical argument and discussion on many provisions of the Act. As an example of the accountant's problems in the application of the new Act, the following extract from the 1st Schedule, Part IV 1 (2), is worth consideration:—

Where—(a) any amount written off or retained by way of providing for depreciation . . . not being an amount written off in relation to fixed assets before the coming into force of this Schedule or (b) any amount retained by way of providing for any known liability is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.

This extremely important passage removes the existing sanction given to "secret reserves." Companies should not in future understate their position—that is clearly the principle. But the accountant must look to the detailed wording of the Act, not to the principle which it purports to enshrine. It is therefore important that the first line of (a) refers to an "amount written off or retained by way of providing," whilst the exclusion after "not being" refers only to "an amount written off." The effect may be that excessive past depreciation must now appear as a free reserve if it happens that it was maintained as a separate balance, but not if it was actually applied in the books as a deduction from the original value of the assets. The distinction is clear, though it seems to have little intrinsic significance. Even if this is accepted without further argument, another problem arises. If depreciation written off in the past was excessive, should there be a relief from future provisions until the over-provisions of the past are absorbed? Questions of this kind will add to the already considerable burden carried by accountants and auditors for some time to come; and only by keeping in mind the principles underlying the new Act will accountants avoid losing themselves in technicalities.

A certain amount of room for judgment has quite rightly been left by the introduction of the words "if material" in many of the stipulations. No doubt what is material in one case may not be so in another. The significance of possible margins of



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with the sudden draining away of accruing tax monies into the newly-issued and very attractive Tax Reserve Certificates. This very rapid net cancellation of bank credit has occurred, moreover, in a month in which there have been unprecedented demands upon the banks for new lending to the public. Bank advances have risen by no less than £51 million—a far larger movement than in any previous month—and now stand at £1,273 million, almost £270 million above their level at the corresponding date last year.

Those who are now busily propagating the view that the size of the prospective Budget surplus offers large scope for tax reliefs will no doubt seize upon these facts and present them as evidence that inflation is, mysteriously, generating its own correctives. But before any hats are thrown into the air, it would be well to reflect that Mr Dalton, casting around twelve months ago for a means of defending his cheap money policy, pounced upon precisely analogous evidence. In February, 1947, as he was quick to point out, net bank deposits dropped by £90 million. But they rose by fully £330 million in the ensuing ten months. Unless the Government rashly dissipates its prospective surplus, they are perhaps unlikely to follow a parallel course this year; but it must always be remembered that these February returns reflect the biggest tax-gathering weeks in the calendar, and the collections this year have broken all records. In the four weeks to February 21st (roughly the period covered by the banks' return) there was an ordinary surplus of more than £240 million—although by the last week of this period the succession of weekly surpluses had already given place to a small deficit. Moreover, the Treasury's sterling receipts from sales of dollars (obtained by drafts on the credits and sales of gold) far exceeded its "below-line" outgoings. If it were not evident that the Treasury has had to make certain "invisible" outlays (for example, for purchases of 3 per cent Conversion Loan in advance of maturity), an even larger fall in bank deposits might have been expected than has in fact occurred. This is indeed well demonstrated by a new index which has just been compiled by Lloyds Bank with the object of showing, by eliminating seasonal fluctuations, the underlying trend of bank deposits; figures have been calculated, on a 1938 base, for each month since 1936. Significantly, the index for last month shows a fractional rise.

It will be surprising if February's movement in published deposits is not sharply reversed by the March return. To enable Argentina to finance the rail pay-out, the British Treasury is having to raise the money from the banking system, partly to repay loans previously received from Argentina (by way of investment of its accumulated sterling) and partly to provide for the advance payments under the Ministry of Food contracts. This week, too, some £100 million has had to be found to redeem the publicly-held residue of the Conversion Loan. Both these operations will increase the volume of money in the hands of the public, and although the bulk is likely to be reinvested by the immediate recipients, it certainly cannot be taken for granted that most of it will be quickly withdrawn from circulation—by repayments of bank advances or purchases of securities from the banks or the "departments."

On a somewhat longer view, the greater the success of the drive to achieve equilibrium in the balance of payments, the greater will be the pressure on the domestic banking system. If in 1948 the total deficit were to be reduced to, say, £250 million, the Government would need fully £400 million more domestic finance than it required in 1947—unless there are countervailing savings in its net domestic outlays. That is simply another way of saying that the coming Budget ought to provide for the mopping-up not only of the inflationary pressure which already exists, but for the additional pressure which will arise from any narrowing of the external gap.

Control of Bank Advances

It is only rarely that any light is shed officially or authoritatively upon the relationships between the monetary authorities and the joint stock banks. As even tiny straws may show the direction of the wind, a reference in the latest *Midland Bank Review* to the method of controlling bank advances ought not to be allowed to pass without comment. In the matter of domestic monetary policy, in contrast with exchange control, the influence of the authorities upon the banking system and money market has long been exerted in a most informal manner, relying upon moral suasion exercised verbally and personally rather than officially, and depending hardly at all upon any legal or other sanc-

tions which the authorities might be able to bring to bear. This characteristically British tradition has not been altered by the powers conferred upon the Bank of England at the time of its nationalisation, but in one respect the wartime system of control has involved a slightly greater measure of formalisation. At the outbreak of war, and again in 1945 and late in 1947, the Chancellor's public request to the banks to ensure that their policy in making advances was in accordance with the spirit of the guidance given officially to the Capital Issues Committee, was privately put into more formal shape. On each occasion letters from the Chancellor to the Governor of the Bank of England inspired letters of guidance from the latter to the chairman of the British Bankers' Association.

The *Midland Bank Review* now reveals the substance of those behind-the-scenes requests and shows (as, indeed, close observers were already aware) that the latest one, both in scope and precision, goes rather beyond any of its predecessors:—

As in 1945, so in 1947, there was a specific request to avoid providing bank advances for customers' speculative operations, and to these were added injunctions against enlarged financial facilities for dealing in property or increasing hire-purchase credit, more especially for consumers' goods.

The *Midland Bank Review*, unlike many other bank reviews, still consists entirely of anonymous articles which may therefore be presumed to reflect the views of the bank. Given the tradition in such matters, the fact that this particular issue has been raised confirms the impression that it is one which lately has caused a certain concern to some at least of the banks. As soon as informal methods of control proceed from general to specific requests they are bound to cause difficulties in practice. Since there is, necessarily, no codified body of detailed principle by which any particular transaction may be judged, different banks are bound to have different views about which transactions are permissible and which not. Naturally, the authorities themselves are always ready to give guidance whenever their advice is sought. But even the smoothest co-operation between the banks and the authorities may not ensure uniformity or prevent any unfairness in the operation of the system as between bank and bank. For example, a bank might submit a borderline case to the authorities and be advised that the customer's project was not within the spirit of the regulations. But the customer might then take his business elsewhere and find that another bank, interpreting slightly differently the official "request," would be prepared to sanction the advance without feeling any need to seek official confirmation of its own interpretation.

Plainly, there is no ready solution for such difficulties as these, for any attempt to work a highly organised system with detailed rules would certainly create many more problems than it solved, and would undoubtedly be a source of intolerable friction in day-to-day working. But the fact that these problems exist makes it the more desirable that the relevant facts should be available for public discussion. It is time that the actual text of the "request" was made public.

Uruguayan Rail Purchase

This week has brought disillusionment to speculators in the stocks of South American railway companies whose probable purchase has been regarded as a corollary to the recent payments of the Argentine rail purchase money. As the accompanying table of recent price changes in these stocks shows, hopes of capital gains based on optimistic estimates of possible take-over prices have run high during the past few weeks. The first cold douche for stockholders has come from Montevideo. Mindful perhaps of the not unsatisfactory terms for the acquisition of Montevideo Tramways some months ago, the market had been talking freely of a global sum of between £8 and £10 million as the likely price to be agreed by Uruguay in payment for the six railway companies whose purchase has been under negotiation for some months.

The actual amount has been announced this week as only £7,150,000. Of that sum, Central Uruguay will receive £5,591,000, Midland Uruguay £802,000, North Western £318,000, Uruguay Northern £259,000, Midland Uruguay Extension £130,000 and Quarahim £50,000. No division of these totals among the various classes of stockholders has so far been arranged, but assuming that debenture and preference stockholders receive the lion's share according to their precedence, little will remain for the junior stocks. Yet as the total issued capital of the companies is nearly double the agreed take-over sum, the expectation that they would receive more than these amounts may have seemed reasonably founded. But the facts of the

British bargaining position decreed otherwise. The agreement was signed in Montevideo this week, and operation of the companies' properties by the Uruguayan Government will take effect retrospectively from July 1, 1947.

The lessons of this market flutter have been quickly perceived by the bulls of other South American utilities and railway stocks. Here, as might have been expected, the main reaction has been in Brazilian railway stocks, in which much activity has lately been witnessed. The departure of the members of the board of Leopoldina for Brazil has been followed with interest since the Uruguayan purchase price was announced. Although the setback in these and companion issues has not been as sharp, the whole market has been put on edge pending the receipt of progress reports from Rio de Janeiro, where, it is understood, negotiations between company officials and the Brazilian Government have been opened. But the mood of Brazil, as of other Central and South American Republics, appears to be none too

SOUTH AMERICAN RAIL AND TRAMWAYS STOCKS

Stock	1947		Mar. 3, 1947	Feb. 3, 1948	Feb. 27, 1948	Mar. 2, 1948	Mar. 3, 1948
	High	Low					
Central Uruguay:—							
5% 2nd Deb.	76	37	73½	63	80½	79	81
Ord.	32½	8½	22	22	27	18	15
N. W. Trm. of Uruguay:—							
6% 1st Pref.	46	8½	34½	35½	51	37	32½
Leopoldina:—							
5½% Cum. Pref.	71	10	36½	38	54½	53½	49½
Ord.	26½	2½	11	14	18½	17	15½
Ceara Tramways:—							
5½% 1st Deb.	71½	27½	35	45	65	70	70
Gt. Western of Brazil:—							
Ord.	106/3	17/-	60/-	65/-	65/-	75/-	75/-

conciliatory at the moment. An order has gone out this week from the Federal Government cancelling the concession granted in 1911 for 76 years to the Ceara Tramways, Light and Power Company and ordering the transfer of the "assets of the concession" to the municipality of Fortaleza. Compensation is to be assessed by the Federal Department of Agriculture and the municipality; no provision appears to have been made for hearing representations from the company, nor has the likely amount of compensation or the time of payment been mentioned; presumably these are to be arranged in Brazil's own good time, but it is a matter which should be taken up without delay by the present British Government mission in Brazil. The protracted process of ratification of the San Paulo sterling payment, not yet agreed by the Congress of Brazil, is another reminder—if that were needed after the year's delay in completing the Argentine rail scheme—that over-optimistic speculators in the South American rail and utility stocks can no longer be regarded with much sympathy.

The Paris Free Market

The free exchange and gold market in Paris has now been functioning for over a month and has shown no signs of those pyrotechnic displays that had been widely expected of it. The

dollar, which was first quoted at about 307 francs, has gradually depreciated to about 305 francs, where the market has been reasonably stable for a few days. The turnover is reputed to be small, the largest daily figure being around \$1,000,000. There is strong evidence that the market is controlled and that some of the buying is on account of the Exchange Stabilisation Fund, whose orders are handled by the ordinary commercial banks. As yet there has been very little evidence of genuine commercial buying of dollars and escudos. This is not because of any lack of potential buyers but because no licences are being issued for the inessential imports eligible for exchange acquired in the free market. Most of the selling comes from tourists and American concerns which have remittances to make to France. There has been very little evidence yet that French exporters are selling the proceeds of their shipments in the free market.

As contrasted with the slight depreciation of the free dollar and escudo, the price of gold coins has been rising steadily since the free market began to operate. From a price of 8,300 francs the ten-dollar coin has risen to 10,500 francs. The rise in the price of gold coins has been particularly marked this week, for the events in Czechoslovakia have encouraged hoarding. It will be seen from these prices that the gold dollar is at a high premium over the paper dollar. At the current free market price of 305 francs for the paper dollar, the pre-1933 dollar would have a value of 516 francs. Yet the gold dollar is priced at 1,050 francs, showing a premium of over 100 per cent. It is not only sterling that has unflattering aspersions cast on it by the differential rates quoted in the Paris market.

The French Government have been compelled to make further concessions on the withdrawal of 5,000-franc notes. Immediate reimbursement was made on the first two 5,000-franc notes handed in by any one holder. Last week the Government decided that all holders who deposited notes amounting to less than 70,000 francs would be reimbursed by March 1, provided all taxes due by them had been paid. The Government is also expected to announce the conditions under which the rest of the 5,000-franc notes will be reimbursed. It is already committed, however, to make full eventual repayment of these notes—provided, of course, the holders can show a legal title to them and that they are free from the suspicion of tax evasion. In other words, the possibility that this operation might be made the basis of a substantial contraction of the currency appears to have weakened considerably in the last few days.

Expanding Trade under Bilateralism

In the debate last Tuesday the Secretary for Overseas Trade sought to prove that the Government was attempting "to make the best of both worlds"—to secure the advantages of multilateral trade by means of bilateral negotiations. It is wrong to argue, as Mr Bottomley sought to prove, that bilateral negotiations necessarily expand the volume of trade. They can do so in the initial stages, as indeed is apparent from the new agreements, but expansion under bilateralism is by its very nature restricted in the long run. But months of arduous work embodied in these negotiations are in fact at last bearing fruit, and the new trade pacts with Finland, the Netherlands and Poland, following on the Argentine and Danish agreements, go some way to substantiate the Government's claim. In each case an expanding volume of trade has been assured and Britain has been able to secure supplies of food-



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stuffs and raw materials in return for coal, steel, chemicals and manufactures. Coal is now playing a vital part in all these negotiations, and if production continues to lag behind schedule—which it has been doing since the beginning of the year—the shortage will have to be carried by the home rather than the export market, particularly since the quantities of steel which can be offered to other countries are much lower than their requirements.

No official text of the Argentine agreement is yet available, although the protocol was signed some 14 days ago and the definitive text was despatched by airmail. After the Government's statements about prices in the debate on Monday of last week, the text is awaited with some eagerness. The official communiqué on the Danish pact is unique because contract prices were published. The details prove to be substantially similar to those published ten days ago in Copenhagen to which reference was made on page 340 of last week's issue. Denmark has agreed to send to the United Kingdom not less than 62½ per cent of its exportable surplus of butter, with a guaranteed minimum quantity of 40,000 tons; this differs slightly from last week's information. The bacon clause stands, but in addition Britain has undertaken to buy not less than 90 per cent of the exportable surplus between October, 1948, and September, 1949, at a price not less than 225s. a cwt. Britain is also to purchase small quantities of cheese, condensed milk, meat and fish.

Under the Finnish trade agreement, the United Kingdom is to import 190,000 tons of chemical wood pulp, 30,000-40,000 tons of mechanical wood pulp and 150,000 cubic fathoms of pitprops, in addition to sawn softwood, plywood and other timber products. The quantities of wood pulp are similar to British imports from Finland in 1947, but this year's quantity of pitprops is some 100,000 cubic fathoms less than last year's imports from Finland. Prices have not yet been agreed, but they are understood to be at "the existing world level." Britain will send Finland 500,000 tons of coal and coke and 40,000 tons of steel in addition to machinery and electrical equipment. Finland has also agreed to resume the issue of import licences for British goods. It is confidently expected on both sides that trade between the two countries will develop on a wider plane than hitherto since the war, and in the next nine months might total £30 million, or the equivalent of the whole volume of trade in 1947. But the achievement of such results rests largely on political factors.

As a result of the Anglo-Dutch agreement, announced on Monday, trade turnover between the two countries is expected to reach £72 million this year compared with £59 million in 1947. Britain will import condensed and powdered milk, eggs, bacon, fresh fruit and vegetables (including potatoes and onions) and small quantities of other foods such as canned meat and pulses. The value of these items this year will be £24 million out of the total import of £33½ million. In addition, Britain has agreed to purchase flax and strawboard. The Netherlands, on the other hand, will get 300,000 tons of coal, over 30,600 tons of steel, other essential raw materials, such as cotton yarn and chemicals, and motor-cars. Total British exports to the Netherlands will amount to £38½ million. The Dutch Government has also agreed to relax import restriction on a wide range of British goods. Both countries are also to make reciprocal arrangements for the resumption of tourist travel.

The Polish agreement is an elaboration of the trade pact signed last June, under which it was intended that Polish exports to this country should amount to £6,500,000 in 1948. The new programme has been expanded to a total of £11 million, of which £7,000,000 will comprise bacon, eggs and other essential food-stuffs. It is further hoped that supplies of timber will also be made available. Negotiations for long-term food contracts will take place later in the year. Britain has undertaken to facilitate the purchase of wool, rubber and other raw materials up to a value of £10 million during the current year, and both countries have agreed to exchange miscellaneous manufactures amounting to £2,000,000.

Restrictions on Oil Bunkering?

The effect on shipping costs of the rising price of oil is already considerable. Hardly less serious is the danger to the smooth operation of shipping which has arisen in the past few weeks through the growing shortage of oil at bunkering stations. More than two-thirds of the merchant tonnage launched in Britain in 1947 was fitted for burning oil fuel. In 1948, however, a further increase in February has already added another

an increase of about 50 per cent in 12 months. These price increases will add to the cost of food and raw materials imported to this country, and they have coincided with a severe shortage of oil for bunkering in British ports and throughout Europe.

No end to this general shortage can be seen at present. The suggestions to alleviate the scarcity of oil bunkers in British ports, made by a working party which reported to the Minister of Transport last month, fall under two heads. To supplement the tanker shortage, oil might be carried in the double bottoms of dry cargo ships instead of the usual water ballast. To avoid unnecessary carriage it was recommended that ships expecting to call at, or even to pass near, ports where oil was plentiful should take on as little as possible from home depots.

One aspect of the matter is that the extra oil required to supply British depots is very costly in dollars; Britain is still hiring an expensive tanker fleet—more than a million tons—from the USA. If oil which costs dollars is resold for dollars the sellers make a dollar profit. When it is resold to sterling ships the dollar expenditure (unless it includes the cost of a needless double carriage of the oil) is inevitable, for the ships must in any case be refuelled somewhere at the cost of dollars. If, however, oil bunkers are resold against soft currency, Britain is subsidising another country's need for dollars out of her own disappearing store. Problems of this kind, which are reflected throughout the British oil trade, must be under consideration by the Ministry of Transport. It is not yet known what restrictions on oil bunkering are likely to be imposed, but a decision cannot be delayed long.

Timber Supplies

The British timber position looks much more encouraging than it did a year ago. Much heavier quantities have been imported during the past twelve months and stocks are the largest since 1940—a fact which has occasioned much adverse comment in the building industry. Yet consumption in 1948 is unlikely to be any higher than in 1947 and for certain uses it may even be reduced. The supply of softwood from overseas has been particularly tight owing to the lack of felling and transport equipment, and in many cases timber had to be used as a fuel in place of coal. Some recovery in European timber output, however, has taken place, but expansion is slow despite the sharp rise in prices.

In 1947 the Timber Control signed a contract with Canada to take nearly 40 per cent of the total softwood production of British Columbia and increased quantities from the Eastern States. These supplies were to be spread over a period of sixteen months and the agreed prices were generally below the existing world level. Contracts were also placed with the United States and European countries. In August, Britain's critical dollar position made a revision of the timber import programme imperative. Existing contracts were allowed to stand, but new buying was virtually suspended. Nevertheless, imports of softwood in 1947 totalled 1.3 million standards, or nearly double the quantity of the previous year. But the chief sources of supply were Canada, Germany, Finland, the United States and Sweden—all of which are now hard currency countries, in fact or effect, except for Finland.

Future timber supplies will be governed by the availability of foreign exchange. Imports from Sweden and Finland may be maintained by virtue of the recent bilateral negotiations, but supplies from dollar sources can only continue if Britain can get more dollars. Now that any trade deficit with Germany has to be met in American currency, Britain will have to balance imports of timber, steel scrap and other goods against exports to Germany. With Canada and the United States the maintenance of timber imports, even on the same scale as in 1947, is also directly dependent—in the absence of Marshall Aid—on the amount of British exports which can be sold in these markets. The supply prospects for 1948 are, therefore, not very optimistic.

Softwood stocks in the United Kingdom at the end of December amounted to 615,000 standards, consisting almost entirely of imported timber. This very high level compares with 214,000 standards at the end of 1946 and 698,000 standards at the end of 1940. The present stock represents 7½ months' supply on the basis of last year's consumption—982,000 standards, or 10 per cent less than in 1946. Since future supplies are so problematical it would be an imprudent policy to allow consumption to expand until a new supply of dollars is assured.

A similar tightness exists in hardwood supplies. Imports during the past year expanded to 28.7 million cubic feet compared with 12.7 million cubic feet in 1946, but consumption declined from 5.1 million cubic feet in 1946 to 4.7 million cubic feet. End-of-year stocks, however, were the highest recorded, amounting to 23.3 million cubic feet against 20.1 million cubic feet in 1940.

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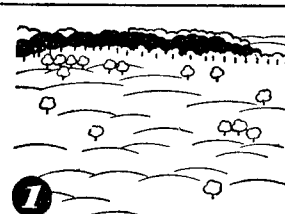
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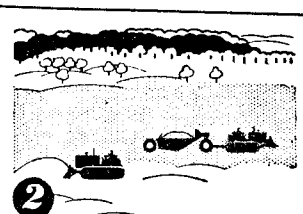
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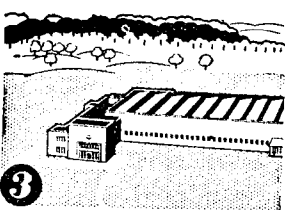
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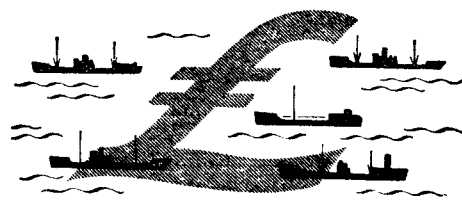
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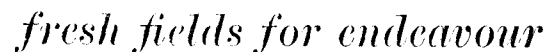
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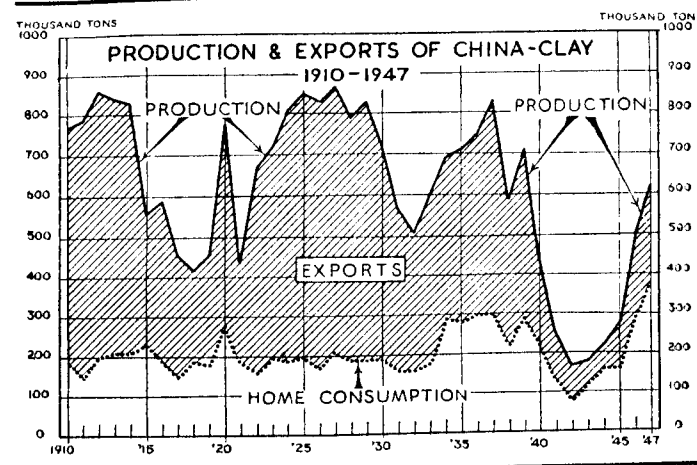
(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7·6 per cent). (l) To latest redemption date. † Free of tax.

silver withdrawn was to be melted into bullion for eventual shipment to the United States in repayment of the silver received during the war under Lend-Lease. Smelting difficulties, however, delayed these operations, so that in consequence coin began to accumulate in the banks. As it happened this was a fortunate accident, since the "withdrawn" silver coin was available to relieve the stringency which later developed.

These statistics, indeed, merely make the recent pressure appear the more remarkable. The banks' holdings of silver coin now are understood to be around £12 million—only about one-half their mid-1947 level. In addition, since last June the Royal Mint has issued about £5,000,000 of new cupro-nickel coin, so that in the past eight months the amount of silver coin in the hands of the public must have been increased by about £17 million. The Mint originally expected to withdraw £4,000,000 of silver coin from circulation during the current financial year, but its actual withdrawals will probably be only about £1,300,000. Unless the public appetite for coin is sharply abated the Mint will obviously find great difficulty in making good the errors in its programme.

Report on China Clay

A Working Party Report published this week claims that china clay is at present Britain's most valuable raw material export. The 1947 trade figures put china clay behind coal, raw wool and rabbit-skins in annual export value, but the boast may well have been justified when the report was written last summer. China clay is that rare thing, a raw material of which Britain was



the world's largest producer before the war; in 1937, 830,946 tons were produced, and two-thirds of the output was normally exported. The United States is the largest foreign consumer; two other hard-currency countries Canada and Sweden come next. United States production outstripped British during the war; British output recovered to 624,397 tons in 1947, but is still limited by shortage of labour and coal. But why were exports so low at 248,862 tons, less than 40 per cent of production? One factor, as the accompanying chart shows, was the unprecedented home demand chiefly for paper-making and the production of cement and sanitary ware for the housing programme.

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China clay is derived from the decomposition of felspar, one of the minerals constituting granite. The deposits around St. Austell and in south-west Dartmoor are deep and workable. No properly sited pit, says the report, has yet been bottomed, and of the 66 pits not in use, few were abandoned because their deposits were exhausted, and most because it did not pay to work them in the prevailing conditions. All are open pits. An average of eight tons of waste has to be disposed of to every ton of clay gained; it is taken out of the pits in trucks to form the great barrows of sand which disfigure the moors. As a result the unit cost tends to rise as the pit goes deeper, unless the pit can expand laterally too. This, together with increasing mechanisation, makes the gaining and drying of china clay an industry subject to marked economies of large scale. One company, English Clays Lovering Pochin & Company, Ltd., has come to operate three quarters of the capacity and—not less important—to control 62 of the 66 pits which are out of operation. Vesting of mineral rights in the Crown under the Town and Country Development Act this year will tend to reinforce this monopoly, for it is unlikely with so many pits available for development that any newcomer would be permitted to start a new one. The Working Party pays lip-service to the principle of free entry but does not seriously tackle the problem of securing it. It recommends that a research organisation be set up for the industry as a whole, though the company, which has by no means abused its monopoly position, already possesses excellent research facilities. Why duplicate them?

LMS Ordinary Dividend

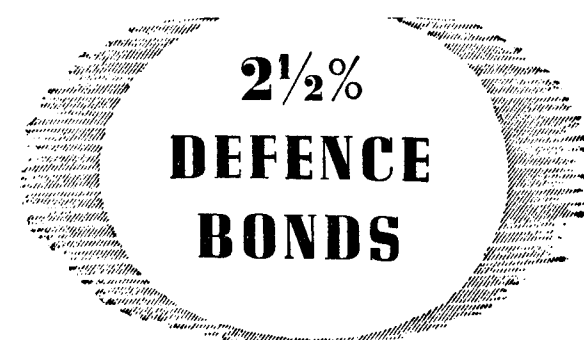
A note in last week's issue under the heading "Last Railway Dividends" included a gross inaccuracy about the dividend on LMS ordinary stock, by suggesting that no dividend had been paid on the stock since 1936. This error, on the last occasion for comment on railway dividends, is particularly regretted, and the following table is offered by way of correction:

LMS ORDINARY STOCK DIVIDEND			
	Per cent		Per cent
1936	1½	1942	2½
1937	1½	1943	2½
1938	Nil	1944	2½
1939	1½	1945	4
1940	1½	1946	2½
1941	2	1947	£4 17s. 10.95d.

Shorter Note

For the third time this year, the fiduciary limit on the Bank of England note issue has been reduced by £50 million. It now stands at £1,300 million. The abnormal reflux of currency which made these reductions possible—after eight years of uninterrupted expansion—now seems to be abating. Last week the active note circulation rose seasonally by £4,900,000—only £900,000 less than the corresponding increase last year. Despite the cancellation of the further £50 million of notes formerly held in reserve, the reserve still stands at the comfortable level of £63 million, which should amply provide for the seasonal demand for currency between now and the summer peak. In the corresponding period of 1947 the total demand for notes was £40 million.

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COMPANY MEETINGS

BIRMINGHAM AND DISTRICT INVESTMENT TRUST, LIMITED

DIVIDEND INCREASED TO 12 PER CENT.

The sixty-fourth ordinary general meeting of this company was held, on the 2nd instant, at 88, Kingsway, London, W.C., Mr. H. C. Drayton, chairman and managing director, presiding.

The chairman said: Gentlemen, investment income and interest total £462,000 as against £352,000 last year, an increase of £110,000, and our traffic receipts are £77,000 against £111,000, a decrease of £34,000 on the year, leaving us with a net increase of £76,000 subject to income tax and expenses. After providing for Debenture interest, taxation and expenses we have a balance available for distribution of £275,400. From this falls to be deducted the preference dividend and an ordinary dividend recommended by the board of 12 per cent., as against 8½ per cent. last year, the resulting balance of £173,900 to be added to undivided profits account, making that account £872,000.

There is one point to which I must draw your attention in our revenue, and that is that in the year under review we have had a windfall of approximately £30,000. It may be held that the directors are conservative in their distribution of dividend, but I must point out to you, as I have so often done in the past, that our revenue from traffic receipts ceases on December 31, 1949.

Our general investments stand in the books at £3,288,000 and a valuation which the directors have caused to be made show they are worth £4,769,000, and you may take it that our holding in the Birmingham Midland Motor Omnibus Company is worth more than the figure shown in the balance sheet.

Last year when I met you I was apprehensive of the financial outlook and the difficulty of investing money. As you are aware, the price of investments on the Stock Exchange has fallen considerably but we still have a large sum of money uninvested, and in addition we are due to receive in the near future a substantial sum from the sale of the Argentine Railways. These moneys are available for investment and, while I do not think we shall buy at the bottom, at least we are in a position to invest when we think the outlook is more propitious.

CONTROLS AND RESTRICTIONS

It is difficult to see what the current year holds for us. For the last eighteen months leaders of industry have been warning the Government that we had to produce more at the right price to be able to keep up our standard of living, but until recently their advice has not been heeded and they have been called Jeremiahs. Now, however, the Government themselves have realised the position and are telling both employers and employees they have to work harder if we wish to maintain our present standard of living.

The favourite plan to achieve this end appears to be more controls, directions and restrictions, whereas I feel convinced that if controls upon the employer were loosened and if the employee was allowed to work as he wished, this country could produce the requisite goods at the right price. There is no unwillingness to produce, but a feeling of frustration and lack of incentive. How the new plans and restrictions will affect our revenue in the current year it is impossible to say but I shall be happy if when the board meet you next year we are able to lay before you such a good result as we have today.

The report and accounts were unanimously adopted and the proposed dividend was approved.

SUN LIFE ASSURANCE SOCIETY

MR. W. M. PRYOR'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63, Threadneedle Street, London, E.C.2, on Tuesday, the 23rd instant.

Mr W. M. Pryor, D.S.O., D.L., chairman of the society, has issued a statement to shareholders, which in outline is as follows:—

DIRECTORATE

It is with great regret that I refer to the loss which the society has sustained by the death of Mr Frank Chaplin on October 27th last. He had been a director for over forty years, and was deputy-chairman from June 4, 1918. His personal qualities endeared him not only to his colleagues on the board, but also to the staff, among whom he had promoted the greatest good feeling. His successor as deputy-chairman is Mr C. G. Randolph. I am confident that the knowledge and experience which he brings to his appointment will be of the greatest value to the society.

FUNDS, INCOME AND OUTGO

In the life assurance account the fund increased from £56,405,000 to £58,936,000. In this account the premium income, inclusive of single premiums of £238,000, was £7,398,000.

The gross interest income of the life account was £2,143,000, representing a gross rate of interest of £3 15s. 9d. per cent. per annum.

Claims by death at £1,673,000 were practically the same as those for the previous year.

Claims by maturity amounted to £2,843,000 and were about £135,000 greater than they were in 1946. Surrenders were £443,000 and were only slightly larger than those for the previous year, but bonuses in cash at £35,000 showed a marked increase; the increase was, however, very much less than that which might have been expected after a general distribution of surplus.

Commission at £420,000 was about £89,000 above the 1946 figure, and expenses of management were £729,000, as compared with £584,000 in the previous year. The increase under each of these headings was, of course, closely associated with the much larger amount of new business which was transacted during the year under review.

The profits tax charged to the account represents that proportion of the total figure of £56,232 which arises from the taxable profits of that particular account.

ANNUITY AND SINKING FUND ACCOUNTS

The amount of the annuity fund at the beginning of the year was £2,373,000. The consideration for annuities granted was £341,000, and the gross interest income of the fund was £93,000. Annuities paid (less income tax) were £73,000, and annuities surrendered amounted to £20,600.

In the sinking fund and annuity-certain account the fund at the beginning of the year was £3,526,000. The premiums for sinking fund assurances were £82,900, the consideration for annuities-certain was £368,000 and the gross interest income was £136,000. Claims under sinking fund assurances matured were £83,000, and annuities-certain payments (less income tax) were £107,000.

NEW LIFE BUSINESS

The total amount of new life assurance business granted by the society during the year consisted of over 39,000 policies and sums assured of £35,965,000, the whole of which was obtained from our connections in Great Britain. These figures represent an increase of over 8,000 policies and nearly £6½ million in sums assured beyond those of

the previous year, and constitute a record in the history of the society.

INVESTMENTS

The year 1947 witnessed an increase in the yield on long-term Government securities from 2½ per cent. to 3 per cent. per annum, and, as a result, the society was enabled to invest its large surplus income to greater advantage.

For the first time since the outbreak of the war, the total of the society's holdings of British Government securities showed no increase over that of the previous year.

Practically all of our investments are due to be redeemed at fixed dates, and a geographical analysis shows that 95 per cent. of the total is invested in Great Britain with a further 3 per cent. in the Dominions: the market value exceeded the aggregate balance-sheet value by a substantial margin.

In conclusion, I would like to avail myself of this opportunity to offer on behalf of the directors my warmest congratulations to the staff upon the very satisfactory results of their year's work.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

At the one hundred and tenth annual general meeting held in Edinburgh, on the 2nd instant, the chairman, Professor Sir Alexander Gray, C.B.E., stated that the report and accounts for the year 1947 were highly satisfactory. The net new sums assured, £3,950,000, were again a record and in addition under group life and pension schemes new sums assured were £406,000 with associated pensions of £114,000 per annum.

The consideration for annuities, £726,000, showed a substantial increase which may be taken as evidence that more and more people are being forced by current financial conditions to maintain income at the expense of capital. Claims by death showed a slight reduction and were again well within the amount expected.

Interest Income, £1,130,000 gross or £850,000 net exceeded that for 1946 and gave an average yield of £4 9s. 9d. per cent. gross or £3 7s. 9d. per cent. net calculated on the total funds. The nationalisation of industries had substituted the low return of a Government security for the larger income formerly enjoyed from securities of excellent standing, but the position was constantly under review and efforts were being made to maintain the investment income at the highest level compatible with the primary consideration of security.

FUNDS EXCEED £26,000,000

The funds increased during the year by nearly £850,000 and for the first time exceeded £26,000,000. The investments showed a substantial margin over the values entered in the balance sheet even though there had been a fall in prices generally during the year. The reduction in security values combined as it was with higher rates of interest tended in many respects to a more satisfactory position so far as life assurance funds were concerned.

The effecting of a new policy was not expenditure on a commodity in short supply but a form of saving and the need today of life assurance as a means of protecting dependants was greater than ever before. The Institution with its distinctive system of with-profit whole-life assurance offered maximum cover at minimum rates. It had also designed the "Adequate Income" policy to provide dependants with income as well as capital. Under this scheme a very moderate additional premium secured, as a supplement to each £1,000 of sum assured under an ordinary whole-life or endowment assurance, payment of £150 a year commencing at death if within 20 years and continuing to the end of that term.

The report was adopted.

SECOND BRITISH ASSETS TRUST, LIMITED

STRONG FINANCIAL POSITION

INCREASED DIVIDEND

The sixty-ninth annual general meeting of this Company was held at Edinburgh, on Thursday, the 4th instant, Mr W. H. Fraser, chairman of the company, presiding.

In moving the adoption of the report and accounts, the chairman said:

Before proceeding with more formal matters I should like to welcome the many new holders of our ordinary stock whose names have appeared for the first time on our register subsequent to our last annual meeting. At that time 96 per cent. of our ordinary stock was held by British Assets Trust, the remainder being distributed among some 70 stockholders. During the year under review British Assets Trust disposed of the major part of its holding, which was acquired by its own ordinary stockholders to whom it was offered proportionately to their existing holdings at £2 per £1 of stock. As a result we have now some 1,900 ordinary stockholders, the majority of whom have hitherto had only an indirect interest in this company through their ordinary stockholdings in British Assets Trust.

THE DIVIDEND

Some of you may wonder how this comes to be the sixty-ninth annual general meeting of this company while British Assets Trust has only completed 50 years of existence. The explanation is that this company was registered under the name of the Edinburgh American Land Mortgage Company in 1878 to undertake, as its name implied, mortgage business in the U.S.A. In 1920 practically the whole of the company's ordinary capital was acquired by British Assets Trust, and in 1925, following on the disposal of nearly all its mortgages, it became an ordinary investment trust and the name was changed to Second British Assets Trust. After 1931, in common with other trust companies, it went through a difficult period, but, as the result of gradually improving conditions and the exercise by the directors of a very conservative dividend policy, the company is now in a stronger financial position than it has ever been. In these circumstances the directors feel that the time has come to bring our dividend payments more into line with our earnings. We accordingly recommend a final dividend of 12½ per cent. for the past year making, with the interim dividend, a total of 15 per cent. for the year, compared with 10 per cent. for the previous year.

Turning to the accounts and balance sheet you will find that this year various minor alterations have been made to bring them into line with the requirements of the companies act which will shortly become obligatory. The changes mainly concern the setting out of the gross income and taxation figures, net income is not affected. In the balance sheet you will see that the item "Tax Reserve and Contingent Fund" is now shown separately in place of being deducted from the book cost of investments. Figures for the previous year have been adjusted for comparison.

YEAR'S INCOME

Our gross income for the past year amounted to £178,426 as against the previous year's figure of £153,525. After providing for taxation, management expenses, interest, and preference stock dividend the amount available for ordinary stockholders was £52,694 equal to 27.4 per cent. gross on the ordinary stock compared with £39,126 or 20.4 per cent. a year ago.

A valuation of the Investments at the close of the year shows an appreciation of 37.84 per cent. on the balance-sheet figure compared with 40.91 per cent. a year ago.

In the absence of unforeseen circumstances the directors propose in order to reduce the disparity between the interim and final dividends to increase the former from 2½ per

cent. to 5 per cent., but there is no present intention to increase the total distribution.

Satisfactory as the directors regard the results of the past year to be they consider a further strengthening of the company in these uncertain times advisable and they have therefore added £30,000 to the income reserve fund. At the same time we do not look for any material change on our revenue figures for the current year, and hope at our next meeting to be able to produce a satisfactory report.

The report and accounts were unanimously adopted.

KING LINE LIMITED

A SOUND POSITION

SIR VERNON THOMSON'S SPEECH

The fifty-ninth annual general meeting of King Line Limited, was held, on the 25th ultimo, in London.

Sir Vernon Thomson, Bt., G.B.E., the Chairman, said: Gentlemen.—The accounts show the results for the fifty-ninth year of the company's trading. They set out clearly the position of the company, which plainly is sound and financially strong.

Taxation on the current year's profits absorbs the large sum of £254,000, and after applying £35,099 towards writing down the book value of the fleet, there remains a balance of £291,853, which includes the sum of £78,311 excess profits taxation provision no longer required; to this has to be added the amount brought forward from 1946. The company's reserve account has been augmented by £250,000, making it now £500,000, and the directors recommend a total distribution of 15 per cent. for the year 1947, less income tax (the same as for the previous year), carrying forward the balance of £179,457. This dividend represents 4.4 per cent. upon the real capital of the company, that is, upon its issued capital, plus reserves.

The investments are worth substantially more than the £803,439 at which they appear in the company's books. The bank balances speak for themselves. The company owns six motor vessels and one steamship, of a total deadweight carrying capacity of 64,320 tons. The vessels are of an average age of 11 years and stand in the company's books at the moderate figure of £6 2s. 4d. per ton deadweight.

THE OUTLOOK

The immediate prospects for British Tramp Shipping for the next few months continue good; beyond that the prospect is still uncertain. It is prudent ship management policy, however, to strengthen the company's reserves as much as possible while current remunerative freights permit. Thus far the company has only replaced four out of the eleven vessels lost during the war.

Shipbuilding costs are, as is now well known, still abnormally high, and repairs and running costs, including oil and coal fuel, are likewise far in excess of prewar costs. Efficient tonnage is of first importance to a shipping company in world trade competition, and an adequate and efficient mercantile marine is indispensable to Britain's well-being.

SERVICES OF SHIPPING

In these grave times of inflation and economic stringency, the importance of shipping in the national economy is outstanding, in bringing to Britain the vital supplies of food and of raw materials essential to maintain full employment and the present standard of living in the U.K., and in carrying our exports. British shipping services overseas rank as U.K. invisible exports; they are higher than any other single industry exports from the U.K. British tonnage now building will add to these services. The export drive depends upon shipping. British shipping is our greatest earner of foreign exchange.

The report and accounts were adopted and the dividend as recommended was approved.

MANCHESTER SHIP CANAL COMPANY

SIR F. J. WEST'S SURVEY

The ordinary general meeting of this company was held, on the 27th ultimo, in Manchester, Sir Frederick J. West, G.B.E. (chairman of the company), presiding.

In the course of his address the Chairman said: The net revenue for the year was £896,896, which compares with £391,037 in 1946—an increase of £415,859. After adding £2,803 brought forward from the previous year, setting aside £135,000 for income tax and deducting £344,312 for loan and debenture interest there remained £330,387 for dividends and reserves. It is proposed that there should be appropriated £35,000 to the reserve for contingencies and repairs and that out of the balance of £295,387 the following dividends, amounting to £272,175, should be paid:—

Three and a-half per cent. on the Manchester Ship Canal Corporation Three and a-half per cent. on Preference shares.

Four per cent. on Preference shares.

Two per cent. on Ordinary shares.

Carrying forward £23,212 to next year's account.

INCREASED TONNAGE

Receipts from tolls and ship dues showed an increase of £332,831—most of which is attributable to the increase of 1,260,000 tons in the volume of traffic. Traffic rentals and sundry receipts were also more by £53,659. The actual expenditure on the working of the Ship Canal showed a decrease of £39,450.

INDUSTRIAL DEVELOPMENT

Industrial development within the Ship Canal zone is ever uppermost in our minds. No one here needs to be reminded that the Ship Canal was promoted to attract trade and industry and to bring prosperity to what was very much a depressed area in the last quarter of last century. Around about us there is ample evidence that the faith and enterprise of its promoters were justified, but I am beginning to fear that, in the generous measure of their success, there may lie the germ of our undoing.

The peculiar advantages which have ensured the success here of a particular kind of enterprise continue to attract the industrialist, but other forces are at work as industrial planning is subject to much direction. There are two Government measures particularly affecting the situation.

First: The Distribution of Industry Act, 1945—designed to encourage the settlement of industry in certain scheduled areas where a better balanced industrial set-up and greater opportunities for employment were considered to be desirable in the national interest.

Secondly: The Town and Country Planning Act, 1947, which provides that virtually no development can be carried out anywhere unless the Board of Trade certifies that such development is consistent with the proper distribution of industry. If there are any gaps in Government control in the first Act this closes them.

An industrialist may be offered very material inducements to abandon the site of his choice for another in a scheduled area. There is little criticism of this pressing of alternative proposals so long as it is a long-term policy in the national interest. But you will agree from what I have said that it is almost impossible to set a limit to the considerations upon which an industry may be refused the permits and priorities necessary before a start can be made. I fear that industry is being lost to us—not by the long-term policy of rehabilitating depressed areas—but on a short-term policy of dealing with local pockets of unemployment and temporary housing difficulties.

In conclusion I would say that the fortunes of your undertaking are too closely identified with those of the country at large to be considered apart.

The report and accounts were unanimously adopted.

GOVERNMENT RETURNS

For the week ended February 28, 1948, total ordinary revenue was £102,459,000 against ordinary expenditure of £75,025,000 and issues to sinking fund allocations of £13,737,000 the surplus accrued since April 1st is £765,911,000 against a deficit of £365,509,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)				Week ended Feb. 28, 1948
		April 1 to Mar. 1, 1947	April 1 to Feb. 28, 1948	Week ended Feb. 1, 1947	Week ended Feb. 28, 1948	
ORDINARY REVENUE						
Income Tax	108,600	101,942	105,325	59,079	43,299	
Sur-tax	80,000	62,692	75,855	2,950	3,660	
Estate, etc., Duties	155,000	135,024	153,379	3,335	3,500	
Stamps	57,000	34,079	49,560	1,075	1,900	
N.D.C.	206,000	31,182	31,720	590	650	
E.P.T.	1,000	469	675	3,030	5,700	
Other Inland Rev.	158,500	158,583	160,202	70,059	58,704	
Total Inland Rev.	742,460	560,633	722,283	13,525	17,790	
Customs	668,540	543,005	599,500	18,905	23,900	
Excise	141,100	110,363	132,785	32,430	41,690	
Motor Duties	50,000	48,415	48,014	166	129	
Surplus War Stores	95,000	133,324	166,742	11,502	...	
Surplus Receipts from Trading	55,000	40,000	91,261	...	...	
Post Office (Net Receipts)	11,000	2,950	2,730	1,600	Dr 750	
Wireless Licences	1,000	9,110	10,240	900	1,000	
Crown Lands	1,000	870	950	30	70	
Receipts from Sundry Loans	21,000	23,489	22,991	173	1,616	
Miscell. Receipts	270,000	40,983	210,987	...	...	
Total Ord. Rev.	349,900	298,603	347,591	11,360	102,459	
SELF-BALANCING Post Office	144,230	119,600	130,100	4,200	4,250	
Income Tax on E.P.T. Refunds	49,000	145,610	21,403	1,602	779	
Total	369,230	325,383	362,704	11,962	107,488	

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)				Week ended Feb. 28, 1948
		April 1 to Mar. 1, 1947	April 1 to Feb. 28, 1948	Week ended Feb. 1, 1947	Week ended Feb. 28, 1948	
ORDINARY EXPENDITURE						
Int. & Man. of Nat. Debt	525,000	482,796	449,817	40,214	1,355	
Payments to N. Ireland	23,000	16,861	20,491	1,161	1,474	
Issue to Nat. Land Fund	...	50,000	...	...	...	
Other Cons. Fund Services	8,000	7,076	6,987	13	36	
Total	556,000	556,732	477,295	41,388	2,865	
Supply Services	263,511	278,136	221,898	97,153	72,160	
Total Ord. Exp.	319,111	338,096	269,253	138,541	75,025	
SELF-BALANCING Post Office	144,230	119,600	130,100	4,200	4,250	
Income Tax on E.P.T. Refunds	49,000	145,610	21,403	1,602	779	
Total	338,344	360,306	284,756	144,343	80,054	

After increasing Exchequer balances by £77,308 to £3,592,638, the gross National Debt increased in the week by £3,900,997 from £25,721 million (revised total) to £29,622 million.

NET ISSUES (£ thousand)		Totals	
		Mar. 31 to Feb. 21, 1948	Mar. 31 to Feb. 21, 1948
P.O. and Telegraph	450		
E.P.T. Refunds	951		
Housing (Temporary Accommodation) Act, 1944, sec. 58 (1)	12,918		
Local Authorities Loans Act, 1945, sec. 3 (1)	3,800		
War Damage: Board of Trade	7,500		
War Damage Commission	5,000		
Finance Acts, 1946 and 1947, Post-war Credits	530		
		31,149	

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
Net Receipts		Net Repayments	
Nat. Savings	1,300	Treasury Bills	4,372
2½% Def. Bonds	305	3½% Def. Bonds	2,893
Other Debt	...	Tax Reserve Certs.	3,418
Internal	135	Treasury Deposits by Banks	35,500
External	744		
Ways & Means Advances	47,600		
	50,084		46,183

* Including £2,318,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng. and		
1947						
Mar. 1	2175.0	2965.5	530.3	15.0	1473.5	6759.3
Nov. 15	2250.0	2527.5	346.7	13.5	1292.5	6430.2
" 22	2250.0	2579.7	339.1	6.8	1317.5	6493.1
" 29	2250.0	2561.0	338.6	...	1337.5	6487.1
Dec. 6	2250.0	2582.2	340.3	...	1372.5	6545.0
" 13	2250.0	2569.5	323.1	...	1367.5	6512.1
" 20	2250.0	2605.4	308.6	6.3	1377.0	6545.2
" 31	2250.0	2590.7	305.6	...	1402.5	6508.8
1948						
Jan. 10	2220.0	2516.3	317.2	...	1374.0	6427.5
" 17	2210.0	2474.3	373.7	...	1335.5	6393.5
" 24	2200.0	2426.6	341.1	...	1330.0	6297.7
" 31	2190.0	2357.3	371.3	...	1329.5	6248.1
Feb. 7	2170.0	2351.5	301.6	...	1274.0	6108.3
" 14	2160.0	2307.4	465.4	...	1236.5	6190.9
" 21	2160.0	2346.8	447.6	2.5	1201.0	6198.6
" 28	2160.0	2342.4	492.7	...	...	...

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1947				
Feb. 28	170.0	246.3	170.0	10 2-16
Nov. 28	170.0	269.2	170.0	10 3-02
Dec. 5	170.0	300.6	170.0	10 2-26
" 12	170.0	289.8	170.0	10 2-66
" 19	170.0	274.7	170.0	10 2-89
" 24	170.0	288.1	170.0	10 2-73
1948				
Jan. 2	170.0	274.2	170.0	10 2-99
" 9	170.0	285.2	170.0	10 2-63
" 16	170.0	251.2	160.0	10 3-41
" 23	160.0	269.1	160.0	10 2-97
" 30	150.0	283.7	150.0	9 11-56
" 6	160.0	276.5	160.0	9 11-89
" 13	170.0	240.2	170.0	10 0-92
" 20	170.0	266.0	170.0	10 0-16
" 27	170.0	236.8	170.0	10 2-41

On February 27th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 68 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for March 5th. For the week ended March 6th the Banks will be asked for Treasury deposits to an amount of £160 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals
	Feb. 22, 1947	Feb. 21, 1948	Mar. 21, 1948
Savings Certificates:—			
Receipts	4,600	4,950	203,650
Repayments	2,200	3,050	121,600
Net Savings	2,400	1,900	82,050
Defence Bonds:—			
Receipts	2,810	1,265	63,680
Repayments	646	1,071	36,259
Net Savings	2,164	194	27,421
P.O. and Trustee Savings Banks:—			
Receipts	12,124	13,520	629,051
Repayments	8,190	11,113	557,337
Net Savings	3,934	2,407	71,714
Total Net Savings	8,498	4,501	181,185
Interest on certificates repaid	396	549	22,888
Interest accrued on savings remaining invested	2,331	2,349	101,995

BANK OF ENGLAND RETURNS

MARCH 3, 1948

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt:	11,015,100
In Circulation	1236,528,128	Other Govt. Securities	1288,328,625
In Bank, Department	63,719,705	Other Secs. (other than Gold)	649,386

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Calcutta	Kandy	Bangoon	Entebbe	
Cawnpore	Kanachi	Tuticorin	Junja	
Chittagong	Lahore	Zanzibar	Kampala	Uganda
Dar-es-Salaam	Mwanza	Tanga	Mbale	
				Tanganyika Territory
SUBSCRIBED CAPITAL ...				£4,000,000
PAID-UP CAPITAL ...				£2,000,000
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ANNUAL INCOME EXCEEDS	£16,300,000
ASSETS EXCEED	£97,000,000
CLAIMS PAID EXCEED	£181,000,000

(1946 Accounts)

DOMINION OF CANADA

THREE-AND-QUARTER PER CENT REGISTERED STOCK 1950-55. For the purpose of preparing interest Warrants due 1st May, 1948, the BALANCES will be STRUCK on the evening of the 1st April, 1948, after which date the Stock will be transferred ex-dividend. For the Bank of Montreal, financial agents of the Government of the Dominion of Canada in London, A. D. Harper, Manager, 47, Threadneedle Street, E.C.2. 1st March, 1948.

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March 13, 1948

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Sink or Swim?

WHEN the Economic Survey for 1947 appeared twelve months ago, the country was gripped in ice and *The Economist* had been silenced by the Shinwell veto. Spirits were low; the outlook was dark; and the Government's collection of targets and estimates was frustrated at the very moment of its appearance. The Economic Survey for 1948 appears at a moment even more critical for British destiny. The British economy is denuded; it is now using up its last reserves; and the Government have brought themselves frankly to the devastating admission that "without further substantial external aid" there is no hope of economic stability and a reasonable standard of life within the next few years. Unless aid comes, wholesale unemployment, distress and the dislocation of production will delay "for years" the prospect of a decent standard of living for the British people. There is only one thing wrong with this assessment. The delay would not be for years; it would be for all time.

The stark realism of the White Paper says little that is fundamentally new to those who have followed with proper concern the gathering economic storm. The damaging reduction of Britain's gold and dollar reserves to a precarious level—enough, perhaps, to last for another six months without further aid—has continued ever since the suspension of sterling convertibility last August. It is that fact more than any other which conditions the economic prospect for the present year. Indeed, it comes near to defeating any attempt at planning at all in 1948, for planning in any real sense will be possible only if American aid is forthcoming. The Survey acknowledges this fact at several points, but nowhere more openly than by limiting its planning for imports to the first six months of the year, of which nearly half has already expired. Imports from the Western Hemisphere are to be cut to a level "no more than sufficient to maintain the nation in health and working efficiency." There is no allowance for the long overdue rebuilding of stocks of primary raw materials, for the lack of which production is being interrupted and kept in check. The country has reached such a level of financial exhaustion that it cannot afford a heavy investment in additional supplies of materials, though they would bring "a rich return."

This is a prospect alarming enough, though not exactly newly discovered. It suggests that, for all the brave talk of democratic planning in the Survey, the conditions for the progressive ordering of economic affairs in Britain do not exist. Planning implies control over the economic environment; the ability to use resources in a variety of ways and to choose freely between the different ways; a real degree of independence of charity, good luck, or economic exhaustion. These conditions no longer exist. Britain is dependent on what the United States, in its wisdom and generosity, sees fit to provide. Every target, every programme, every statement of economic intention this year, whether at home or abroad, is dependent on what America does to help, and when that help arrives. It is a euphemism to say that, without aid from the United States, Britain would be compelled to cut consumption and employment, and to abandon many of its development plans. The truth is that, on the showing of the Economic Survey itself, Britain cannot dispense with such

answer to a threatened overthrow of the balance of power are no longer adequate today.

If optimism is out of place in considering Europe's political crisis, it is hardly less unwelcome when the extent of its economic difficulties is discussed. The authoritative Paris Report takes a decidedly hopeful view of Europe's capacity for recovery. It will be recalled that the targets set for increased production equal the tremendous expansion achieved by the American economy between 1940 and 1944—three significant figures may be given: an increase of 34 per cent in coal production, 31 per cent in steel and 61 per cent in electric power. At the same time the Report made some markedly optimistic estimates of the possible fall in world prices, forecasting a fall of 7½ per cent in 1949, 10 per cent in 1950 and 12½ per cent in 1951. It also assumed a substantial increase of European exports, especially to hard currency areas. Yet, with all this expansion of output and exports and this improvement in the international terms of trade, the Paris Report had to admit that in 1951 the unfavourable balance of the Sixteen Nations' foreign trade would still be over one billion dollars for the year.

When the American experts came to study these figures, they reached more pessimistic conclusions. They doubted whether the targets for production could be reached and forecast a higher price level; even though they made higher estimates for possible exports, they reached the conclusion that the dollar deficit in 1951 would be in the neighbourhood of 3 billion dollars. In face of these calculations, it is difficult to believe in a quick self-regulating European recovery. On the contrary, only one honest conclusion can be drawn: the measures of European co-operation proposed in the Marshall Plan, far from being sufficient, must be supplemented by much more drastic measures. If this deficit of one to three billion dollars is to be removed before the ending of dollar aid, the Sixteen Nations will have to integrate their economic plans far more thoroughly, to cut out all unessential dollar imports, to boost in a concerted fashion their exports to the New World

and to expand production in every field where local output can replace dollar expenditure. It cannot be proved conclusively from these facts that a Western Union is the only solution, but it is certain that merely temporary co-operation against a background of economic isolationism offers no hope at all. And if a policy of closer integration is in any case necessary, it would be difficult to find greater possibilities than those offered by whole-hearted co-operation in a Western Association.

It is vital that the British Government should be certain which of the two possible approaches—temporary association or complete co-operation—it is going to make its own. If the policy is one of limited and temporary association, then any encouragement of Western Union is out of place. If the policy is based on the recognition that an entirely new situation demands new and revolutionary measures, then Western Union is the best available scheme. But there is one policy which would be utterly disastrous—to pay lip service to the ideal of full co-operation while in fact pursuing a separate and basically isolationist line. No Western Union can come into being without British support. More, no Western Union can defend itself, sustain itself, or grow and develop organically, if the British attitude is hesitant and uncertain. Britain's European neighbours will be watching suspiciously for every sign that the British are not really in earnest but are once again, as so often in the past, using a European alliance as a temporary measure to be abandoned when the need for it is past. Unless, therefore, the British Government throws itself into Western Union as a permanent commitment, as the new pattern of its national and international life, the Union that will come into being in Paris will be weak, vacillating, incoherent and finally it will fail—in which case the last state of Western Europe will be infinitely worse than the first.

This is the real issue behind Mr Bevin's speech in Paris next week. If he is not fully committed to the idea of Western Union, then let him not talk as though he were. And if he is, let the commitment be accepted in full and clear understanding of all its revolutionary implications.

How Rich is the Eastern Bloc?

FROM the present pattern of Russia's offensive behaviour and defensive mentality, it can be assumed that the political objective before the governments of eastern Europe is to provide a base and bulwark for the Kremlin's foreign policy in a divided Europe. The network of military and political pacts between them reveals the intention quite clearly. But it is not yet clear, from the information available about their economic agreements and national economic plans, whether they are aiming at a closely organised economic bloc, working with the West as well as with Russia; or whether their ultimate intention is to fit the integrated economy of eastern Europe into that of the Soviet Union, making both so far as possible independent of the West in all vital respects. For the moment the six governments are concentrating on their national plans, and it is possible to make only a rough estimate of the economic strength of a bloc whose political strength and weakness was examined in last week's issue of *The Economist*.

The outstanding economic fact about this group of six countries is that all are planning their economic life. If planning is a source of strength, this east European giant of the future is already well-muscled. There is indeed plenty for the planners to do; the whole region was ravaged by the Second World War even worse than by the first. The whole economic system was distorted as well as devastated by the Germans; then, with liberation, came the demands of the Russians. The occupation costs of the Red Army were enormous; Hungary and Rumania are paying huge reparations from production each year; even

the allies, Poland, Czechoslovakia and Yugoslavia have felt the pressure of the Russians' desperate effort to repair as quickly as possible the incomparable devastation in the Soviet Union.

On top of the task of repairing war damage comes the more long-range, fundamental problem of curing the basic prewar weaknesses of the east European economies: lack of domestic capital and skilled labour in industry, excessive population on the land and primitive methods of agriculture. Their soil and mineral resources are rich on the whole. The area will certainly be able to feed itself—bounteously; Poland is now a giant among coal producers; before the war the south-eastern countries had export surpluses of lead, zinc, chrome, manganese and bauxite; oil and timber production could be increased. All these are big assets; but the fact remains that, at prewar levels of production, eastern Europe generally was seriously over-populated. On an acre of cultivable land in Poland or a Balkan country, twice as many people produced a half or a third of what was being produced in Denmark or Switzerland.

The text-book solution of these problems, as even prewar governments grasped, is to modernise farming and develop industry. These—with the recovery of normal living standards—are declared aims of the national plans published since the war: Yugoslavia has a five-year plan, Poland and Hungary three-year plans, Bulgaria and Czechoslovakia two-year plans, and Rumania so far none. Of these the Polish, Yugoslav, Hungarian and Bulgarian plans aim at both reconstruction and development; the Czechoslovak plans are essentially reconstruction

plans, made necessary as much by the expulsion of eight million skilled Germans as by war damage. Czechoslovakia will shortly adopt a new five-year development plan designed to link its economy to that of Russia.

Mechanisation is of course the planners' chief prescription for the peasants. In all five countries "machine and tractor stations" owned by co-operatives are being set up, on the Russian model. In return for the peasants' payment in cash or kind the station teams work the land as required. As these machines displace men and animals, so the peasants' dependence on the State increases. Until machines are available in large quantities forced collectivisation of the peasants will be held back. So far there is little sign of it, although in Yugoslavia and Bulgaria the peasants are encouraged to work with and for voluntary "labour co-operatives." Which lead towards acceptance of collective farming.

Away from the land the prescription is industrialisation. Czechoslovakia and Poland already have large heavy industries. Both pay much more attention in their planning to capital goods production than to the needs of consumers. The next Czech plan will reorganise Bohemian industry from top to bottom, allowing luxury and craft industries—known on world markets for generations—to decline, and developing instead heavy industries to supply customers in the East. Hungary aims at bringing production in its iron, metal, and engineering industries to 154 per cent of the 1938 level. The Bulgarian plan lays the emphasis on mining, power generation and fertilisers. The Yugoslav plan is the most grandiose of all. At the end of it industrial production is to be 323 per cent of the 1939 level, and Yugoslav negotiators of trade agreements give the impression abroad that they are prepared, if necessary, to import the industrial revolution bit by bit. The Czechs plan to be the main suppliers of chemicals to their neighbours, and fertilisers will be available from Russia, from former German plants now in Poland, and from the Russian zone of Germany—a region of decisive importance if it should end up sooner or later in the eastern bloc.

How are these targets to be achieved? The Yugoslav plan assumes a yearly investment of over a billion dollars; in the fifth year of the plan the proportion of the national income to be devoted to savings is put as high as 27 per cent. The Polish figure is almost the same, and the percentage to go into savings is 20. For impoverished countries these figures seem fantastically high and are in fact open to suspicion, as are many official statistics from eastern Europe. They can only be realised by an intensive use of raw materials, equipment and labour. Are these readily available?

Some important raw materials are available within the bloc. There is plenty of coal, notably in Poland; but it is unevenly spread and much of it is of low quality. Some of the countries planning big metallurgical industries have no coking coal at all. Much will depend on what the Russians can send, and on the

use made of water communications to reduce transport costs. At the moment the Russians are importing coal from Poland. Then there is oil to be had in Rumania, Hungary and from the synthetic plants of Czechoslovakia—but not enough. Production in Rumania was running during the first nine months of last year at the rate of only 3,800,000 tons yearly, against 8,700,000 tons in 1936. On the other hand Hungarian oil production has risen from 2,000 tons a year in 1937 to over 800,000 tons last year.

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There is high grade iron ore in Yugoslavia, but the present production plans require imports from Russia and Sweden. The surplus of metal ores has already been mentioned; there will be enough to go round and some to spare for Russia, which during the war was largely dependent on lease-lend supplies of these ores. Copper and tin will be seriously short throughout the bloc; even now Rumania and Bulgaria pay dollars for it. Of bauxite there would be a surplus; with it a great aluminium industry might be built up, if south-east Europe could develop the necessary water-power.

Raw materials for textiles are seriously lacking. All six countries have important textile industries, based on heavy imports of raw cotton and wool before the war; unless great strides are made in cultivation and irrigation, both within the bloc and in Russia, cotton and wool will remain on the import lists for a long time to come. The same is true of rubber; in 1937 the bloc's deficit was over 60,000 tons.

As for industrial equipment, the outlook is still obscure. The needs are urgent and large. In the long run Czechoslovakia can meet some of them, and Poland and Hungary will have more to offer as their recovery proceeds. But it is clear that the re-equipment and modernisation of existing plant, to say nothing of such vast new projects as the electrification of Bulgaria and Yugoslavia, can only be achieved with equipment and machinery imported from the West, most of it on credit. There is no sign that Russia can make a serious contribution on these lines in the predictable future.

It is unfortunate for these planning and Communist-controlled governments that all the facts point in the same direction—the need to draw on the skill and production of the United States, Britain and, above all, Germany. Their propaganda deplores the recovery of western Germany, and attacks the Marshall Plan. But it is quite clear that the same recovery, under Russian auspices, would be warmly welcomed. Until Germany comes into the field again, they have to turn to north-western Europe, where Sweden and Switzerland, at least, have so far not allowed their trading policies to be unduly influenced by political preferences. Switzerland is Czechoslovakia's most important trade-link with the West, and over 22 per cent of Poland's foreign trade in the first nine months of 1947 was done with Sweden

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and Denmark. But there, too, they are finding the difficulties that they find in Britain—two genuine economic impediments to trade: the things which eastern Europe wants to buy in the west are the things that the west can sell in dollar markets; and the goods which eastern Europe offers are so far not those which the west most urgently needs.

Obviously, in its way, eastern Europe needs a Marshall plan as much as western Europe. But where is the generous patron to be found? Will Russian policy use the eastern bloc as a complementary area to meet Russian needs? Or is it Moscow's intention that its members should become prosperous and efficient in their own ways? It might be expected that Russia would assume Germany's prewar role. There are already certain similarities: Russians own all German assets in the three enemy countries of the east; officials of Russian banks and trusts sit in offices in Budapest and Bucharest from which they can control vital economic sectors (for example, shipping and bauxite and oil) as effectively as did the representatives of western capital in the past; appeals to ideological loyalty and military supremacy can be and are used when necessary to secure the inclusion of unfavourable terms in trade agreements. Like Germany, Russia has an almost unlimited demand for what eastern Europe might produce; like Germany it uses its influence to shape its plans and economies in required directions. But, unlike Germany, Russia has not readily available the means to re-equip and develop these backward countries. This explains the element of uncertainty—even of fantasy—which marks some parts of their national plans.

If foreign trade does not prosper, if national plans begin to clash and overlap, if scarce materials are not pooled, if political considerations interfere with efficiency, and if Russia does not

later play the role of lavish and far-sighted capitalist with capital and raw materials—what happens? The answer appears to be, on present evidence, that the industrial revolution goes on as it did a hundred years ago in the west, with the exploitation of a mass of cheap labour. There are millions in the excess rural population who will fill the armies, the police forces and factories—unskilled but easily manageable human material. For special tasks there will be political prisoners—whose numbers are likely to increase as eastern Europe moves further towards "popular democracy." What cannot be done by machines will be done by bare hands, painfully and slowly, but done none the less.

No clear and definite answer can be given to the question whether the eastern bloc is likely to achieve economic strength and independence. It can only be suggested in the series of "ifs" and queries given above. The peoples of eastern Europe are patient and hard-working; the land has its riches, and the paper plans, if less original than their authors like to think, are at least on sound capitalist lines. There is a genuine effort towards higher standards of living. Progress towards them may well be made if satisfactory solutions are found to the main problems raised in this article. But one thing is quite clear: if too large a proportion of the man-power and national income of these countries is swallowed by armies and armaments, by police and officials, and by the requirements of Russian policy and strategy, their standard of living will remain for years to come below the level which Government statements lead the populations to expect. If that should happen, the eastern bloc will not have the popular support by which claim to have established "people's democracy" in these countries could, in the long run, be justified.

Top Secret

OF the output of facts, there is no end. It would be ungrateful in a week which has seen the issue of the Economic Survey for 1948 and the Digest of Statistics for February (which this month includes a new index of production) to cavil at lack of information. For the expenditure of a few shillings and a little effort, the inquiring citizen can inform himself about the facts of the dollar drain, study the imports of oranges, stocks of goatskins, the output of fountain pens or the production and supplies of push chairs for the home civilian market—a careful definition which suggests that foreign powers may be buying them for warlike purposes, though the Digest is silent on the point.

There are facts galore. Yet mere richness does not necessarily mean a balanced statistical diet, and this feast of figures certainly lacks some important items. To take one example, it is important to know that the steel target is 14 million tons of ingots and castings this year. This is a single figure which relates to a single stage in the productive process, half way between the assembling of the raw materials for steel making and the use of the final product. Whether it can be achieved depends on the flow of iron ore supplies, the production of pig iron and the provision of sufficient steel scrap. The Digest gives figures for production of iron ore, but not of imported ore which, in terms of iron content, is more important than home ore; it shows pig iron production, but not stocks, so that there is no indication whether steel output is being increased at the expense of stocks of pig iron; the same comment can be made about scrap stocks, though the Economic Survey discloses that these were reduced from 616,000 tons to 375,000 tons during the course of last year.

Of the final application of the year's steel output there is no indication whatever. The Digest shows the course of monthly output of different types of finished steel, but that is

purely historical, and moreover it is in the form of a technical classification, not an analysis by consuming industries. On the demand for steel, the Economic Survey talks in the most general terms, emphasising yet again the point that steel is the most critical factor on the home economic front this year. So it is. But that is surely an additional reason for being quite explicit about its end-use. At the moment, every steel-using industry is using pressure of every kind to get more steel. The shipbuilders and the motor industry have developed into a fine art the technique of timely cries of anguish, and in the past this technique has often been good for a useful extra allocation. To any objective observer, the clamour over steel supplies shows many of the worst predatory instincts of the bargain-hunting crowd; and it creates the suspicion that steel allocations are determined not solely by the merits of the individual case, but also in part by the output of noise on the part of the using industry in putting its point of view. Can it be denied that the publication of the steel allocations to individual industries for 1948 would remove much of the present clamour and serve as the basis for planning by those industries and their suppliers? In this respect, the Economic Survey is disappointing, for it maintains the Government's obdurate refusal to publish the allocations of steel to individual industries.

It is difficult to find a rational explanation for this attitude. It obviously has no basis in economic logic, for figures for the industrial consumption of other key materials—in particular for coal—are forecast in some detail. The only conclusion is that the forecasts of steel consumption are not given on the ground—almost certainly mistaken—that publication would be a source of embarrassment to the Government, rather than a source of enlightenment to industry. This lapse into morbid introversion by a Government which can fairly claim to have done more to

provide economic facts than any of its predecessors is difficult to explain on any other ground.

Another blind spot, which has recently attracted much attention, in these columns and elsewhere, relates to the prices which are being paid by the British Government under bulk purchase agreements. The Anglo-Argentine agreement, belatedly published at the end of last week, gives no information of any kind about the prices which the Government is paying for meat and maize. Similar secrecy about contract prices was shown in the Anglo-Russian trade agreement. Indeed, both agreements involve extraneous payments or reliefs (£10 million to Argentina, and a revision of the terms of repayment of the credit granted to Russia in 1941) which would throw some doubt on the contract prices, even if they were published. The arguments for secrecy which are officially put forward are beginning to wear distinctly thin. According to the Minister of Food, prices are not disclosed at the express wish of the "businessmen" (as they are invariably described) who conduct the negotiations in their capacity as officers of the Ministry. It seems more probable, however, that secrecy about contract prices is something of a legacy from the wartime controls, which necessarily operated under wartime security conditions. If so, the doctrine of secrecy in peacetime can only be described as dangerous and undemocratic. It is argued that secrecy facilitates state trading; but if state trading can only be carried out successfully by the use of methods which are obnoxious in a democratic society, the whole policy must surely be open to the most serious doubt.

To what extent is secrecy in state trading operations a necessary condition of bulk purchase or long-term contracts? Sometimes it is argued that the countries which supply Britain more cheaply must not be told how much Britain has to pay for dearer supplies from other countries. But is anyone so naïve as to believe that, when the British negotiators are dealing with, say, New Zealand, the prices paid to Denmark for dairy produce are not known in detail on the New Zealand side? Do the British teams whisper behind their hand to the Danes, "Don't tell the New Zealanders about this deal"? The argument is based on a fatuous assumption. It is perfectly obvious from a study of the Dominion press that information about prices for bulk food contracts is freely available in the Dominions. Indeed, it has always been possible, with a little effort, to discover what prices Britain pays to Australia for meat, to Canada for wheat,

and to New Zealand for butter, from normal trade sources or from Dominion Government announcements.

The results of this policy are confusing and inconsistent. The Canadian food contract signed last December was published in full in Ottawa, but the Ministry of Food, labouring under its self-imposed vow of secrecy, could not bring itself to mention more than the barest outline of the agreement. Yet the recent contract with the Danes has been published in full, not only by the Danish authorities, but also by the British Treasury. But Denmark is a dearer supplier. Is it then fair to the Dominions to refuse to make known officially to the British public what help they are giving in supplying Britain with increasing quantities of food at prices much lower than those which are being paid for foreign supplies? It is understandable that, in the case of the Argentine contract, there are pressures making for concealment on both sides. The Argentine Government, which has reasons of its own for concealing from its graziers and farmers the prices it receives for exports of meat and grain, is a ready accomplice in secrecy.

Concealment is not limited to food prices. Both the Ministry of Supply in its purchase of non-ferrous metals and the Board of Trade, in contracts for fibres and other raw materials, maintain the same secrecy about prices. These negotiations are generally with producer organisations rather than overseas Governments, and consequently information about prices emerges rather slowly through trade channels and company reports. Here again, policy about disclosure is not consistent. The Government declines to publish its contract prices for copper, lead and zinc, yet it announced quite freely the prices to be paid for tin from Malaya, Nigeria and Bolivia. If tin prices can be safely published, why not copper prices? There is no obvious answer, either in terms of bargaining strategy or in any past success in keeping prices down. The inevitable result is that concealment breeds the suspicion that there is something damaging to hide, and that those responsible for bulk purchases are cultivating a vested interest in concealment. That may be an extreme, and even an unfair, inference to draw; but drawn it will be until fuller and franker information about the prices paid for Britain's food and primary raw materials is regularly provided. "Top Secret" is a slogan of wartime security. It should not be, even to a relatively small extent, a feature of an active, well-informed social democracy.

NOTES OF THE WEEK

A Man of Honour

Different ages have held different views on the moral rightness of suicide for a defeated statesman. The Romans considered it an honourable death for the leader of a lost cause to end his life by falling on his sword. The Christian ethic has disapproved of self-slaughter in any circumstances. The abstract ethical issue must be left to the philosophers and the theologians; but the observer of political affairs must recognise that, under a modern totalitarian regime, suicide is the only effective form of public protest which remains open to a holder of high office unwilling to endorse the acts of the dictator. In a totalitarian system a Minister must not resign; he can only be dismissed. To resign is treason, because it implies dissent; and if the dissenter does resign, he must expect the vengeance of the tyrant he has defied—a vengeance of arbitrary and ruthless power against which no legal rights avail and no appeal can receive publicity.

The leaders of the Communist *Putsch* in Czechoslovakia needed Jan Masaryk because of his name, because of his world-wide reputation and popularity. He was to remain as Foreign Minister, talking the language of democracy and supporting the new Government with his prestige, while Action Committees arbitrarily "purged" his friends from public life and the professions and dismissed his most trusted officials within his own office. As a man of honour, he could not do it. Yet what was the alternative? He probably could not have escaped abroad, for one of the first acts of the *Putsch* was the sealing of the frontiers; there have

already been too many successful plunges to safety through the iron curtain and Masaryk was no doubt watched by the very efficient agents of Nosek, Minister of the Interior.

Had he insisted on resignation, he would have lost all right of public speech and would probably not have retained his freedom; he might well have been imprisoned on charges similar to those hurled at other proscribed Czechs and "softened up" for trial with months of third degree interrogation. And he was not even a single-minded opponent of the new order; he believed in the policy of alliance with Russia against a German resurgence, and he was unwilling to divide the Czech nation by "resistance" to fanatics who claim a cosmological right to govern. The course he took was logical; he, for whom there was no place compatible with his conscience in Stalin's new world, ended his life by a single act, a monument to his own moral integrity, the ideals for which he stood and his inner conflict and agony of mind. He refused to swallow what may be called the "Quisling fallacy"—the argument that a man is right to betray his principles if he believes he can thereby exercise a moderating influence on a tyrant or a conqueror.

* * *

Full Speed Ahead in Prague

The conversion of Czechoslovakia into a modern "popular democracy" has gone quicker than might have been expected. Instead of passing through the various stages experienced in

Hungary during 1947, Czechoslovakia has passed straight to the stage in which Hungary is today; by now it has probably less political freedom than Poland.

The National Front, once a coalition of free parties, is now a "monolithic" organisation of the Balkan type. The old parties nominally still exist, but their leaders are utterly unrepresentative, and it is the Communist-controlled Central Action Committee which appoints them. Though the Social Democrats did not join the other three parties during the crisis, they too have had a purge. One of their ministers, Majer, and their able general-secretary, Vilim, have been expelled. Their leader is once more the pliable fellow-traveller Fierlinger.

The Ministry of Justice, long held by the National Socialist Drtina, President Benes's private secretary in exile and a man obstinately devoted to "bourgeois justice," is now being reorganised by the Communists with their customary energy. Judges are dismissed wholesale, past court decisions are annulled, and new trials are being prepared for "agents of the western powers" and for men acquitted after 1945 of charges of collaboration. Czechs will doubtless remember the principle under which justice was administered when Heydrich ruled Prague—*Recht ist was dem Volke nützt*.

At the Ministry of Education the ridiculous Professor Nejedly, who held this post in 1945, is back again. This spiteful old music-historian, is best known for his long-proclaimed theory that Smetana is a good composer because his music is "Slav," and Dvorak a bad one because he was influenced by western music. He began his new term at the ministry by sacking the music professors of Prague University. The purge was then extended to other faculties, and is going merrily ahead. Despised and hated with special fervour by the students, the Professor will prove a fine puppet for his Moscow masters. Unless Gottwald keeps a careful watch on him, Nejedly, always much more a stooge of the Russians than a genuine Czech Communist, will introduce the full flower of the Zhdanov literature and philosophy programme.

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Unbalanced Forces

The confidence that Field Marshal Montgomery is said to feel in Mr Shinwell as Secretary for War was perhaps reflected in the latter's speech on Tuesday. The word "balanced" figured prominently in the description of the force to be provided by the Army Estimates of £395 million. Yet it is difficult to see where the balance in the new National Army will be visible, at any rate for four or five years to come. Twelve months hence there will be a Regular striking force of 200,000 men ready to go overseas at short notice; there will be a smaller National Service force which by 1950 will be sending trained men into the Territorial Army; and there will be a Territorial Army of reservists and volunteers. During the period between now and 1950 Mr Shinwell's statements seem to point to the existence of an unbalanced force of 527,000 men after April 1st of this year, falling to about 450,000 in 1949.

Such a prospect raises precisely the same question as did the White Paper on Defence and the Air Estimates last week. (The Navy has been cleared of all suspicion of weakness—not by a Government spokesman, but by Mr Churchill.) Is it possible, in the present state of knowledge and in the present economic situation of the country, to plan adequate defence for 1950 as well as for 1960? The amount of money that is being spent on research suggests that more questions about new weapons are being asked than answered—which is in fact the case. And the amount of time that is to be given to the training of the National Serviceman is clearly inadequate to produce the sufficient and efficient technical soldiers for 1950. After ten weeks' basic training he is to join a unit of the active army at home and abroad; and after 42 weeks in that role he will, according to Mr. Shinwell, "be fitted to take his place as a trained soldier in the TA." Unless training resources and methods are being improvised now as rapidly as they were in 1941-2 that can hardly be true.

This one year of training may produce an adequate driver or AA gunner; but the roles allotted to the Territorial Army demand more than that. It is to furnish the land and AA defence of this country, defend ports and airfields overseas, and provide a "properly balanced" field force. To impose all these tasks on the stripling Territorial organisation is asking for trouble, unless Mr Shinwell is in fact thinking of the army of 1960. If he is not, then the three-tier scheme does not make sense. If he is thinking of an effective army by 1950 then there is an overwhelming case for increasing the National Serviceman's training time.

It would perhaps lead to clearer thinking and more resolute action if Mr Alexander and his Service Ministers put the dilemma

to their Cabinet colleagues roughly in this form: either we tell the Americans—and of course the Dominions and western allies—that we can afford only small forces and will concentrate for ten years on economic recovery; or we tell them that Britain will provide the greater part of the sailors, soldiers, airmen and weapons needed to defend Western Europe and the Middle East, provided that America pays a large proportion of the security bill and that the Western allies are ready to draw up and execute within five years a fair and efficient joint defence plan. The second course has this in its favour: that it would attach fair conditions to what is in part happening, and would set a time limit to British obligations during which war is unlikely. Some will say that this makes the British a nation of mercenaries; but that is a perfectly honourable role in the present situation, where defenders of freedom, willing to "save the sum of things for pay," are so few.

* * *

Trade Unions and ERP

The international trade union conference on Marshall aid has gone according to plan. No trade unionists from any non-Marshall countries were represented, nor any from the Communist-controlled unions within the Marshall countries. In spite of that, the muster was considerable, and in all 26 organisations from 15 countries (including the United States) were represented. Perhaps the most significant feature from the point of view of representation was the presence of delegations from the American Federation of Labour and the Congress of Industrial Organisations, meeting on the same international trade union platform for the first time in history.

The conference went smoothly, and a unanimous declaration pledging full trade union support for the European Recovery Programme was adopted. In order to ensure active trade union co-operation in the administration of the programme, a special committee has been appointed to continue the work of the conference and to keep in close touch with the Governments and with any international agencies concerned. While the declaration stressed that there was no intention of "aligning the West against the East," and expressed the hope that the nonco-operating countries might yet be included in the scheme, it is difficult to see how a further rift within the ranks of the World Federation of Trade Unions can be avoided. The next meeting of the WFTU's Executive in Rome at the end of April may be decisive, for the question of Marshall aid and the London conference cannot very well be avoided. Mr James Carey's mission to Moscow does not seem to have resulted in any appreciable lessening of the tension, but there is no doubt that both the CIO and the British TUC are anxious to avoid a final breakdown of the World Federation and are at any rate reluctant to lay themselves open to the accusation of having hastened a breakdown.

It remains to be seen whether any practical results will emerge from the London conference or whether trade union participation in the European Recovery Programme will be of any more practical value than the participation of the WFTU in the work of the Economic and Social Council. It is significant that in the declaration the conference expressed its satisfaction that there were no "strings" or unacceptable conditions attached to the Marshall offer. Certainly the fact that the meeting was held and agreed on full co-operation in the Plan should provide a powerful counterweight to agitation against American aid from the Communist elements.

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International Wheat Agreement

Britain, after holding out against an international wheat agreement since 1933, has at last given way and last week-end the protocol was signed in Washington by 36 countries. As the world's largest wheat importer, Britain has always been interested in procuring cheap supplies, and in the past no satisfactory compromise was possible about the level of prices to be fixed. Even last April the United Kingdom delegation maintained that the maximum limit then suggested of \$1.80 a bushel was too high. During the past twelve months the export price of wheat rose well above \$3, and although Britain did not buy at this fantastically high figure, owing to the existence of the Canadian contract other importing countries represented on the International Wheat Council did. To them the new limit of \$2 a bushel seemed a generous offer on the part of the exporters, and Britain has fought a lonely battle during the past weeks in Washington.

The new agreement is, in fact, a multilateral long-term contract for five years beginning on August 1st. It must, however, first be ratified by each of the 36 signatories. It is flexible and contains no restrictive measures. There are to be no limitation of acreage and no formal export and import quotas. An upper price limit of \$2.00 (10s.) a bushel has been fixed and a lower one of \$1.50 (7s. 6d.) which will be reduced by 10 cents a year, so that in 1952-53 it will be \$1.10 (5s. 6d.). The agreement covers three exporting countries—the United States, Canada and Australia—which have undertaken to market annually a total quantity of 500 million bushels. The remaining 33 countries are importers. Argentina and Russia are not participants. Neither side assumes any obligation until the price exceeds the upper limit or falls below the lower. At all other times exporters can sell to any country outside the agreement and importers can buy from other sources. When the price of wheat is above the \$2.00 limit, as it is at present, the exporting countries guarantee to sell 500 million bushels of wheat to other signatories. When the price falls below the lower limit the importing countries guarantee to purchase a total of 500 million bushels, which represents about three-quarters of their annual import requirements, from the three exporters at the minimum price.

A detailed discussion of the agreement must await the publication of the full text. But Britain is virtually unaffected by the agreement as its obligations are already covered for the first three years by its long-term contracts with Canada and Australia. Thereafter, at worst, Britain may have to pay a higher price for wheat than would otherwise have been necessary. The main criticism lies in the relatively high floor price. On the other hand, the advantages are twofold—apart from the immediate gain under the Australian contract, which fixed the price at \$2.70 a bushel and after August will have to be reduced to at least \$2.00. First the security offered to wheat growers is likely to encourage production, so that physical shortage should be overcome by 1952. Secondly, the agreement should help those other importing countries which are not favoured by Dominion contracts or by the Marshall Plan.

* * *

Defence of the West

It seems that the countries of Benelux have been making the pace at Brussels. The British and French delegations arrived with a modified version of the Dunkirk Treaty—which restricts the possible aggressor to Germany and whose economic clauses have remained a dead letter—and appeared to believe that a network of bilateral pacts on this model would meet the situation. But the thinking of the Benelux countries, with M. Spaak as their chief interpreter, had already advanced to bolder schemes, and the Communist *Putsch* in Prague only confirmed their courage. M. Spaak denounced "appeasement" in round terms in the Belgian Chamber, and the Benelux delegates have put forward schemes for a multilateral pact covering all possible forward schemes for a guarantee of automatic defence. At cases of aggression with a guarantee of automatic defence. At the same time, they have left their colleagues in no doubt of their intention to implement whatever clauses on economic and social co-operation are included in the treaty.

It is not certain whether this determination on the part of the Benelux countries has been altogether welcome in London. The British ruefully reflect that when it comes to "automatic defence," the main burden falls upon the major Powers. But there can be no doubt that M. Spaak's approach is correct. For one thing, a vigorous affirmation of self-defence will encourage the outposts of the West—in Italy and Denmark and Sweden. But by far the most important reason is the reaction in the United States. If the Americans are convinced that the western fringe is determined to unite in its own defence, they will be far more ready to give it the guarantee which alone can make that defence effective. The analogy with the European Recovery Programme is exact and illuminating—before American aid was possible on a reasonable scale, Europe had to concert its own economic programme. Similarly in the field of defence, western readiness to act is the pre-condition of an American commitment.

* * *

"Short of War"

Future historians, recalling Seeley's quip about the British Empire having been created in fits of absence of mind, may be tempted to say that western union was created in fits of fright. For it has to be admitted, whether with shame or satisfaction, that the Gottwald coup in Prague gave the western governments what Americans call a kick in the pants. The alarm and indignation

that it caused had the usual effect of making people want to "do something about it"; and action has taken the form of spectacular haste towards agreement on defence of the West.

This sailing before the east wind is all very well, provided that the politicians can allay war talk as quickly as it is aroused. Obviously they cannot sign defence pacts one week and declare that peace is secure the next; that was the technique of the Axis. But they can say, as Mr Marshall said on Wednesday, "The situation is very serious," but "it is regrettable that passions should have been aroused to the degree which has occurred." And they could perhaps point out one or two remarkable things about the recent past.

It is exactly a year since Mr Marshall took effective charge of American foreign policy. During that year he has captured the diplomatic initiative from Russia, found an answer to Communism which really worries Mr Stalin, got the western powers consulting together as never before, and gently helped Mr Bevin off the fence on which he had been sitting so long. In addition, he has played a rapid and intricate game of chess with Mr Molotov without losing any pieces. He has deliberately and coolly built up his counter-attack, and Mr Molotov has been equally deliberate if not quite so cool. Yet, in spite of the strain of the game, it cannot be said that there has been a single occasion during these twelve months when there was dangerous tension between the two contestants—the sort of tension that leads to blows. Both the American and the Russian showed self-control as well as caution. In the hot spots of Europe—Trieste, Berlin, Vienna, Turkey, even Greece—the tactics on each side have been "short of war," whatever the spectators and supporters might write and say.

It would be unwise to attempt prophecy about the future on the basis of these facts alone. It is sufficient to record them, to think twice about present alarms—even Mr Churchill's—and to ask whether the strategic situation in Europe at this moment is not, in essentials, very much what it was two years ago.

* * *

On the Way to Moscow

Most Finns do not consider a military alliance with Russia necessary or desirable. Such is the verdict of the Parliamentary groups of the various political parties on Mr Stalin's offer. The Democratic League favours a binding treaty. The Social Democrats have agreed to open preliminary negotiations. These two groups have just over half the 200 seats in the Diet. By a majority decision, therefore, negotiations are to proceed, the minority being against both negotiations and alliance. A delegation has been appointed and is expected to go to Moscow about March 20th. It will have seven members, led by the Socialist Unity Prime Minister, Mr Mauno Pekkala. Delegates of parties favouring negotiation preponderate. But fears that they will hurriedly barter away Finland's position are dispelled both by the attitude of the Social Democrats and the constitutional obligation that the treaty must subsequently be accepted by the Diet.

The general pattern of negotiations is clear—although the verdicts of the political parties must make it difficult to draft the Finnish delegates' instructions. The Finns will do everything possible to preserve certain fundamentals of freedom and their national institutions. They well know they are in a cage; but they will not readily be chained down as well. The Russians will press for certain minimum requirements. They will obtain them. Their exact nature is an open question. But it is clear that their choice will be determined by events outside Finland. Most probably their main aim will be to strengthen their comparatively light hold on Lapland, where strategic roads and railways have attracted increasing attention. A recent rumour that Russia intended to take over a large part of Lapland in exchange for restoring some of Karelia to Finland adds emphasis to this view.

The other Scandinavian countries however are wide awake to the threat, which the Oslo meeting of their leading Communists brought home. In Norway, which in recent weeks has led the move westward, the Prime Minister has made a forceful attack on Communists "with their hearts full of violence and terror." In the foreign affairs debate in the Danish Parliament this week speakers were not lacking to urge the fuller co-operation of the northern states to defend their integrity: the recent landings by sea of arms for the Communists reinforces this plea. The Swedish Premier too has declared political war on the Communists. And the Swedish General Staff has always been acutely aware of the strategic importance of the north of the country. For it lies across the road to Narvik. It also lies halfway on the great circle air route between American bases in Greenland and Russia industrial centres in the Urals.

New Targets for Cotton

Cotton has been in the limelight this week. The Economic Survey has set a very large increase in the industry's export target for this year—74 per cent in volume by the end of 1948 over the second half of 1947—and Mr Ness Edwards, Parliamentary Secretary to the Ministry of Labour, on a visit to Lancashire, announced the industry's new manpower targets, although his statement on recruitment was somewhat obscured by his premature revelation that the clothing ration might be cut this autumn.

The Government and the industry will have to strain every nerve if the ambitious new manpower target is to be reached this year. The objective is to raise the present labour force in cotton spinning and weaving by 70,000 to 325,000 by the end of the year, and to bring in 40,000 during the next six months. Of these new entrants, 20,000 will be foreign workers, and a delegation has already left for Germany to arrange for the recruitment of more displaced persons and of German women. In order to attract 10,000 married women the programme for day nurseries, which had virtually been allowed to lapse, is to be speeded up, and a further 10,000 women will, it is hoped, become available from other industries. It may be that the Ministry of Labour's powers of direction, which have hitherto barely been used, will be applied more vigorously. Overtime proposals are now being discussed with some hopes of success, and various schemes for output competitions are being introduced.

The biggest and most hopeful factor for future output, however, undoubtedly lies in the recommendations of the Moelwyn Hughes committee on weavers' wages. This report does for the weaving section what the Evershed report did for the spinners, but it goes a good deal further. The committee's proposals are revolutionary—they involve the complete rationalisation and simplification of the antiquated and complex wage structure, with the abolition of the 56-year-old uniform list. The origins of this schedule date back to the days of the hand-loom weaver, and for many years it has admittedly been quite unsuited to the technique of modern factory production. The biggest change proposed is that the new wage lists would be related to output, and thus provide greater incentives to efficiency both for operatives and managements. With the new system and a re-deployment of labour the operatives might in some instances double their earnings, while the manufacturers would have an incentive to improve working methods and introduce new machinery. The need for speed in adopting the commission's proposals is obvious. There are formidable obstacles, however, in the difficulties of re-equipment and in the limited manpower in the spinning section, which is now threatened with a major strike—hardly a very auspicious beginning for the year's effort.

Coal Board Resignations

The resignation of Mr John Hunter, announced this week, from his position as production director of the North-Eastern Division of the Coal Board is much more serious than it would appear to be if it were merely an isolated instance. This is the fifth resignation from the divisional production directorates since the Coal Board came into being fifteen months ago, and it is impossible to attribute such a large efflux merely to personal idiosyncrasies. Men in such positions, who are expert mining engineers and have so large an influence in the present formative period of the Board's life, do not resign easily.

The resignations are serious for two reasons: first, because first-class mining engineers are lamentably rare and these losses of key men could almost be measured in terms of lowered output and higher costs; moreover, their departure will be very depressing to the less competent managers who relied upon them. Secondly, the resignations are evidence of serious conflicts within the Board. These conflicts are of two kinds, reflecting a tug-of-war between headquarters and divisions and tension in the divisions themselves.

The vertical pull is exerted mainly over the question of delegation of power. There is still too much interference in the sanctioning of new schemes and a dangerous tendency to intervene in small questions such as the closing of pits—Waleswood Colliery is a case in point, where the local people felt they should have been allowed full responsibility for settling the matter on the spot. On the horizontal plane the difficulty arises from the dichotomy of labour and production. The organisation of the Board is stamped all over with the political conceptions of a Labour Government. In a concern run by private enterprise the manager is responsible for both production and labour on the assumption that no one can control production without having

complete responsibility for labour and raw materials. In the Divisions of the Coal Board the production manager and the labour manager are equals under a chairman and deputy-chairman, neither of whom may have any previous knowledge of the industry. Directions stream out from the labour and production departments in London to their regional counterparts with little joint consultation. Under such circumstances it is not surprising that the production managers in the Divisions feel they are no longer able to control their own costs or organisation and that their functions have become disintegrated to satisfy political theorists.

Communists on the Gold Coast?

It is deplorable that Mr Rees-Williams should have been so quick to blame Communists for the deaths, woundings and rioting in Accra on February 28th, when 22 people were killed and over 200 wounded. Both his statement in the House of Commons and the news that troops were being held in readiness at Gibraltar suggested that the Parliamentary Secretary wanted to bring a whiff of Czechoslovakia into the primitive but important politics of the Gold Coast. Presumably his attribution of blame was based on advice from the Governor; but it is very important that British officials in the colonies should be strongly discouraged from regarding the present excited interest in the workings of Communism as something to be played on in their handling of local problems.

A provisional and independent report from Accra (given on p. 422), suggests that the explosion of native indignation and excitement was due to the unorganised meeting of two crowds with different grievances. Whether the orgy of looting and destruction which followed was in any way organised beforehand is not known; but the procession of ex-servicemen with which the day's troubles began was organised with, it seems, the Governor's permission. It has to be explained why the police had to use force against the procession, why an angry and bewildered crowd was allowed to return to Accra from the Governor's official drive, and why there had been a native boycott of certain shops in the town. There should be a thorough and impartial inquiry into the whole incident to establish, among other things, whether contact between British officials and natives is sufficiently close to allow the former to distinguish between Communist agitators and Africans with a genuine grievance.

A Minor Mein Kampf

With no Versailles Treaty to set up as a target for post-defeat nationalist propaganda, certain Germans have chosen a substitute. The German case against their victors has appeared in the form of a volume with twelve annexes, the work of a team headed by Senator Harmssen of Bremen. The document has an official character, since it was produced at the request of the Ministers-President of the States in the British and American Zones, and is intended by its authors to form the basis of a negotiated peace settlement. The document must be taken seriously, not because it is moral, objective, accurate or realistic—it has none of those qualities—but because it may become the *Mein Kampf* of the new German nationalism. Henceforth, "Harmssen says" will be sufficient evidence for Germans to support their growing and universal sense of injustice.

The book shows an utter lack of appreciation of Germany's moral responsibility for the war, or of the incalculable human and material wreckage it left behind. It not only carefully avoids mention of Hitler, but implicitly whitewashes him. Going back to Versailles, it complains: "the results of the German people's labour have been reduced by 50 per cent within little more than one generation"—by other malicious, envious Powers, be it understood—not by Germany's wars of aggression. Nor is there any suggestion of, or reference to, the fact that Britain and America—not Germany—have made up the food deficit which arose from the cession of its eastern areas to Poland.

Senator Harmssen bases his opening arguments on the alleged illegality of taking reparations which have not been agreed to by the Germans after adjudication by an impartial judge. Such an attitude is almost incredible in view of Germany's past. The economic folly of reparations has been pointed out again and again by *The Economist*, but to make a moral or legal issue of the question shows how far some Germans still are from understanding the basis on which they can command the respect or

sympathy of the victims of their war. Nevertheless, indignation is not enough. The Harmssen brief might even have been welcomed, if it had provided a reliable German estimate of the economy of the Western Zones. But as a practical basis for planning it is useless, since it purports to deal with the economy of the whole country—a conception which does not exist in reality.

What the document does provide is a challenge to the British, Americans and French, not to answer it point by point—a procedure which would lead to senseless apologies for Potsdam and Russian actions—but to produce a clear, positive economic policy for the future. Such a statement should reassess, honestly and frankly, the extent to which the German economy has been affected by the taking of reparations in every form. If their value should in fact amount to Senator Harmssen's total of \$71 billion (including territorial losses), this should be acknowledged. If British and American interests have benefited at the expense of German industries, this should be stated without undue shame.

The essential point of any such statement of policy would be that it would have as its framework, not the Potsdam idea of Germany, but the economy of all Western Europe. The losses suffered by Western Germany, if they have benefited future partners in Western Union, would appear in this framework not as one-sided victimisation of an enemy, but as re-distribution of assets within a common industrial potential. Without a statement of the principles which will guide the integration of the West German economy with that of Western Europe, the British, American and French bids for German co-operation may prove too little and too late. Senator Harmssen's *Reparationen, Sozialprodukt, Lebensstandard* is a portent worth studying.

New Tasks for Health Committees

The National Assistance Bill, which had its third reading in the House of Commons at the end of last week, had one of the smoothest passages through committee that can ever have been given to a measure of similar importance. Divisions were extremely rare; on several occasions amendments were supported by both Labour and Opposition members; and the Ministers sponsoring the Bill showed themselves anxious to meet the committee's wishes to the utmost possible extent.

But the harmony which has so far accompanied the Bill's passage through Parliament does not guarantee it a smooth administration once it becomes law. The public assistance committees of local authorities, for instance, are worried lest, however they are transformed and in spite of the intention finally to break up the poor law, they will still be in the position of residuary legatees of the other social services, responsible for dealing with all the awkward, difficult cases which do not fit into the scope of the health service or the education service or the unemployment service and so on. During the committee stage of the Bill, the Government spokesman referred more than once to the residual case and frankly defended the all-embracing wording of some of the clauses, such as "persons who by reason of age, infirmity or any other circumstances," by saying that it must be wide enough to cover all the miscellaneous group of people, the simple-minded and neurotics, at present covered by the poor law.

It is just as well that this difficulty has been recognised. If those responsible for the Bill had pretended that the poor law could be finally broken up and all the beneficiaries under it neatly disposed of among the other social services, it would have resulted in the most unfortunate cases of all slipping through the net and eventually having to be legislated for separately. But the local authorities still have to face the problem of how they can deal with this sort of case and yet shed the stigma of the poor law. Kent County Council has decided to transfer all its obligations under the Bill to its health committee, on the ground that a special welfare committee, if set up, would merely inherit the old stigma. Of all the existing committees of local authorities, other than the present public assistance committees which are to disappear under the Bill, the health committee is probably the most appropriate for discharging the various welfare functions imposed by the Bill. But is it an appropriate body to deal with casuals, cases of eviction and the like for whom the local authority may have to provide accommodation?

Level of Subsistence

Another difficulty which will arise when the National Assistance Bill becomes law will be the determination of the new level of subsistence. The Assistance Board's scale rates are to be revised—obviously in an upward direction in view of the

rise in the cost of living. But what is to be the relation between its rates and the basic rate of insurance benefits under the national insurance scheme? At present the Board's scale rate for supplementary pensioners, who form by far the largest number of its beneficiaries, is 20s. a week for a single person living alone plus a rent allowance which on an average worked out at 9s. in 1946. For a man and wife who are supplementary pensioners the scale rate is 35s. a week plus a rent allowance, for which the average was 10s. in 1946. The basic rate of insurance benefit under the national insurance scheme is 26s. a week for a single person—for retirement pension, sickness benefit and unemployment benefit—and 42s. for a married couple.

Any marked rise in the National Assistance Board's scale rates will, therefore, if the rent allowance it pays is taken into consideration, widen the gap between the basic rate of insurance benefit and the subsistence level. If, to an old person who has not qualified for retirement pension under the national insurance scheme, the Board pays, say, 22s. 6d. a week plus his actual rent of, say, 7s. 6d., it is tantamount to admitting that the level of subsistence in his case is 30s. a week, 4s. more than the pensioner draws as of right under national insurance. Is there to be agitation in favour of higher basic old-age pensions before the national insurance scheme comes into full force?

Further anomalies arise if the disregard of resources, when the Board determines a person's need for assistance, is considered. Under the new Bill, as at present, no account is to be taken of an applicant's war savings up to £375 (£750 for a couple) or of house property owned and occupied by the applicant, or of other capital below £50. War pensions and industrial disability pensions are to be disregarded up to £1 a week; and sick pay from friendly societies or trade unions, private superannuation payments and charitable payments up to 10s. 6d. a week in each case, subject to a total disregard of £1 a week. The avowed purpose in making these disregards, especially of capital resources is to encourage the thrifty and deserving. But it should not be forgotten that the main purpose of national assistance is to provide, at the taxpayer's expense, a minimum level of subsistence below which no one should fall. The more a person's private resources are disregarded, the less the amount available for those who, as likely as not through no fault of their own, have to rely entirely on national assistance for their living.

Next Steps in Nationalisation

The second of the Labour Party's discussion pamphlets, that on public ownership, is a singularly ineffective document. Though it sets out to provide a background for the discussion of such questions as, is nationalisation effective?, should it be speeded up?, and if so in which industries?, it never anywhere gets down to examine the concrete points on which alone such questions could be answered. Reference is made to the resolutions, put forward at the Margate Conference last year, calling for the nationalisation of chemicals, motors, cotton, shipbuilding, milk distribution, betting, breweries, water supply and the land. But none of these proposals are discussed, and the pamphlet is content to lay down in the abstract five tests which should be applied to any proposal for nationalisation, namely, does it increase the people's power over their own economic destinies?; does it lead to a higher standard of life, by enabling industry to perform a better and more economic service to the nation?; a more equal standard of life? or a more stable standard of life?; does it open the way to extended industrial democracy? It also puts forward certain "yardsticks" by which aptitude for nationalisation can be measured. To be a suitable candidate an industry should satisfy one or more of the following conditions: it should be basic—as a supplier of vital raw material to other industries, or to human life, health or defence; monopolised by large trusts, inefficient because unable to find finance for capital development; split up into too small units for economic operation, or burdened with a particularly low standard of management, or suffering from very bad industrial relations.

The inadequacy of these criteria, which for the most part are largely irrelevant to the real issue, is only too clear. Beyond a purely dogmatic assertion of the benefits to be derived from nationalisation, such as cheaper finance, better management, more efficient research, the benefits of large scale organisation, and the promise that profits will "be distributed among the public in the form of lower prices" the pamphlet hardly attempts to go; and it is significant that foreign trade and the problem of finding and keeping foreign markets is not even mentioned.

Of the problems besetting nationalised industries there is not a word; nor is there even a hint that the superior



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the Speedbird routes 'alone' to that extent; and we can't
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assumed to spare our feelings. So they liked flying? We
doubt if they gave it a thought. They were comfortable,
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efficiency of nationalised management has still to be proved in practice or that the centralised control, e.g., of the coal industry, so far from leading to industrial democracy, whatever that may mean, may in fact merely imply the substitution of bureaucracy for an admittedly imperfect management. However strong the case that can be made out for the nationalisation of the coal industry—and it was admittedly a very strong one—it should not be forgotten that since nationalisation the price of coal, the basic raw material of the nation's industry, has risen, while weekly output, though it has shown some improvement, was last year still about 900,000 tons below the average of 1937. That does not mean that the nationalisation of comparatively simple industries like gas or electricity is wrong; but the more complex and varied the series of its products and the more they depend upon foreign trade for their market, the less suitable an industry is for this type of experiment, and the greater is the danger of attempting it. Today, when the balance of payments is the problem of overwhelming importance, further experiments in socialism are little short of lunacy. The next step now, is not to socialise more industries, but to see to it that those that have been socialised attain an adequate standard of efficiency.

* * *

New Index of Industrial Production

Every student of the Digest of Statistics, with its wide range of diffused information about particular industries, has long been painfully conscious of the need for a means of keeping track of the course of industry as a whole. Now, at last, the Central Statistical Office has produced an official Index of Industrial Production, opportunely launched to coincide with the new Economic Survey. It is a welcome innovation—but the welcome would have been even warmer if the compilers of the Index had not been beaten by a short head by the economists of the London and Cambridge Economic Service, who introduced their own index only a few weeks ago. Both indices are compiled on a 1946 base, both will be published monthly, and both have been calculated for each of the months since the beginning of 1946. The official index, however, differs from the unofficial in that it embraces supplies and equipment for the armed forces; in the other respects the coverage seems to be similar, except that the official index is divided into fewer sub-groups and apparently adopts a somewhat different system of weighting. But, despite these dissimilarities, each index is likely to be regarded as a rough cross-check upon the other. Indeed, a comparison of the two main series, as distinct from the sub-groups, over the last two years shows a quite striking parallelism. On the eve of the fuel crisis, for example, the official index stood at 106 (i.e., 6 per cent above the average for 1946), while the unofficial index stood at 107; both fell to 85 in February, 1947, and both had recovered to 116 four months later. The best month's production since the war was achieved last November when the official index reached 122 (with the unofficial index at 121). In December—the latest month for which figures are available—there was a fairly sharp setback to 117; but this seasonal movement was rather less marked than the comparable reduction at the end of 1946, despite the much steeper fall in building and mining at end-1947.

* * *

Save the Children

Few schemes are more deserving of support than the International Children's Emergency Fund set up by Uno in December, 1946. The fund is administered by a United Nations Agency and provides food, clothing and medical care for distressed children and mothers in countries which have been devastated by the war. It is one of the very few organisations in which all countries have co-operated with goodwill, regardless of race, religion or political beliefs, yet the British Government, apart from stimulating voluntary support, have given a meagre £100,000. The United States has made an outright grant of \$15 million, but has also agreed to match the contributions of other countries in the ratio of \$53 for every \$43 given. This does not mean that the contributions of other nations have to be made in dollars—the organisers of the fund stress that for the moment they want £1,000,000 from Britain to be spent only in the sterling area—but it does mean that unless the governments themselves make contributions, the additional grant from the United States will not be forthcoming.

Most European countries have already contributed in cash or in kind to the fund, which, together with the residual assets from Unrra and private donations, now amounts to \$38,930,250. But this is hardly sufficient for the needs of the 3,700,000 children and pregnant and nursing mothers to be provided for in Europe alone. It is intended to use a sterling credit—if one is granted—for payment of freight rates in British ships, for research into child welfare, for medical supplies and for medical equipment. The United Nations agency in charge of the fund controls the distribution of goods and services in the various countries which are themselves asked to match contributions of food to provide a daily supplementary meal of 600 calories per child.

There is thus every reason for the British Government actively to support the fund. The Lord Mayor's appeal will no doubt be successful, but voluntary contributions from a charitable public are not enough in what is a world-wide effort to save the children who have suffered the most from the terrible strife between their elders. The attitude of the British Government will make Britain look niggardly in the eyes of the world. It may, moreover, have an adverse effect on interests which any British Government must have closely at heart. The children of the world are not the only ones in need of help. Washington has been made fully aware in the last six months of the urgency of aid to Europe in general and to Britain in particular. Does the British Government believe that its own lack of generosity will be entirely overlooked when its present reliance upon American generosity comes up for discussion?

* * *

The Highland Islands

Scottish affairs are unsatisfactory subjects for a House of Lords debate, since, however expert and constructive the opposition may be, the Government spokesman is merely *vox humana* of a departmental memorandum. However, if the recent debate upon the Scottish islands elicited no very satisfactory reply from the Government, it drew attention to questions which are none the less grave because the news from elsewhere is graver. The curse of the islands—as of the Highlands generally—has been a declining and increasingly unbalanced population, coupled with chronically expensive communications with their markets and suppliers. Except for Orkney, for the most part a community of independent farmers, the island economies are based on crofting, which is a highly complex system of co-operative smallholding. Its defect is to produce a surplus of young men who tend to gravitate first to the Merchant Navy and then to the towns. This, together with the necessity of finding a secondary occupation to crofting, has created a long-standing policy of encouraging both croft industries and small local industries. Although much has been accomplished, and although the agricultural subsidies, the price of livestock and the sellers' market for tweed and wool have temporarily offset the high cost of transport, development has not yet reached a point at which the islands could weather an agricultural depression, nor in normal times prevent a steady recession of population. Although the outer skerries, such as St. Kilda, are untenable, it would be a grave reflection upon the British sense of community if the Western Isles were to decay, quite apart from the fact that a derelict island fringe would complicate the defence of Great Britain and impoverish our slender supply of livestock.

But equally nothing could be more unrealistic than to demand, at this moment, increased Governmental expenditure upon Highland and Island development. Public finance is being applied in increasing quantities both through special channels, such as the Hydro-Electric Commission, and through increased grants to county councils. However, a Highland Development Commissioner, whose appointment was recommended by the Hilleary Committee of 1938, might do much to integrate the development schemes of the various interested bodies, and to overcome the fact that the Western Isles are administered by three different Scottish counties, each inclined to be forgetful of its less wealthy island appendages. The Government has created a Highland Advisory Panel, which is not at all the same thing. The Government is directly involved in the question of Hebridean transport, since through the Transport Commission it now owns half of the shipping company which has a virtual monopoly of steamer communications in the Islands. Finally, the record of British European Airways in Scotland has not been good, and it is very doubtful whether air communications should, in an area that demands so much local initiative and knowledge, be left to the sole charge of a corporation designed for a completely different purpose.

Letters to the Editor

Third Party or No Party?

SIR,—Your correspondent Mr P. Goldman, who views with the gravest misgivings the idea that Liberals should have fair representation in the House of Commons in case they force their policies on the major parties, should wake up.

The Liberal Party, though a minority party for a quarter of a century, has been advising and criticising governments on every political subject such as industrial relationships, full employment, pensions, family allowances and, more recently, capital expenditure. The time it has taken the other parties to catch up with the Liberals varies from four months to twenty-two years, but, with fairer representation, the Liberal point of view would be given more emphasis and perhaps will result in getting a Liberal policy without the usual delay.

But if the vote does not entitle us to fair representation, why bother to have elections? It would be far less costly to elect members by drawing names out of a hat, and it would not be less democratic.—Yours faithfully, DAVID WOOLF

24 Poland Street, New Cross, Manchester

SIR,—May I support Mr Goldman's view that the existence of a minority Parliamentary group sufficiently large to have, in effect, power of veto would be the negation of democratic government, making it ineffective or unstable. But the "third party" suggested by your correspondent could do two vital things without Parliamentary representation.

First, it could combat the infection of this country by the one-party, totalitarian belief that the best government is the strongest possible. This battle will be fought, not by debate in Parliament, but by infiltration into local and national organisations of all kinds; this can only be met from within, by liberally-minded "anti-bodies." To be effective these must be united, they must "know what they fight for and love what they know," they must know how and when to fight and believe they can win.

The "third party" could act as rallying-point for these; it could clarify liberal thought and put it into a form capable of beating totalitarianism on its own pseudo-intellectual ground; and it could teach its members how to recognise and meet the totalitarian danger whenever and however it comes.

Secondly, it could help to create a politically educated democracy by teaching people *how* to think in politics, not *what* to think—how to weigh evidence, to trace the argument (if any) behind fine words, to recognise emotional bias and allow for it. Existing parties are too busy to do this; besides, they would be blunting their best weapon.

For these two ends the "third party" need not influence the electoral votes of its members directly, nor would its support for specific policies be so uncritical as to suggest "fellow travelling." Eventually it would, one hopes, be in a position to return its own members to Parliament; but by then it would probably realise that exercising the indirect influence of enlightened public opinion on a Government and Opposition chosen as at present would be more truly democratic than electing a minority Parliamentary group with wrecking powers, but no policy clearly distinguishable from both Conservatism and Socialism.

As for the existing Liberal Party, surely its associations and present policy make it a poor substitute for a new party.—Yours faithfully, FRANCIS HEAD

Farnborough Grange Hostel, Farnborough, Hants

Operation Canute

SIR,—The danger is not merely that Mr Harold Wilson may get his feet wet in the salty tide, but that over a large section of industry the fresh-water springs of enterprise may dry up. The system of price control is accompanied in many cases by consumer rationing and allocations of raw materials based on some basic year, generally 1939. The result is to prevent the expansion of the individual business, which is the normal incentive to efficiency and lower prices.

Your remedy of deflation would scale down effective demand and re-introduce the desirable element of competition amongst manufacturers, but it would not increase supplies. The Govern-

ment shows no strong sign of following your advice; it is evidently concerned to secure the equitable distribution of goods by means of the coupon, and it may well be that rationing of many consumer goods will continue for a long time. Even if that is so, it is still vitally necessary that competition should be introduced amongst manufacturers. Competition within a rationing scheme presents difficult problems, but unless the industries affected are to be stabilised indefinitely on 1939 levels, a solution must be found. The principle should be to render the system of allocations more flexible, so that they respond to proved consumer demand.—Yours faithfully, ARTHUR WHITTAKER

58 Bunbury Road, Northfield, Birmingham 31

Action After Prague

SIR,—If your correspondent had cast his mind back to the history of Ancient Greece he would have recognised that "the use of armed minorities within the country to overthrow lawfully elected governments" is by no means a purely modern method of aggression.

From the end of the sixth century B.C., when Isagoras invited the assistance of Sparta in an unsuccessful attempt to overthrow Cleisthenes and his party of moderate reform, the existence of factions ready to seize any opportunity of securing outside assistance for their revolutionary projects was a frequent feature of Greek political life. Commenting on the massacre (in 427 B.C.) of the Corcyrean oligarchs by the democratic party assisted by the Athenian forces, Thucydides remarks, "opportunities were readily presented to the revolutionary factions on each side for bringing in foreign allies to the detriment of their opponents and their own corresponding gain." The Fifth Column was thus prevalent in the fifth century B.C.

Referring again to Greek history, your correspondent might have illustrated his general thesis by adverting to the Persian subjugation of the Greek cities in Asia Minor after their refusal to act on the advice, attributed by Herodotus to the Milesian philosopher Thales, that they should sink their individual sovereignties in a Panionic Union to resist the invader from the East.—Yours faithfully, D. P. BREARLEY

21 Rodney Gardens, Eastcote, Pinner

From *The Economist* of 1848

March 11, 1848

THE outbreak in France was hastened by the reform in Italy, and by the troubles in Switzerland. In its turn it is spreading its influences, as was to be expected, over the neighbouring states. Belgium was, perhaps, the first to acknowledge it; but the Belgians have had a wiser monarch than Louis Philippe, and they almost at once declined to follow the example of their neighbours. They enjoy a tolerably well-regulated freedom, and King Leopold has not attempted to establish a great system of combined corruption and coercion; he has successively deferred to the wishes of his people, and they are content to keep him on his throne.

It is in Germany, therefore, where the revolutionary spirit has been most developed. Germany has made for several years past a rapid progress in material prosperity, and that is unfailingly accompanied by moral progress. With the English boats that navigate the Rhine, English ideas obtained circulation. The prosperity and freedom of our country excites all the people of Europe to imitation, and none more than the Germans. Ever since 1815 they have been struggling with their princes, particularly those on the Rhine, for freedom of representation and freedom of the press. Now they will attain both; they will not suffer themselves to be deceived again as they were deceived in 1815, but will, we have no doubt, take measures to secure those advantages they have gained. For them the preservation of peace is essential to their progress in political improvement, and it is satisfactory to know that France respects all their rights, and that at present there is no disposition to make revolution the pretext for war.

Books and Publications

Hopeless Sergeant-Majors

"To the Bitter End." By Hans Bernard Gisevius. Jonathan Cape. 595 pages. 18s.

"The Von Hassel Diaries, 1938-44." By Ulrich von Hassel. Hamish Hamilton. 365 pages. 15s.

THE German military caste and the upper classes who were the link between Hitler's and William's Reich are probably now almost extinct. It remains to be seen in the next few years how much of the middle class has survived inflation, National Socialism and whatever the allies can achieve in the way of currency reform. Whatever may be their economic prospects, it would be well to reckon on their showing intellectual and moral exhaustion for a generation or more; and that fact may be of decisive importance when the time comes to leave German politicians to their own devices to cope as best they can with the Communism of Berlin and its Russian-sponsored leaders.

The moral of these two books is quite clear: that resistance to the mass movements of the century of the common man needs conviction, strength and skill in conspiracy of a type that is only rarely in that bourgeoisie which is the main target of attack. The too rare in that bourgeoisie which is the main target of attack. The too rare in that bourgeoisie which is the main target of attack. The too rare in that bourgeoisie which is the main target of attack.

It is being said about these books that there is much fuss about nothing; that far finer and more determined resistance was being offered to Hitler throughout his time of power by humbler men and women. That is true, but it does not alter the fact that the German generals, civil servants, ambassadors, politicians and intellectuals who appear in these books had effective power to ruin Hitler and end the war. So much cannot be claimed for the less exalted heroes of resistance. What German trade unionists, Communists and Democrats found impossible, these men nearly achieved: effective organisation of conspiracy under the very noses of the Gestapo and its Security Service. The fascination of the Hassel and Gisevius narratives is therefore to watch conspiracy at work and to learn what human failings frustrated it and held courage back from the sticking point.

The story told by Gisevius is the more dramatic, even though the author has not the stature of von Hassel. It stretches from the Reichstag fire to the bomb attack on Hitler of July 20, 1944. The narrative of events up to 1939 is first-class reading. Hassel's diary stops short of that event, and in fact covers the year 1944 only very thinly. But both books are about the same set of people, and both authors have the same reasons for loathing the regime of Hitler. Their fellow-conspirators had in common a certain gentlemanliness, which, of course, does not exclude strong nationalist feeling; some of them—like General Beck—were respected for that combination of soldierly and Christian virtues nourished by the best Prussian tradition. What infuriated them about the Third Reich was its vulgarity, its corruption and hypocrisy, its riotous cruelty and its nihilism. What attracted them about it, in the days when they could have struck at the Nazis without risk, was its swift and spectacular success in making

Germany strong. Ostensibly, what dissuaded the Brauchitsches and Halders and Keitels from checking the drift towards war was their curious allegiance to their oath of loyalty to Hitler an oath obtained under false pretences. But it seems probable in several cases that this loyalty was a rationalisation of the feeling that they must see their army in action—just once.

It is useless to speculate about what they might have achieved had Mr Roosevelt and Mr Churchill not demanded unconditional surrender. It is more profitable to recommend that the British and the Americans should seek out and give hope to what remains of the tradition which produced men like Beck and von Moltke. Hitler and Goebbels did their best to destroy it because they feared it, as indeed do still the Communists and all the Marxist Social Democrats of Central Europe. There are stories in these two books which could keep it alive.

The Downgrade

"Decadence." By C. M. Joad. Gollancz. 12s. 6d.

DOCTOR JOAD has his own definition of decadence, and the stiffish first part of this important and stimulating book establishes and justifies that definition. Its manifestations in ethics, art, politics and economic life occupy more easily and to the vast entertainment of the reader, the pages of Part II. Decadence, in brief, is that state into which a society falls through abandoning the Platonic (and Christian) belief in eternal values of a higher order of reality than that of spatio-temporal events. To discard values is, in the end, to discard objective reality itself; to enthrone experience for its own sake (since experience is the only thing certainly existing) regardless of the object to which it relates. This "dropping of the object," in every field of human activity and appreciation, provides Doctor Joad with his criterion.

The argument (condensed from his "Return to Philosophy") is convincingly watertight; "Decadence" is a book not to be ignored. Such a book is never a very comfortable phenomenon, and in the closing chapters of Part II—after thoroughly enjoying himself over architecture, *New Writing*, power politics, cookery, and lowbrow psychology—Doctor Joad sets out to make economists in particular very uncomfortable indeed. A major cause of that "dropping of the object" which is the root of decadence is over-specialisation. The less complete and integrated a man, the less likely he is to conceive the universe as a whole and to be aware of "the object"—the eternal values. "Versatility in living," says Doctor Joad, "goes with affirmation in believing"—and *vice versa*. Here, of course, he collides head-on with the first principle of economic wisdom, which is, precisely, the division of labour for the full exploitation of relative advantage. The small community of necessarily versatile citizens is the essential nursery of healthy souls; the large community of specialists is essential to a high standard of living. One might add that, given the modern sensitiveness to social injustice, it is only on a high basic standard that the essential amenities of civilisation can be superimposed.

The dilemma seems insoluble; even more so for the intellectual specialist than for the slave of the machine. In that four-hours-a-day Utopia which may not, after all, be permanently unattain-

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THE WORLD OVERSEAS

Key to China's Backdoor

(By a Special Correspondent)

IN June, 1947, the Chinese Government accused the Mongolian Government of having violated Sinkiang by an armed attack on Peitashan in which aircraft and tanks were used. During the last few years other reports of similar incidents in Sinkiang have found their way into the press. They are the ripples which reach the outside world of a long and bitter struggle for power in Central Asia between the Russians and the Chinese, a struggle which has also affected India, to the south. Sinkiang is the key to the back door of China—the Kansu corridor—down which in the past have come so many barbarian invaders. Sinkiang is also the natural political and economic extension to Russia's Asiatic Republics. Any other Great Power controlling air bases in Sinkiang would be able to strike at the inaccessible industrial areas of Soviet Asia. For India, Sinkiang acts as a buffer state impeding Soviet political penetration of Tibet and Kashmir.

The Chinese, although numbering under 10 per cent of Sinkiang's 5,000,000 people, are today the rulers of the province. Nearly eighty per cent of the population are Moslem Turks of Central Asian stock. Of these the most numerous are the Uighur Turks, generally known as Turkis, who are a settled people living in the towns and oases. They are mostly peasants, small land owners, petty merchants, and artisans. The second largest groups are the nomadic Kazaks and Kirghiz tribes who wander over the bare steppes of Northern Sinkiang and along the wooded slopes of the Altai and Tien Shan mountains. They live off their great herds of sheep, camels and horses. The settled and the nomadic peoples of Sinkiang are closely connected by language, race, religion, common tradition and often blood, to the Turks who form the bulk of the population of the Soviet Asiatic Republics.

There are large mineral resources, including oil, at Wusu, and gold, iron and tin in the Altai. None of them has been exploited on a commercial scale. The main exports are livestock, woollen felts, raw wool and silk, skins, gold and a small quantity of hashish. The main imports are cotton piece goods, dyes, sugar, tea and all forms of cheap manufactured products.

Russia, owing to her favourable geographical position, is able to supply Sinkiang's market at prices considerably lower than those of either Indian or Chinese products. After the 1917 revolution, the chaos in Russia allowed India to capture the whole of the Sinkiang trade, but by 1927, the Soviets had reorganised their export trade and there followed five years of lively economic rivalry between the two countries. The anti-Soviet governor, Yang, who had ruled Sinkiang as an autocrat since 1912, refused to allow Soviet economic influence to develop into Soviet political domination; his attitude displeased the Soviets and he was assassinated in 1928. Five confused and bloody years of civil war followed. Chinese, Turks, Tungans, the nomadic Kazaks and Kirghiz fought each other and laid waste to the province.

Secret Russian Treaty

At this time Russia feared that the Japanese, who had already occupied Manchuria and Jehol, would encourage the rebellions in Sinkiang to spread into Soviet central Asia, where there was already widespread discontent and armed resistance against the Soviet rule. The Soviets therefore signed a secret treaty of mutual aid and co-operation with the local Chinese commander, Sheng Shih-tsai, who, with Soviet help, defeated the rebels and gained control of practically the whole province. Although he was not a member of the Communist Party, he co-operated with the Soviets in order to strengthen his personal rule.

After the Japanese attack on China and an abortive rising of Tungans and Turkis in southern Sinkiang in 1937, the Russians increased their hold on the political and economic life of the province. They eliminated all Chinese nationalist, Islamic and tribal leaders, while at the same time British subjects of Indian nationality were persecuted and trade with India was brought to a standstill. Between 1939 and 1941 the Russian attitude

towards Japan softened, but Russia still held on to Sinkiang. Violent anti-British propaganda continued, so that by 1942 British prestige had been almost completely destroyed. The Russians now tried to undermine Sheng Shih-tsai's position with the intention of replacing him by one of their own Moscow-trained Turkis or Uzbeks, but in 1942 when the Germans were at the gates of Stalingrad, Sheng Shih-tsai was persuaded by a senior Chinese general, and later by Madame Chiang Kai-shek to turn against his Soviet masters and transfer his allegiance to the Chinese central government. Russia was then in no position to take strong action, with the result that between 1942 and 1944 the Red Army regiment stationed at Hami in north-east Sinkiang was withdrawn, the Soviet Trade Agencies were closed, and Soviet political and military advisers disappeared. Pro-Soviet natives and Communists were imprisoned and Soviet influence was eliminated or driven underground. The Chinese Central Government moved up reinforcements, and by the summer of 1944 felt strong enough to remove Sheng Shih-tsai and replace him by their own nominee. The British and American Governments opened consulates in Urumchi (Tihwa), the capital of the province and it seemed as though Sinkiang had again become, in fact as well as in name, an integral part of the Chinese Republic.



By 1944, however, the tide of war in the west had turned in favour of Russia, and Russian policy towards Japan and China correspondingly stiffened. In February 1944 an anti-Chinese, pro-Soviet revolt broke out among the Kazaks of the Altai. Protests and counter-protests were made by Chungking and Moscow. The causes of the revolt are obscure, but it seems that attempts by the Chinese government to settle Hunanese refugees on the nomads' pastures had angered the Kazaks, who are in any case always ready to revolt if there is a prospect of easy loot. The revolt in the Altai region was followed by another in the basin of the Ili round Kulja. It is not clear whether the Russians actually organised the revolts, but they took immediate steps to support and exploit them in their own interest. The pattern of the revolt in Sinkiang between 1944 and 1948 corresponds in many ways to the course of events in Persia's Azerbaijan. It seems, however, that the results have been more definite. China can do little at present to assert its authority in this remote territory and it is easy for Russia to make use of the desire of the non-Chinese population for local autonomy in order to keep the provincial Government weak and subservient. So far, on the other hand, Russia has not caused any part of Sinkiang to break away formally from China and join the Soviet Union.

Oil War in Rumania

(By a Correspondent)

THE "forcible dissolution" last Tuesday of *Astra Romana SA*, the largest oil company operating in Rumania, is the climax of a fierce struggle between the foreign oil companies in Rumania and the Communist Rumanian Government. In declaring the dissolution, the Royal Dutch Shell group, majority shareholders in *Astra Romana*, have taken the only step open to them. The company had been driven into bankruptcy by the unscrupulous methods of the Rumanian Government, and little doubt remains that the next move by the Rumanians would have been to nationalise the company while at the same time refusing compensation because of its bankrupt condition. The British Government have upheld the company's declaration of their "forcible dissolution" by the Rumanian Government, and in a diplomatic Note last Wednesday to Rumania, Britain accepted the powers and rights formerly belonging to *Astra Romana*. The events leading up to this act provide evidence for British oil interests which Rumania will find hard to refute.

Oil companies in which the controlling interest is British produce slightly more than half the total output of oil in Rumania. Before the war this amounted to some 8,700,000 tons, but owing to the deterioration of equipment it has been gradually falling, until, in 1946, only 4,800,000 tons were produced. By March, 1947, the oil companies reported that their equipment was more suitable for the scrap heap than for economic operation. The state of drilling machinery was so bad that only 135,000 metres were drilled in 1946 as against 340,000 metres annually during the war. To meet reparations claims and other Russian demands, 57 per cent of the total production was sent to the USSR, 40 per cent was reserved for home use, leaving a bare 3 per cent for sale in the free market. This did not provide anything like the amount of foreign exchange needed to buy new equipment. Moreover, the Rumanian Government fixed the selling price of oil at 85 times the prewar rate, whereas the price of equipment had increased 330 times. It was calculated then (March, 1947) that \$50 million would be required to modernise the refineries alone.

Up to that time no political pressure had been applied, apart from the Russian demand for reparations. But in June, 1947, the Communist Government passed a law giving the Minister of National Economy power to control any industry in every detail of its operations. Industrial corporations were formed to take over the industries that had been earmarked, and by December last year 750 private companies had been seized. The oil companies were not included in this process, which was the equivalent of nationalisation; instead, Government supervisory administrators were appointed to selected companies, including *Astra Romana* and the British *Unieca*, with full powers to interfere, even in the technical administration of their work.

In July, 1947, the United States and British Governments warned Rumania that adequate compensation would be demanded if the oil companies were nationalised. It was at this point, apparently, that the Rumanian Government decided upon the series of cleverly worked out moves which followed, with the deliberate intention of wrecking foreign oil companies and thus avoiding any question of compensation.

Political Tests for Technicians

Using the plausible excuse that foreign exchange was short, they forbade the foreign oil companies to import any new equipment which, before the war, had amounted to about 40,000 tons of material a year. The unfavourable selling price of oil led to an urgent need to borrow capital and the Rumanians insisted that the money should be borrowed from the State banks. New exploration or exploitation was made illegal for companies which were less than 75 per cent Rumanian-owned; the Russian organisation *Sovrompetrol*—although only 50 per cent Rumanian—was exempted from the order and given "most-favoured nation" treatment in defiance of the terms of the peace treaty. Skilled technicians were removed because of their "political unsuitability." The economic plan drawn up in the second half of 1947 set targets for the oil industry which could not possibly be carried out with the existing equipment. Finally, supervisory administrators were appointed by the Government.

The powers of these administrators were all-embracing, and they set to work to interfere in every branch of the industry.

If technical advisers, for instance, recommended drilling in one particular area, the administrator would insist on some other spot of his own choosing. Employees were brought under his close scrutiny, and dismissals or appointments were made regardless of technical efficiency. The administrator could and did withdraw the powers of signature of executives, and often vetoed the decisions of the board of directors.

The result of these measures has been a catastrophic decline in oil production. The total for last year was 3,800,000 tons, and this year it is not expected to exceed 3,500,000 tons, in spite of the official target of 4,500,000 tons. The hold which the Rumanian banks now have over the foreign oil companies enables them to foreclose the mortgages at any time, while the deterioration of refineries, wells, and drilling machinery is now so great that oil experts consider the industry to be beyond repair. The Communist policy has obviously harmed Rumania as much as the foreign oil interests, but this seems to carry little weight with Rumania's present rulers.

The Rumanian Government has thus been in a position during the past few weeks, where they could have seized the foreign—particularly the British—oil industries without the formality of nationalisation, and without even the legal obligation to pay for the damage they have wilfully done. It was because this situation had been reached that the majority shareholders in *Astra Romana* have declared their company to have been "forcibly dissolved." Whether admitted or not by the Rumanian Government, it establishes a fact and a date on which future negotiations can be based—if the political atmosphere should ever change.

Apathy Among Workers

Besides the political and economic struggles, the lot of the employees of foreign oil companies has been intolerable. With the removal of the last non-Marxist group, Tatarescu's "Liberals," the destruction of all opposition parties, and finally the forced abdication of King Michael, Communist control over Rumania has been made complete. With few exceptions, every worker has felt the urgent necessity to join the Communist Party or, at the very least, to become a member of the *Arlus*—the association for strengthening Rumanian relations with Russia. Works Committees have been "elected" to watch and spy on fellow workers who, should they run foul of the Communists, may lose their employment and their houses. They have even been threatened recently with punishment in forced labour camps. Whenever demonstrations are organised, a roll is called to ensure that no one is missing from the procession, which often continues for several hours. Care is also taken to see that workers attend the many meetings and "study" courses where they are "instructed" in the usual propaganda against the Marshall Plan, Anglo-American imperialists, warmongers and saboteurs.

The result has been to bring about a state of apathy and despair among the workers which, apart from the time wasted on processions and meetings, has hastened the decline in production. There are few left now who do not live in permanent anxiety and fear.

Holland's Economic Plight

[FROM OUR CORRESPONDENT AT THE HAGUE]

HOLLAND, too, is on the rocks—or rather smelling the seaweed on the rocks. The Dutch Minister of Finance, Professor Liefstuck, recently stated that without American assistance Holland's balance of payments would show a deficit of 1,500 million guilders (£150 million). Even before the war Holland's exports exceeded its imports by 500 million guilders, but then the balance was made up fairly easily by transport earnings and dividends from the United States, Britain and the Netherlands East Indies. Dutch foreign investments then amounted to about 5,000 million guilders (£500 million).

The whole economic position has now changed. According to provisional estimates for last year, Holland's exports amounted to

about 1,300 million guilders, and its imports totalled about 4,250 million guilders. There has also been additional expenditure of approximately 600 million guilders in Indonesia, but income from freight charges and from foreign investments, which now bring in only about 180 million guilders per year, have slightly narrowed the gap. The adverse balance is therefore more likely to be about 2,000 million guilders.

The Dutch Government have so far refused to give more accurate figures. At the beginning of 1947 Holland had about 500 million guilders left in existing balances abroad, and another 500 million guilders in foreign investments which could still be used—about half of the latter has probably been sold. Gold reserves also amounted to about 500 million guilders, of which the Treasury planned to sell 50 millions during the year, and foreign loans were expected to total about 900 million guilders—both the World Bank and the New York Stock Exchange were successfully approached. But whatever part of these reserves was used last year, it is clear that, if no help is made available under the Marshall Plan, the “gap” will be enormous. The estimate of approximately 1,500 million guilders made at the Paris Conference in July, 1947, has already been exceeded.

Battle for Exports

Other methods can, of course, be used to narrow the gap. Curtailing imports and increasing exports are familiar devices of the time, but both methods have limits. Holland's paucity of foreign exchange is not only caused by dwindling foreign investments, but, as in Britain, also by the adverse “terms of trade.” Import prices have been trebled since 1939, and the Government have, at the same time, had to support a programme of reconstruction and industrial re-equipment at home.

As in Britain, a continual struggle is going on in Holland between the Government's financial experts, who want to use as large a part as possible of the foreign loans and investments in an anti-inflationary, budget-balancing policy, and the industrial specialists, who emphasise with some justification that such measures can only be used once whereas investment in the expansion and re-equipment of Dutch industries promises better exports and less financial strain in the years to come. Until a few months ago, exports rose steadily, but it looks now as though they will remain at the same level unless large-scale industrialisation takes place. Towards the end of 1947 the volume of production passed the level for 1938, but with very different figures for different industries: chemicals reached 160 per cent of their 1938 level, but textiles attained only 72 per cent and the production of bricks was even less at 70 per cent.

Export targets are always a matter of guess-work, but competent economists say that the metallurgical, chemical and textile industries, which, between them, will have to bear the brunt of the “battle for exports,” will have to produce from 175-200 per cent of their prewar volume if the battle is to be won. It will be, to put it mildly, exceedingly difficult to find the 2,000 million guilders necessary for further industrialisation and the trained labour force necessary to achieve this target. Something drastic will have to be done if Holland—even with American help—is ever to balance its imports and exports again.

The Riots in Accra

[FROM A CORRESPONDENT]

THE sequence of events on Saturday, February 28th, which led to the outbreak of violent rioting in Accra, began with a procession of African ex-servicemen which was organised to present a petition to the Governor of the Gold Coast. They sought the Governor's help in resettling ex-servicemen in civilian life. Most of them had received some sort of clerical training during their military service, and they were dismayed by the lack of “white-collar” work available for them in peacetime. Permission to present the petition had been previously granted. Accordingly, on February 28th, they formed a procession to march from Accra to the Governor's residence in Christiansborg Castle, which is outside the town, and can only be approached by one route. The road up to the castle passes through two ceremonial arches; when the procession reached these arches they were met by a detachment of African police under the command of a European superintendent.

The police had presumably been stationed in the normal manner to control the procession, but instead of allowing the ex-servicemen

to continue—they were so far quite orderly and calm—they stopped the procession and questioned their right to present a petition. During the argument which followed, it is alleged, someone suddenly lost his temper and fired his rifle, killing one of the ex-servicemen. The African ex-servicemen, who were unarmed, were for a moment dumbfounded and stood aghast at what had happened. Then they raised their voices and complained loudly and bitterly against the police. The police thereupon took fright and threw tear-gas bombs into the procession. Still howling and shouting, the ex-servicemen dispersed and made their way back to Accra.

On the same day the boycott of the shops of the AWAM (Association of West African Merchants) was lifted. For some time the African natives of Accra had refused to buy any goods from these shops because of the high prices charged and because it was alleged that there had been favouritism towards Europeans. A few weeks ago, however, some of the African chieftains negotiated with AWAM, and claimed that they had been promised a reduction in prices of 33½ per cent, to come into effect on February 28th.

On that day, therefore, crowds assembled in Accra to enjoy their first day's shopping at the lower prices after a considerable period of scarcity. They seem to have expected to be able to buy anything and everything. But, on going into the shops, they discovered that only a few of the prices had been reduced, while others had actually been increased. Moreover, many of the goods they had hoped for were simply not available. In true African fashion, the crowds gathered in the streets and began to howl.

Frenzy of Looting

Into this melee came the ex-servicemen with their story of the police shooting, and of how they had been prevented from seeing the Governor. Indignation mounted, and in a short space of time the Africans worked themselves up into a frenzy, culminating in violent rioting. Shop-windows were smashed and wholesale looting started. Twenty-two people were killed and more than 200 were injured. The police eventually quelled the riots and order was restored. A curfew was imposed; the Post Office, banks and Government offices were put under guard, and the African chieftains were called in to calm their people.

What is believed to be the injustice meted out to the ex-servicemen and the statement by Mr Rees-Williams in the House of Commons that Communists were behind the riots have led to widespread hostility against Europeans. The number of “fellow-travellers” in the Gold Coast is said to be very small; to make charges of Communist incitement leads directly to counter-charges of a deliberate attempt by the Government to cover up the real grounds for discontent which exist. Although co-operation between Africans and Europeans in other parts of the Gold Coast is excellent, the officials in Accra appear to be out of touch with native feeling and opinion. Little effort seems to have been made to explain to the Africans the existence of world shortages and the reason for high prices, or to allay their suspicion that the Government is closely connected with AWAM.

The case of the members of AWAM has still to be heard, and it remains to be seen what acceptable evidence there is, if any, that the later disorders in Accra and simultaneous outbreaks in other towns were deliberately organised. To at least one impartial observer on the spot it appears that this tragic affair has been badly handled and that the Accra natives had grievances worthy of serious attention.

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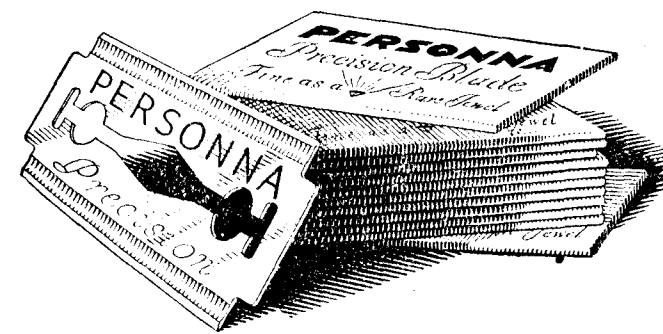
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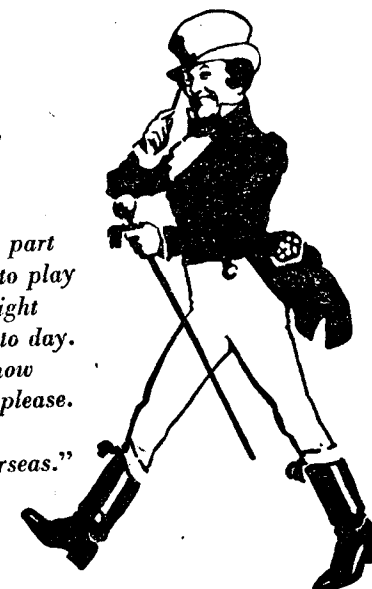
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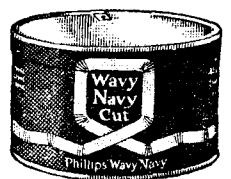
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THE BUSINESS WORLD

Economic Survey for 1948

THE balance of payments inevitably dominates the Government's Economic Survey for 1948. This is the problem in terms of which all other aspects of the economic situation, production, consumption and investment must be viewed. The current payments with overseas countries, the pressure on gold and dollar reserves, and the availability of extraneous assistance must in 1948 determine what can be consumed and invested at home, and the Survey for 1948, in contrast to that of 1947, is therefore largely concerned with the problem of external payments. Part of what it has to say on this subject has already been divulged in the White Paper on the balance of payments for 1947 (which was discussed in detail in *The Economist* of February 14th). The projection of the figures through 1948 is, however, entirely new.

Last September the target for exports of British produce and manufactures had been set provisionally to reach by the end of the current year a volume greater by 60 per cent than that of 1938. That figure has now been revised to 50 per cent, owing to the saturation of certain overseas markets, import restrictions due to dollar shortage, and an insufficiency of steel to meet all our export needs, particularly in certain types of machinery and vehicles. Some offset to these reductions has been provided by increasing the targets for textile exports. Increased exports of these would be particularly valuable in as much as they are almost exclusively directed to dollar markets, or, if shipped to sterling countries, can save dollars by reducing the demand for American textiles. The principal export targets for 1948 are shown below:—

REVISED EXPORT TARGETS
(Monthly Rates at End of 1948)

	£ million at Forecast end-1948 Prices	Per Cent of 1938 Volume
Machinery	23	203
Vehicles	25	272
Electrical goods and apparatus	7	215
Textiles and clothing	39	131
Chemicals	8	181
Pottery, glass, abrasives, etc.	5	223
Coal	4	39
All other exports	48	127
Total	157	151

On the import side, programmes are published covering only the first half of this year. What happens after June depends on the fate of the European Recovery Programme. The import estimates for the first half of 1948 are shown in the following table:—

IMPORT PROGRAMMES, 1946-48
(£ Million at Current Prices fob)

	1946	1947	First Half-Year, 1948			
			Western Hemisphere	Sterling Area	Other Countries	Total
Food and feeding stuffs	546	750	123	179	88	390
Raw materials	347	544	91	113	76	280
Petroleum (civil)	50	75	27	12	8	47
Manufactures & other imports	139	205	26	9	40	75
Total	1,092	1,574	267	313	212	792

* Including tobacco, of which purchases in the first half-year are negligible.

This table reveals that programmes have been cut to a definite austerity pattern. Food purchases from the United States have been almost wholly eliminated. The Survey states that "the greatest practical economy of dollars has been achieved in imports from Canada and the Argentine"—a claim which looks a little doubtful in the light of the latest commercial agreements negotiated with those two countries. Imports of raw materials are to be maintained at about the minimum required to ensure a high level of employment, although the Survey points out that the import programme makes no provision for the expansion of stocks which is required to ensure a smooth and rising rate of production. Stocks of many key materials are at a minimum level and will remain there throughout 1948. The Survey points out that the rebuilding of these stocks must remain an important object of import policy.

The "invisible" deficit should be reduced to about £80 million in 1948 compared with £226 million in 1947. Cuts in overseas Government commitments and in film and travel expenditure, together with the rebuilding of the merchant shipping fleet, are the main contributors to this improvement. For the first half of the year "invisibles" as a whole are estimated to produce a net deficit of £49 million. On the basis of these estimates of visible and invisible payments, the Survey makes the following projection of the British balance of payments for the first half of 1948:—

U.K. BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(£ Million at Current Prices)

	1938	1946	1947 Provisional	1948 First Half (Forecast)			
				Western Hemisphere	Sterling Area	Other Countries	Total
Total payments for imports (fob)	835	1,092	1,574	267	313	212	792
Receipts from exports & re-exports	533	888	1,125	105	355	245	705
Surplus (+) or deficit (-) on visible trade	- 302	- 304	- 449	- 162	+ 42	+ 33	- 87
Invisible (net)	+ 232	- 176	- 226	- 21	+ 28	- 56	- 49
Total surplus (+) or deficit (-)	- 70	- 380	- 675	- 153	+ 70	- 23	- 136

No detailed estimates have been made for the year as a whole because of the uncertainty of Marshall aid. But it is estimated that if imports continue at the same general level as for the first half of 1948, making due allowance for seasonal factors, they would amount to about £1,670 million for the full year. Total exports have been estimated at £1,500 million and the net deficit on invisible account is put at £80 million, giving an overall deficit of £250 million, compared with the £675 million incurred last year. The deficit with the Western Hemisphere, however, would be considerably greater than the total figure, for the estimated surplus with the sterling area is expected to be substantially larger than the deficit with the rest of the world. The Western Hemisphere deficit itself, however, is expected to be largely reduced—from £680 million for the whole of 1947 to £183 million for the first half of this year. Whereas in 1946 Britain drew 49 per cent of its imports from the Western Hemisphere and in 1947 44 per cent, the import programme for the first half of 1948 brings the figure down to 34 per cent. It is hoped to export to the Western Hemisphere 14 per cent more by

volume in 1948 than in 1938. The gold and dollar reserves will thus have to meet continued pressure, at least in the first part of 1948, and in all probability thereafter. Such pressure will derive not merely from the United Kingdom's direct expenditure but from that of the rest of the sterling area. The expected changes in gold and dollar reserves for the first half of 1948, with comparable figures for 1946 and 1947, are shown in the following table:—

CHANGE IN THE GOLD AND DOLLAR RESERVES, 1946-48
(Including United States and Canadian Credits)
(£ Million)

	1946	1947 (Provisional)	1st Half 1948 (Forecast)
1. United Kingdom net expenditure in Dollar area (a)	340	626	151
2. Rest of Sterling area net expenditure in Dollar area	38	266	45 (b)
3. Sterling area net gold and U.S. Dollar expenditure in other countries	- 80	157	31
4. Sterling area subscriptions to International Bank and Fund in gold and United States Dollars	10	58	...
Net outflow of gold and dollars	308	1,107	227
5. Gold receipts from South Africa	- 71	- 70	...
6. Other gold receipts (net)	- 11	- 14	- 5
Net drain on reserves	226	1,023	222
7. Drawings on International Monetary Fund	...	60	...
Net reduction in reserves	226	963	222

(a) U.S.A., Canada and Newfoundland, American account countries. (b) Excluding South Africa. (c) No allowance has been made for drawings on I.M.F. by the United Kingdom or any sterling area country in the first half of 1948. Any such drawings will diminish the figures for net reductions by an equal amount.

The Survey points out that at the beginning of 1948 the reserves were about £680 million, including the South African gold loan and the residue of the American credit, but excluding the balance of the Canadian loan over and above the agreed drawing of \$45 million to the end of March. The estimates above suggest that the reserves are likely to be reduced to at least £450 million by the middle of the year and at the same rate of drain would be down to £225 million by the end of the year. In other words, they would then have fallen below the minimum figure for practical working. The estimated drain on the gold reserves for the first half of 1948 may appear modest in the light of the gold losses already suffered in the first two months of the year. These, in so far as they can be gauged from the gold sales and drawings from the American and Canadian credits, would appear to be in the neighbourhood of £110 million for the two months. These losses were, however, exceptional in size and appear to have included some £25 million of hasty withdrawals of hard currency quotas given to certain overseas countries to cover their needs for the first half of 1948—a sad commentary on their confidence in sterling.

Whether the reserves fall below the operable minimum depends upon Marshall aid. Without this aid, the Survey declares, Britain will have to make further heavy cuts in Western Hemisphere imports, especially in those of raw materials. Cuts in these would bring in their train severe unemployment and further drastic revision of the capital programme. The Survey builds up a powerful brief for Marshall aid, not only from the point of view of the direct interests of Britain but in its relation to the recovery of Europe. It therefore concludes that the cuts in raw material imports which would have to be made if no aid were forthcoming should be postponed until they are shown to be absolutely inescapable.

The Government's broad strategy of external recovery is first to make the best progress towards a balance of total payments, and secondly to establish some approach to equilibrium of payments with the Western Hemisphere. The following practical steps in achieving this balance are specified: (1) to fix an export target to reach 150 per cent of the 1938 volume by the end of this year; (2) to save dollars by increasing supplies from home

sources, particularly by the development of home agriculture; (3) to divert exports to the United States, Canada and Argentina; (4) to create new sources of supply of British imports in non-dollar countries and more particularly the British Commonwealth; (5) to invite other sterling area countries to exercise similar measures of dollar economy; and (6) to restore, in concert with other countries, a system of multilateral trade and convertible currencies.

This declaration of policy raises the issue of "unrequited exports." If Britain tries to arrive at a total balance while it is still running a large deficit with the Western Hemisphere, a correspondingly large surplus must be accumulated in the form of unrequited exports; but "it is intended to limit them to an amount commensurate with the present resources of the United Kingdom." In the first half of 1948 a total deficit of £136 million is expected—with a surplus of about £70 million with the rest of the sterling area. This surplus will not necessarily be wasted, for the alternative to exports to the sterling countries may be a higher dollar outlay by them. Some unrequited exports to countries like Belgium, which already hold substantial sterling balances and have the right to convert part of them into gold, are also beyond criticism. The Survey also endeavours to justify "unrequited" exports representing investments that will create new supplies of food and raw materials which ultimately will replace imports from dollar countries. Finally, it points out that to try to reach an exact balance of trade with every country would be to turn the back on the policy of multilateral trade which Britain has so far pursued and would remove a powerful motive for other countries to use and hold sterling.

To achieve the required equilibrium in Britain's external payments, greater production is the first prerequisite. The Survey sets the following targets for 1948:—

PRODUCTION TARGETS FOR 1948

Industry	Unit	1947 Actual	1948 Target
Coal:—			
Deep-mined output (52 weeks)	million tons	186.3	200.0
Open-cast output (52 weeks)	"	10.2	11.0
Manpower on colliery books (c)	number	718,000	750,000
Mining Machinery:—			
Coal cutters	"	1,172	1,400
Power loaders	"	109	250
Conveyors	"	2,666	4,700
Tubs and cars (capacity)	tons	56,390	70,000
Iron and Steel:—			
Steel output (ingot)	tons	12,724,000	14,000,000
Iron castings	"	2,781,000	3,000,000
Shipbuilding:—			
Tankers completed	gross regis. tons	120,000	175,000
Repairs: (target reductions)—			
Railway wagons under repair (at end-September)	number	203,000	170,000
Electricity generating plant out of commission (c)	kW.	1,450,000	1,300,000
Textiles:—			
Cotton yarn (a)	million lb.	740	900
End-year annual rate	"	828	1,000
Worsted yarn	"	154	190
End-year annual rate	"	170	204
Woolen and worsted cloth	million yards	233	290
End-year annual rate	"	260	300
Rayon: continuous filament	million lb.	119	150
End-year annual rate	"	135	165
Rayon: staple fibre	"	82	105
End-year annual rate	"	85	120
Manpower in cotton (c)	number	267,000	325,000
Manpower in woolen and worsted (c)	"	179,000	200,000
Manpower in other textiles (c)	"	212,000	235,000
Agriculture:—			
Bread grains	'000 acres	2,207	2,595
Other grains	"	5,888	6,050
Potatoes	"	1,332	1,423
Sugar beet	"	396	400
Linseed	"	40	150
Manpower in agriculture (b)	number	1,055,000	1,110,000

(a) Cotton yarn, including cotton waste yarn, but excluding spun rayon and mixture yarns.
(b) The figure for 1947 is at end-year; the target for 1948 is required by mid-year.
(c) End-year.

Steel, despite the record output of 14 million tons promised for this year—a figure "within the physical capacity of the industry . . . if there is freedom from serious fuel, raw material

and transport difficulties"—will be the principal limiting factor throughout a large part of British industry during 1948. The textile targets are perhaps the most ambitious. Their attainment depends not only upon an advance in efficiency towards that achieved by the best firms but also upon increased hours and a large increase in manpower. It is in the textile industry that the need for redistribution of the industrial population is greatest. From 652,000 textile workers employed at the end of 1947, the total is expected to reach 760,000 by the end of this year. Even this figure will be 38,000 below that for the middle of 1939. The estimated redistribution of the industrial population is shown in the following table:—

DISTRIBUTION OF MANPOWER, 1947-48
(Thousands)

	Mid 1939 Actual	End 1947 Actual	Mid 1947 Actual	End 1947 Actual	End 1948 Distribution
Coal (total manpower)	77.5	7.9	7.5	7.4	7.9
On colliery books	(7.5)	(6.9)	(7.1)	(7.1)	(7.5)
Other mining and quarrying	16.9	7.1	7.2	7.3	7.5
Public utilities	2.2	2.4	2.6	2.7	2.8
Transport and shipping	12.5	1.5	1.4	1.4	1.5
Agriculture	9.0	1.0	1.0	1.0	1.1
Fishing	4.0	3.5	3.5	3.5	3.5
Building and civil engineering	1.3	1.2	1.4	1.5	1.6
Building materials	5.7	5.1	5.7	5.8	5.7
Metals and engineering	2.2	2.2	2.2	2.2	2.9
Textiles	7.3	6.5	6.2	6.2	7.0
Clothing	1.0	8.7	8.2	8.1	8.0
Food, drink and tobacco	6.4	5.9	6.0	6.2	6.0
Chemicals	2.6	3.2	3.2	3.3	3.5
Other manufactures	1.2	1.2	1.3	1.3	1.5
Distribution	2.8	2.3	2.3	2.5	2.3
Consumer services	2.2	1.9	2.1	2.1	2.1
Civil service	4.0	7.2	7.1	6.9	7.1
Other National Government*	2.1	3.4	3.7	3.7	3.6
Local Government	8.4	1.0	1.0	1.1	1.0
Total Employed	18,000	18,276	18,650	18,887	18,870
Unemployed	1,270	393	269	300	450
Total Industrial Population	19,270	18,674	18,910	19,187	19,320

* Including industrial staffs of Government departments not classified to a particular industry and Police, N.E.S. and Civil Defence.

The increased shifting of labour is reflected in the higher estimates of unemployed workpeople for the end of 1948.

Higher output will, however, have to be canalised almost exclusively to export trade, and with a much smaller volume of goods imported on credit or by other forms of external disinvestment, the physical volume of resources available to cover domestic consumption, investment and Government expenditure will be smaller—but only by an amount estimated at 3 to 5 per cent. The reduction of consumption in terms of food is estimated as follows:

CONSUMPTION PER HEAD PER ANNUM
(lb.)

	Pre-war Annual Average	1947	First Half, 1948		Pre-war Annual Average	1947	First Half, 1948
Dairy products (milk solid)	38.3	48.9	45.7	Potatoes	176.0	297.0	176.4
Meat	103.6	82.2	67.2	Pulses and nuts	9.6	7.8	5.8
Fish, game, poultry, etc.	32.8	36.1	35.8	Tomatoes & fruit	141.5	126.6	108.0
Eggs and egg products (solid)	21.5	21.0	22.5	Vegetables	107.4	117.9	81.9
Oil and fats (fat content)	45.0	53.9	54.6	Cereal products	203.8	240.9	247.5
Sugar and syrups (sugar content)	103.9	85.0	76.1	Beverages	14.7	15.2	14.5

* Shell egg equivalent. † Fresh equivalent. ‡ Edible weight.

At current prices the resources available for use at home are estimated at £9,250 million for 1948. This assumes a net national income of £9,000 million and £250 million of net borrowing from abroad. In 1947 the corresponding figures were £8,600 million and £675 million respectively. The capital budget which emerges from these targets and estimates—and the extent of the danger of further inflation unless the Chancellor budgets for a large surplus—are discussed on page 427.

Business Notes

A "Tough" Budget?

From the point of view of the City, quite the most significant aspect of the "Economic Survey" lies in the light it sheds upon the attitude of the Government—or at least of the Chancellor—to the forthcoming Budget. In this year's Survey the authorities have not been content, as they were last year, simply to set out the targets for production, capital outlay and the balance of payments, and then to leave the public to make its own guesses about the chances of pursuing such a programme without creating inflationary strain. This time the Survey presents a *pro forma* balance sheet for the national economy as a whole, complete with estimates of 1948 national income and of the structure of the Budget on the current basis of taxation.

On the assumption that supplies of imported materials suffice to maintain employment at only a little below its current level, the net domestic output of goods and services is estimated at £9,000 million at the current price-level, compared with £8,600 million in 1947 (at the prices then ruling). This expansion in the money volume of domestic output is approximately equal to the amount by which the authorities hope to reduce the deficit on the overall balance of payments, which is put at roughly £250 million for the full year compared with £675 million in 1947. Hence, as the table opposite shows, the total resources available for use at home are put at £9,250 million compared with £9,275 million in 1947.

Of these resources, £2,050 million is expected to be absorbed by public authorities (excluding purely "transfer" payments, such as social security payments, war pensions and national debt interest to the total of £1,140 million). The amount required for net capital formation, i.e., for housing and re-equipment of the industry and the utilities, is put at £1,100 million, so that the physical resources residually available for personal consumption would be, at current market prices, £7,675 million.

What are the chances that the demands of consumers could in fact be kept down to this figure without any further increase in prices will continue, and will attract real resources away from exports and essential capital outlays. The Government expenditure of £3,590 million (including subsidies and transfer payments) will be self-financing, for, on the existing basis of taxation, public authorities are expected to have a surplus of £275 million before allowing for £150 million expected to be disbursed in 1948 in war damage payments and EPT refunds, both of which items are treated as capital. Of the £1,100 million of net capital outlay, therefore, £275 million will be financed from the savings of public authorities and a further £250 million by net borrowings overseas, leaving £575 million as the requisite amount of private savings.

* * *

Savings and Inflation

The crucial question is whether it is reasonable to expect such a volume of savings to be provided by non-inflationary means, that is, by genuine and spontaneous savings, as distinct from the mere accumulation of temporary savings in the hands of those who are able to use the inflationary situation as a means of exacting higher money incomes. The Government itself plainly has grave doubts, for it now frankly points out that the relatively large savings of 1946 and 1947 are "no guide to what savings we may expect individuals to be prepared to make in 1948," because these savings "were in part the outcome of the inflationary process . . . and in particular were accompanied by a heavy strain on the economic controls." After Mr Dalton's repeated arguments to the contrary, the Government is to be congratulated on this candour. Indeed, its frankness does not stop there, for it points out that the requisite personal saving of £450 million (a net £125 million is expected to be provided from undistributed business profits) is equivalent to 5½ per cent of the total of personal incomes after direct taxes have been paid, a proportion which is half as great again as that for 1938. Hence it is concluded that "without a radical change in the willingness of individuals to save," it is unlikely that the requisite net savings would be generated by non-inflationary processes.

It should be noted that this sombre conclusion, which is surprising only in its frankness, is based upon the assumption that all the other official targets will be attained. Obviously, there are great uncertainties at almost every point in the complex computa-

tion; but, in particular, there is reason to question the estimates of investment outlays and savings by industry. Gross domestic investment is put at £1,800 million compared with the £1,420 million already estimated (in the White Paper of last December) for outlays on fixed capital. The difference of £380 million represents the expected increase in industrial work in progress and in export goods "in the pipe-line" and also an allowance for "some small rise" in costs. But the amount needed to maintain existing capital equipment intact is estimated at only the £700 million which is allowed for depreciation at Inland Revenue rates, although the White Paper itself admits that at current costs the bill would be some £200 million larger than this. Most industrialists would put it higher still; but, even on the basis of £900 million, it is clear that unless industrialists can be prevented from undertaking

NATIONAL RESOURCES AND EXPENDITURE, 1946-48
(£ Million at Current Prices)

RESOURCES	Provisional		1948 Esti- mated	EXPENDITURE	Provisional		1948 Esti- mated
	1946	1947			1946	1947	
National income of the United Kingdom	8,200	8,600	9,000	Domestic expenditure on goods and services, at market prices			
Borrowing from abroad, etc.	380	675	250	Personal	6,750	7,300	7,675
				Government	2,330	2,150	2,050
				Net capital formation	750	1,250	1,100
				Total	9,830	10,700	10,825
				Subsidies	360	430	400
				Less indirect taxes	-1,610	-1,855	-1,975
Total resources available for use at home	8,580	9,275	9,250	Total resources available for use at home	8,580	9,275	9,250

necessary maintenance, the official estimates will be falsified in one of two ways: either the gross capital outlay will, in fact, be larger than £1,800 million, or the net new capital formation will be less than the £1,100 million which the estimates assume. In the former case, the inflationary pressure and the need for saving would be even greater than the White Paper implies; in the latter case, inflation would be held down only at the cost of drastic impairment of the productive efficiency of British industry. For all these reasons there is plainly need for the Chancellor next month to budget for a really large surplus—and the frank admissions in this White Paper suggest that he, at least, is fully alive to the need.

* * *

Chancellor on Sterling

The intervals between the recurrent rumours of sterling devaluation are growing shorter. Perhaps for that reason the official denials are becoming increasingly explicit and emphatic. Asked last week whether he considered sterling devaluation to be inevitable during the course of this year, Sir Stafford Cripps replied bluntly: "No, I certainly do not." The occasion for this latest exchange was provided by an odd report from Brussels that the British Ambassador had mooted the possibility of a simultaneous devaluation of the pound, Belgian franc and Dutch florin as part of the economic side of the plan for Western Union. The story was, in fact, promptly denied by an Embassy spokesman, and was finally scotched by the Chancellor's terse comment—"complete nonsense." The trouble about these denials is that while they are accepted at face value by almost everyone in this country, on the Continent they seem merely to add fuel to the flames of speculation, for people there cannot forget the experiences with their own currencies in the 'thirties. Then the obstinacy of the so-called gold bloc in clinging to over-valued parities led Continental monetary authorities to issue flat denials in monotonous sequence up to the very eve of the eventual devaluations.

But, in fact, there is no analogy between the position of sterling now and the position of the gold bloc currencies in the 'thirties. Then those currencies were demonstrably far out of step with those of almost the whole of the rest of the trading world, and



Prosperity is not without many
fears and distastes: and ad-
versity is not without comforts
and hopes.

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The giant cotton tree which bears the name of Tom Cringle stands on the road from Kingston to Spanish Town and is named after the hero of 'Tom Cringle's Log', an early nineteenth century adventure story set in the West Indies. Tom, a young naval officer in the tradition of Mr. Midshipman Easy, deals with slavers and privateers in the summary and effective manner expected of such heroes and the book also contains entertaining and informative descriptions of the way of life of the West Indian people in those days. Much has changed since the book was written but the great tree remains as a link with the Jamaica that Cringle knew. The capital of the island was transferred from Spanish Town to Kingston in 1870 and the port of Kingston now handles a volume of trade which would have staggered the merchants of a century ago. Full and up-to-date information from our branches in Jamaica on industrial conditions and commercial trends in the island is readily obtainable on request.

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gold bloc exports were languishing. But now, although it is the dollar which sets the pace, hardly any currencies are demonstrably in step either with it or with one another, and it is impossible to know—given the uncertainties about dollar prices—what pace it will be setting in a few months time. This is no moment at which to start trimming the line. Though some Continental countries may be forced into action by pressures similar to those which compelled the recent move by France, the sheer uncertainties provide strong arguments against making any avoidable changes in the near future. For sterling, the crucial question is simply this: would early devaluation ease the crippling difficulties of the hard currency deficit of the sterling area? Despite the increasing resistance which British goods are encountering in export markets, there is no evidence at all that a cheapening of sterling would reduce the deficit.

* * *

Devaluation No Solution

Some of the confused thinking on this subject evidently springs from misconceptions of the Chancellor's own reiterations of the need to reduce British costs. Of course, if the production costs of goods which are now meeting price-competition can be reduced, export sales would benefit. But discriminating price reductions achieved by such means would have very different results from the all-round reduction which a devaluation would in effect involve. Before a case can be made on these lines for devaluation, it has to be shown that the effects of the stimulus it might give to some exports would more than outweigh the losses involved from a cheapening of the great mass of exports which can be sold readily at present prices. At present, almost every competent observer in this country believes that there would actually be a substantial net loss from a devaluation—that it would increase, and not reduce, the deficit. The increased difficulty of selling luxury or inessential goods springs much more from the general exchange shortage in the importing countries than from price-competition; the effects of devaluation in stimulating such sales would be unlikely, therefore, to be large. On the other hand, the export demand for the more essential goods still far exceeds the amount which Britain can produce or release from domestic consumption.

On the import side, the case against early devaluation is even more apparent. It is often thoughtlessly contended that a country which urgently needs a large volume of imports dare not depreciate its currency because that would increase its import bill. Put in this way, the argument is fallacious; the imports have to be paid for in foreign currency, and their true cost does not depend upon the amount of sterling which has to be given for that currency. In the absence, however, of a policy of domestic subsidisation, devaluation would increase the sterling prices which had to be paid by the domestic consumer. Under a system of free importation, therefore, the increase in prices would tend to reduce the volume of imports. But under the present system, when imports are subject to strict control and only essential goods are being imported (except for certain goods imported under bilateral pacts), this part of the normal mechanism of automatic adjustment is entirely out of commission. On the import side, the only effects of devaluation would be to dislocate the subsidies policy and destroy the Government's hopes of achieving price stabilisation. As Sir Stafford himself very pointedly remarked, "Where you are at the limit of export, and already control rigidly your imports, you do not get any better control by monkeying about with your currency." The obvious sincerity of that comment ought to convince the doubters that the Government is satisfied that British interests are best served by the present rate for sterling.

* * *

The Film Agreement

The deadlock over the earnings of American films in this country has been settled by a realistic compromise. The full details are not known as this issue goes to press, but Mr Harold Wilson's announcement in Parliament on Thursday gave the main points of a four-year agreement which can be reviewed at the end of the first two years. As a beginning, the British Government agrees to withdraw the tax on foreign films; the point on which Mr Eric Johnston had staked his honour is conceded, and since there is no sign of any quantitative restriction on film imports the British exhibitors should be pleased, too.

For the first two years (beginning in June when the agreement is to come into force) the remittance of net earnings for American films—not only new films, but those already in this country as well—is fixed at 17 million dollars a year. This means a substantial

saving in dollars; it can be compared with the net payments for imported films of £7 million in 1938, £17 million in 1946 and £13 million in 1947, shown in the Economic Survey. The Survey's forecast of £4 million for the first half of this year seems to be wide of the mark, since Mr Wilson said on Thursday that Britain is now remitting at the rate of 50 million dollars a year on re-issues—an admission that the import duty has saved only a small amount of dollars so far. The Americans can increase their dollar remittances further to the extent that British films earn dollars in the United States. This jettisons any idea that British films shown in the United States might help to improve our dollar position, and accepts a position of commercial inferiority for the British film industry; but that is realistic, too. It does give the American producers a motive for encouraging the distribution of British films in the United States. What they can do in that direction is, however, entirely doubtful, and it seems inadvisable to build any great hopes on it.

In compensation for its immediate loss of dollar revenue the American motion picture industry gains a clear prospect of being able to re-invest the inconvertible part of its British earnings in "permitted sterling uses," and—a remarkable provision—will form a joint committee with British Government representatives to decide what the permitted uses are to be. They will presumably go outside mere re-investment in motion picture activities here. The sums involved will clearly be substantial; but most people will hope that they can be reasonably expended in commerce before the point is reached at which the final residue of film earnings goes into the vaguely described "charitable or public uses" with which Mr Wilson concluded his summary.

* * *

Steel Prospects

Mr Strauss mentioned in the Commons on Monday that a contract had been signed in the last few days for 100,000 tons of German commercial scrap. But a contract for that quantity was signed in December and never carried out. It has had to be negotiated again, and the contract just signed appears to relate to the same steel, which has still not moved. It is, first of all, to the problem of getting commercial scrap from Germany that the new Committee which the Minister of Supply has appointed will address itself; and the committee is to begin by visiting Bizonia. There is a chance that in this matter a special inquiry may achieve results which the routine negotiators cannot. For it is clear that the ordinary methods of trade negotiations are defeated by the political confusion of Frankfurt as well as by the intractable German currency problem. If the committee does no more than discover, and explain to the Minister of Supply, the real prospects of getting scrap from Bizonia in the next few months, it will have achieved something. Mr Strauss on Monday was non-committal: "The uncertainties of the situation make it impossible to think in terms of a target . . . I doubt whether we shall get as much as that (1,000,000 tons), but we want to get as much as we can during the coming year."

The Economic Survey for 1948, by putting steel first among the shortages limiting industrial production, and scrap first among the shortages limiting steel production, underlines the seriousness of the scrap problem. Its authors, with obviously very little to go on, have fallen back on 850,000 tons as their forecast for scrap imports this year. (The Government forecast has hitherto been 1,000,000 tons.) "If more than this could be obtained," they add, "it could be used by the industry and relieve pressure on pig-iron supplies." They mention coke and transport as other potential bottlenecks; supplies of limestone and refractories, too, "will have to be watched carefully."

These uncertainties have to be borne in mind in assessing the steel industry's considerable achievement in the first two months of this year, and the favourable survey of the steel prospects for 1948 given in the Iron and Steel Federation's statistical bulletin for February. Ingot production in January was at the rate of more than 14.5 million tons a year; in February it reached the rate of 15 million tons, the highest ever attained in the history of the industry. But the holidays are still to come. If all goes well, the target of 14 million tons should be reached, but it is not a certainty; and industrial demands are, at the moment, virtually insatiable. There may be enough steel to permit, on paper, the steel-using industries to reach their export targets; but home consumption and the demands of re-equipment are competing for the same steel, often in the same factories. And, as the bulletin suggests, shortages of components (themselves frequently due to lack of steel) cause large quantities of steel to be immobilised in an unfinished state of assembly.

What Price Argentine Maize?

The enigma of the Argentine meat and maize prices remains unsolved despite the publication of the full text of the Andes Agreement. Some three weeks ago, the Minister of Food, when challenged about the price to be paid for maize, stated in Parliament that it was "considerably below £30 a ton." But no corroboration of this statement is to be found in the agreement. Indeed no information at all is given which would permit even the vaguest estimate of prices. Moreover, the full text adds little to what is already known about the trade agreement, which was discussed in an article in *The Economist* on February 21st. A detailed list of both the British purchases and the Argentine requirements is appended in two schedules, together with the exchange of notes between Dr Bramuglia, the Argentine Minister of Foreign Affairs, and Sir R. A. Leeper, the British Ambassador in Buenos Aires.

Britain has contracted for 1,272,000 metric tons of maize of which 300,000 tons can be replaced by barley at the Ministry of Food's option. Frozen meat amounts to 400,000 long tons carcase weight with 20,000 tons of corned beef. In addition, Britain will receive 45,000 metric tons of animal fats, 85,000 tons of wheat offals, 100,000 tons of oilcakes and oilmeals and 20,000 tons of linseed oil. British exports to Argentina include 2,600,000 cubic metres of petroleum products, consisting mainly of fuel oil, crude petroleum and petrol, 1,000,000 tons of coal, 77,300 tons of steel, 34,000 tons of tin plate (mainly for the British food pack) and 45,000 tons of chemicals of which 20,000 tons will be soda ash and 16,500 tons caustic soda. There are also 10,000 tons of agricultural equipment and small quantities of lead, zinc sheet, asbestos and cutlery. The British Government has undertaken—as in the Russian agreement—to ensure, "within the limits of its powers," that contracts are fulfilled on time.

Neither the British nor the Argentine list is necessarily exhaustive, but any supplementary purchases will in all probability be determined by the development of the balance of trade between the two countries. At least this allows for possible purchases of the wheat, hides and skins by Britain at some future time during the year. Argentina has also agreed to give preference to British goods in making further purchases, provided that quality, price and time of delivery are equal to other competitors—a provision which will still leave the Argentine Government with ample room for manoeuvre.

One interesting feature is contained in the exchange of notes, whereby the Argentine Government asks for an undertaking from Britain that the meat sold is "exclusively for consumption in the United Kingdom and its dependent areas." Presumably maize and the other goods could be re-sold by Britain to other countries. Even in its official dress, the agreement gives little cause for jubilation, but it has secured really vital supplies for this country and it does at least open up the possibility of expansion of trade with an important prewar market.

* * *

Break in Wool Prices—

For the first time since wool auctions were resumed in September, 1946, wool prices have fallen sharply in both Australia and London. The fall was not entirely unexpected. The sharp rise in prices during the London sales in January caused apprehension in trade circles and it was generally felt that the peak had been reached. But prices continued to rise in the first three weeks of February and it was only towards the end of last month that the first signs of a break were discernible—first in New Zealand, then in Australia and finally at the London sales. The Zealand, then in Australia and finally at the London sales. The falls have been both general and sharp. Greasy merinos dropped by 10 to 15 per cent, fine crossbreds by 15 to 20 per cent and medium and coarse crossbreds by 20 to 25 per cent. The bigger fall in the lower qualities is not surprising, as much of the buying of these types has been in substitution for finer wools. Manufacturers bought medium crossbreds because fine crossbreds and merinos were too dear, and as soon as the better qualities became cheaper, demand swung away from the inferior wools. Prices are now back to the level ruling in December for combing merino, while crossbreds are even lower. For the coarser grades it is reported that the market price was only 1d. a lb. above the Joint Organisation's reserve price.

The causes of the decline are naturally complex, but they are unlikely to be directly connected with the "break" in grain and cotton prices experienced in the United States early in February. More probably it was due to the absence of the factors which caused the sharp rise in January. During these latter sales, Russia, Poland and Czechoslovakia bought strongly and without limit, concentrating on combing merinos and good crossbreds. Bradford had to replenish its stocks and was forced to compete

with this strong European demand. The Lazard credit to France for wool purchases was renewed and expanded. In addition, the general feeling of instability of currencies and fears of further inflationary pressure helped to boost the demand. The publication of the Joint Organisation's wool stocks showing a dearth of the finer types and the announcement from Australia that the wool clip was showing a steady deterioration no doubt contributed to the "bull" position.

In the past week Poland and Czechoslovakia have shown much less interest in the sales and even Russian buying has been more moderate. Bradford was probably deterred by the more positive stand taken by the Government to peg prices and the growing belief that devaluation of sterling was no longer imminent, while the political uneasiness over recent events in Czechoslovakia undoubtedly undermined the optimistic tone in the market. Nevertheless, despite the sharp fall in prices, the basis of the wool market is strong. Consumption is still being maintained at a high level in all the major manufacturing countries and stocks in commercial hands are generally not excessive. Reports from Bradford in particular indicate that stocks are by no means high, and the same is probably true in France, the Netherlands and to a less extent Belgium. The undertone of the market for merinos and fine crossbreds is firm and the decline in these prices is unlikely to be protracted.

* * *

—But Rise in Cotton

The first two months of the Raw Cotton Commission have been far from happy, and any goodwill it may have had must be dwindling rapidly. After abruptly raising the price of Egyptian cotton by 7½d. a lb. to home spinners barely three weeks ago, the Commission has just announced a further rise of between 4d. and 7d. a lb. for Egyptian growth (Giza 7 is now 37.6d. a lb.) and 4d. to 1½d. a lb. for American type cottons, with middling American now quoted at 23.30d. a lb. This increase is the more unfortunate because it occurred at a time when the American cotton market was experiencing its second sharp fall in a little over a month. Cotton futures last Wednesday stood at 33.68 cents a lb. (19.9d.), compared with 34.71 cents (20.6d.) on February 2nd. On the other hand, Egyptian cotton prices in Alexandria are continuing to rise quite sharply but the present level of prices there can hardly be considered a true reflection of the market position.

In the absence of any official explanation by the Raw Cotton Commission, it is natural to conclude that British supplies of American cotton were bought at the peak of the market, while in Egypt, British buyers have been at the mercy of growers and brokers. Or was the increase in Egyptian prices so great that its effect had to be averaged over the American types—which are quantitatively much larger—in order to prevent too great a margin between the prices of the different types? Again, to what extent is the Commission a free agent in the matter of prices? Or is general policy still dictated by the Board of Trade?

These points undoubtedly warrant some explanation, for clearly under present arrangements spinners may be confronted with abrupt price changes which cannot possibly be foreseen. Moreover, in the world export market, they are being placed at a price disadvantage compared with their competitors. Admittedly spinners had hitherto been able to buy Egyptian cotton below the world price, but the quantities available were insufficient to allow an accumulation of stocks, while the low output of the mills due to lack of labour prevented full advantage being taken of this position.

Efforts are now being made to expand production and the volume of exports. Where the sellers' market for textiles still obtains overseas, the higher price British spinners have to pay for their raw material can be passed on to the consumers, but where competitive conditions are returning, the increase in raw cotton costs, against the American trend, puts them at a disadvantage.

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Final Railway Meetings

The final meetings of the four railway companies last week were rightly occasions for valedictory sentiment and eulogies of the faithful service of railwaymen of all grades. Perhaps the spirit of service was most manifest at the meeting of the Great Western Railway, whose directors, alone among the four companies, did not have to submit to the will of the stockholders on a proposal to pay so-called remuneration for loss of office. The company has always been generous to its shareholders, and the chairman underlined a point which was not conceded elsewhere by saying that the stockholders deserved every penny of the final revenue available for distribution, for they had suffered severe cuts in their income from the conversion of their holdings into British Transport stock. The board of LNER were less fortunate than their fellow-directors of the LMS and Southern, for the resolution moved from the floor to grant them £63,000 compensation for loss of office was defeated on a show of hands, while amounts proposed in the other two cases were approved.

A universal desire was apparent at the meetings to see that the old companies were wound up in a manner befitting their great record. At some of them the opportunity was taken to review the state of the railway facilities as they were handed over to the State on January 1st. It was generally conceded that if the properties were in indifferent shape, damaged by the heavy demands of wartime and post-war traffic, there were good reasons in explanation, and that plans for making good wear and tear and for new development, which had been seriously retarded by shortages of materials and labour, had been passed on to the British Transport Commission. Sir Ronald Matthew at the LNER meeting hardly envied the lot of the Commission in their task of making the railway services pay in the light of a probable deficit of £43,500,000 on the operations of the railways in 1947, even allowing for the increase in charges made in the final quarter. But Sir Robert Burrows of the LMS pointed out that the Transport Commission would be free from the damaging competition of road transport, and that the doubts about the administrative forms under which transport now operates would best be resolved by hard experience. At the Southern meeting, Colonel E. Gore-Brown insisted right up to the end that the terms of compensation based on Stock Exchange values were unfair. Thus the companies dissolve, but they will leave behind assets and experience of the highest value to State-owned transport. Their passing has certainly been dignified by the tone of last week's final proceedings.

Canada's Gold Reserve

The annual report of the Bank of Canada for the year 1947 deals in broad outlines with the Canadian exchange situation. The Governor, Mr Graham Towers, points out that during 1947 some \$560 million of Canada's sales to other countries were financed out of drawings on Canadian credits and roughly \$40 million out of relief appropriations. At the same time Canada had to pay cash for all its purchases from other countries. Since the overall balance of payments showed a surplus of only \$70 million there was a cash deficiency on current transactions of some \$530 million and a corresponding drain on Canada's foreign exchange reserves. This drain, together with the payment of \$74 million on Canada's subscription to the International Monetary Fund, redemptions of Canadian bonds held abroad and other net capital transactions, accounted for the overall reduction of \$743 million in Canada's gold and dollar exchange reserves during 1947. Mr Graham Towers stresses the urgent need to increase Canada's gold reserve. In this context he refers with approbation to the European Recovery Programme, pointing out that it would facilitate the continuance of Canadian shipments to Western European countries where they are badly needed. But, he adds, Canada has an even greater interest in the long run implications of ERP, since Canadian exports and employment will be influenced to an important degree by the extent of recovery in Europe when the present unusually heavy demand for Canadian goods has declined.

Belgium's Dilemma

The financial negotiations between Belgium and Britain are proving extremely laborious and something near deadlock appears to have been reached. The basic difficulty is that which has dogged Anglo-Belgian monetary relations for some time past, namely the chronic capacity of Belgium to accumulate sterling. That is, of course, a reflection of Belgium's export potential and

of its current surplus of payments with countries that wish to pay for that surplus in sterling. Last year that difficulty was temporarily resolved by inducing Belgium to increase the ceiling of its sterling holdings from £5,000,000 to £27 million, giving Belgium a bilateral exchange guarantee and retaining the right of convertibility in respect of any sterling held in excess of the new ceiling. In fact Belgium has increased its sterling holding beyond that ceiling and is likely to increase it further as a result of sterling payments for exports to countries such as Egypt, exports which had been arranged before the suspension of convertibility of sterling and before Egypt ceased to be a member of the sterling area. The Belgian Government is naturally pressing for convertibility rights and its attitude is strengthened by its continuing dollar deficit in meeting which Belgium has recently had to sell gold and buy dollars from the International Monetary Fund. But Britain can plead poverty in refusing to grant convertibility rights for sterling acquired from third parties, and has countered by asking Belgium to agree to a further increase in the ceiling of its sterling balances, sweetening the request by the offer of a more effective exchange guarantee than the strictly bilateral protection against a change in the Belgian franc-sterling rate which Belgium enjoys today.

The choice before Belgium is a particularly difficult one. The monetary relations with the sterling monetary area are by no means unique. The same characteristics are to be found in Belgium's balance of payments with a number of other European countries, including the Netherlands, France and Italy. With all of these, Belgium has a current surplus and is being asked to finance it by holding what are virtually blocked, and certainly inconvertible, currencies. To understand Belgium's aversion to further increases in these holdings it is necessary to realise that the surpluses are needed to cover a deficit with the dollar area. It should also be appreciated that Belgium is at present trying to put into operation a severe deflationary policy intended to bring down prices and costs to a point at which Belgian exports can become really competitive in hard currency markets. To that end Belgium is using the orthodox mechanism of bank rate and credit restriction. But exports to European countries financed by the accumulation of inconvertible currencies work in a diametrically opposite direction. The exporters have to be paid and currency and credit is created against the acquisition of non-convertible foreign assets by the national bank. At the same time, goods are exported and thus subtracted from the volume of those available for domestic consumption. The inflationary impact is thus two-fold.

The escape from this dilemma is to cut exports to other European countries. That is in fact being done, and a perceptible contraction not merely of Belgian but of all inter-European trade is now under way, prompted by this gradual freezing of the whole mechanism of payments in Europe.

The European compensation scheme which is now operated by the Bank for International Settlements in Basle offers little hope of relief from this situation until the clearing can be backed by an infusion of dollars providing a reserve out of which accumulated sterling balances can be converted. When the European balance of current payments is as distorted as it is today, with a few countries like Belgium, Portugal, and Switzerland occupying a dominant creditor position *vis à vis* the rest, the scope for compensation is inevitably small. That explains the urgency with which Belgium is pleading for some allocation of Marshall aid dollars to underpin the European monetary compensation scheme.

Currency Confusion in China

British enterprises trading in China have in these days an unenviable task, for there is no sign yet that the country is emerging from the confusion into which prolonged war and civil disturbances have thrown its finances and trade. A striking account of some of the many problems was given by Mr A. A. Morse at the recent meeting of the Hongkong and Shanghai Banking Corporation, in a comprehensive speech which deserves to be read by all who have trade or financial interests in the East. Inflation in China continues unabated, nor will there be any hope of checking it until some approach towards political tranquility makes it possible for military expenditures to be drastically reduced. Inflation in China is, indeed, of the crudest type, for during the Japanese war the loss of the ports and therefore of the all-important customs revenue left the Government with virtually no alternative but to use the printing press as a means of financing its own expenditure. Now, at last, overseas trade has again been brought under control, but the issue of notes to finance military outlays goes on. Since 1946 the official

index of wholesale prices in Shanghai has been multiplied fifteenfold, and even the official rate for the US dollar has risen from CN\$3,350 to CN\$89,000. In the black market quotations have generally been between 25 and 50 per cent above this. The cost of living, by comparison with 1946, has been multiplied ten to twelve times.

In the circumstances, it is perhaps surprising that the authorities have had any success in their efforts to encourage exports and to check the menacing flood of imports which was causing concern in 1946. By the end of last year, however, imports were declining and exports rising, but the volume of smuggling was probably still large. The recovery of exports has, of course, been assisted by the abandonment of the policy of deliberately keeping the official exchange rate at an artificial level; but the authorities plainly find it hard to keep pace with the impetus which inflation imparts to outside rates; recently the margin between them has widened, and there have been complaints of an undue rigidity. The effort to control imports has involved an increasing range of restrictions upon business: there has been a "jungle growth of controls and monopolies." Meanwhile, no real headway has been made in the effort to ensure a more reasonable attitude on the part of the Chinese authorities to foreign capital in China. Last July the Chinese Premier reiterated that foreign capital coming to China would be free from inequitable and restrictive legislation, and would be permitted to remit overseas a reasonable profit return. But in fact no practical steps have yet been taken, and at present even properly chargeable foreign currency expenses cannot be remitted.

Railway Wages

Final details of the revised wage structure for the railways, which has been agreed on by the Railway Executive and the three railway trade unions, have yet to be announced. From the information so far available, however, it seems certain to add substantially to the wages bill. Practically all sections of the industry will benefit. Drivers will receive an extra 6s. a week, firemen another 4s., and ticket collectors of various grades increases of 6s. Supervisory staffs, such as shed masters, will receive annual increases ranging from £17 10s. to £32 16s. and a maximum increase of £7 10s. a year will be given to super-



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annuated employees. These increases are retrospective to February 1st.

The exclusion of lower-grade workers makes the agreement hard to reconcile with the TUC's interpretation of the wages White Paper, or with the Government's general policy on wage increases. Some of the lower grades who have been relatively underpaid—in many cases the minimum is only £4 8s. a week—might have expected to benefit by a general raising of the standard. What the agreement in fact does is to increase the differentials between the higher grades, in order to provide incentives for promotion and the acceptance of responsibility. This fits in with the findings of the Ministry of Labour's court of enquiry.

The decision to increase the wages of electricity supply workers is also difficult to reconcile with the White Paper. As a result of this week's decision of the Joint Industrial Council, some 80,000 workers will benefit by increases of about 5s. 6d. a week. It will be hard to persuade individual unions to exercise restraint in their wage claims, when they see these awards reached after the White Paper was published, even though the negotiations began at an earlier date. It is significant, too, that the three major increases conceded since the White Paper was published have been in railway transport, London passenger transport and electricity supply—all industries which have been, or are about to be, nationalised. The next test will come when the engineering wage claim, which has now been taken up on behalf of the women in the industry, comes up for a hearing.

Imperial Tobacco Prospects

At the annual meeting of Imperial Tobacco this week, Sir Robert Sinclair must have dispelled any outstanding doubts that the maintenance of the present level of consumption of tobacco in this country depends on the receipt of Marshall aid. In his unequivocal words, "If what we have seen reported as the proposals for inclusion of tobacco in Marshall aid materialise, then the quantity available—together with the maximum increase that we can foresee in supplies from the sterling area—might just make it possible to maintain supplies to the British public at the present restricted level." But Sir Robert gave little information on the present level of leaf stocks except to indicate that since June last

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Associated Lead Manufacturers Ltd., Sales Offices at: 14 Finsbury Circus, London, E.C.2 or Crescent House, Newcastle-on-Tyne, or Lead Works Lane, Chester.

year the rate of consumption of dollar tobacco in manufacture has been less than 75 per cent of that prior to the budget and that the group was able to spend two-thirds of its allocation of dollars for 1947 before purchases were stopped in the autumn. He also indicated that sterling area tobacco had contributed a greater amount. But although the supply position may not yet be acute, it is evident then that stocks must be considerably lower than last year.

Imperial Tobacco is obviously banking on Marshall aid—just as the Government itself is doing on the broader economic front—and the maintenance of tobacco supplies to the home trade depends on that assumption. Sir Robert suggested that it would be a mistake to overlook the importance of tobacco as an incentive good, and suggested that the increase in duty last April put tobacco beyond the reach of many people and is now perilously near the level at which the law of diminishing returns may begin to operate. Yet even these considerations may be secondary compared with the present need to economise on dollar expenditure. In defending the apparently high percentage rate of dividend, Sir Robert disclosed that the trading profit of the group before taxation was equivalent to only 10 per cent on the true capital employed. The capital at present required by Imperial Tobacco has been greatly expanded as a result of the increased tobacco duty, but even in more normal times it would remain at a high level, partly owing to the higher quantities of leaf stocks that could then be carried. The conclusion from Sir Robert's informative speech is that Imperial Tobacco profits for the current year are likely to show some decline, even on the assumption that tobacco supplies are forthcoming under Marshall aid.

* * *

Electricity "Takeover" Arrangements

Although the basis for valuing electricity securities was written into the Electricity Act (as explained in a Note in *The Economist* of February 21st) the list of "takeover" prices for 129 securities issued this week is the first official intimation which has been made of the actual prices. With only three weeks to go before the issue of British Electricity Stock, the Ministry of Fuel and Power has cut its timing very fine and, indeed, there remains a large number of "unvalued" securities for which no firm date of valuation is given. In the case of securities already guaranteed by the Treasury—the two debenture stocks of North Wales Power and the 5 per cent debenture of North Metropolitan Power—Electricity Stock will be issued to the same nominal amount as the old security.

The Stock Exchange Council has also announced the procedure to be adopted for dealings in, and transfers of, securities in electricity undertakings, and of British Electricity Stock. It is broadly similar to that for the take over of Home Rail Stocks on January 1st, but certain improvements in technique based on that experience have been incorporated. On March 10th all old electricity stocks were quoted ex any half yearly or final payment of interest or dividend due to March 31st; this, in effect, has reduced all these stocks to the status of the new Electricity Stock. The last day for dealings in the stocks in this form will be March 31st, the day following the end of the account, and all dealings up to the close of business that day will be for settlement on April 6th. After April 1st, the vesting day, on which the Treasury will fix the terms of the new Electricity Stock, transfers of Electricity Stock must be accompanied by the appropriate certificate either of the new Stock itself, or of one of the authorities recognised by the Council for the purpose. The list of authorities has now been extended to include the registrar of the old security in addition to the Bank of England, the Share and Loan Department and Associated Stock Exchanges.

Thus the penultimate phase in the takeover of electricity stocks has now been reached. As in the case of the home railway issues, the stocks stand at a considerable discount—at the time of writing up to 2½ per cent on "valued" prices. If there is greater assurance that the Treasury will issue the new stock in accordance with the strict instructions of the Electricity Act, these discounts should narrow. In any case there is not likely to be the same volume of purchases before the takeover that was witnessed in home rail issues after December 10th. But the Treasury would do well to accept the real level of the market in fixing the terms of the new stock. British Transport Stock, which purported to be worth par when it was issued has never been higher than 1½ discount, and is at present around 2½ discount. Indeed, the 3 per cent Savings Bonds 1965-75 now standing at 100 "clean" appear to match the requirements of the Electricity issue, although the Treasury may be reluctant to concede 12 years on the life of the stock to the earliest date, compared with the terms of Transport Stock.

Lessons from German Oil Technique

The first of the BIOS Overall Reports on German industry provides a valuable survey of the development of the German petroleum and synthetic oil industries in recent years. The groundwork of fact is available in the reports of the various British and American investigating teams; the new report attempts to collate and, up to a point, to evaluate their findings. An authoritative evaluation was needed so that the implications for British research and industrial development in oil could be assessed. But on the commercial application of the work which was done by the Germans, in a very different trading and political context, the report is bound to leave many questions unanswered.

The problem which the German oil chemists had to solve was not purely economic. Their work was directed to the special end of securing from indigenous resources the fuels and lubricants for German industry and the German war effort. Lack of natural petroleum forced them to concentrate on the production of oil by synthetic processes based on coal. British problems are different, as the British petroleum industry is quick to point out. But it is inevitable that interest in the German oil industry should be primarily in the synthetic processes. The various German methods are competently described. The extent to which recent German work has tended to replace expensive bituminous coal by cheap brown coal (lignite) as the basic raw material is illuminating; so is the other line of development which replaces solid fuel by hydrocarbon gases such as methane. The German achievement demonstrated that in large-scale plants there is no technical difficulty in converting complex organic material to oil in liquid phase at high pressure. But costs are high, and the application (so far as fuel production alone is concerned) most likely to arouse immediate interest in this country is not in the coal-based processes which the Germans were forced to use, but in the hydrogenation of vaporisable middle oils to petrol.

What of the Fischer-Tropsch process, the importance of which has still to be fully assessed in Britain? This was used by the Germans as a complement to the hydrogenation industry. Hydrogenation provided, above all, the high-grade aviation and motor spirit. The Fischer-Tropsch process provided only low-quality motor spirit, some diesel oil, and a large proportion of solid wax. From the wax came synthetic fatty acids and in the end-product soap, edible fats, detergents, and alcohols. Its importance is not primarily as a source of fuels, and the report (reflecting, naturally enough, the customary attitude of the British petroleum industry) regards it as unlikely to be economic for this purpose. The report does, however, concede that the process is "particularly suitable" for the production of high-priced chemicals—and here, it hints, the prospects are better. And the possibility that further research may reduce costs in both fields "cannot be ruled out."

* * *

Electric Power Peaks

The new committee set up by the Minister of Fuel and Power presents a formidable appearance. Besides technicians it includes economists and representative consumers of electric power under the chairmanship of Sir Andrew Clow. It is to report within three months on possible ways of reducing peak demand. The attempt is overdue. For too long the idea has been cherished that the country could afford to go on building enough generators to keep capacity permanently ahead of peak demand; it is now exploded. Demand for electricity almost doubled in volume during the war years. If the trend is continued, not even the completion in 1950 of the 5½ million kilowatt programme, which was left unscathed in the capital expenditure cuts last October, will be enough to prevent shedding at peak periods. Unless something can be done to even out the demand, a large part of this expensive new capacity will lie idle for most of the year and for most of the 24 hours of each day. The inquiry to be undertaken by the new committee can, therefore, have a long-term usefulness; it would be disappointing if it proved to be mere cover for the preparation of yet another stop-gap rationing scheme.

What is required is a mechanical means of separating classes of electricity consumption by types and times of use; this might mean installing a second meter, or a second register on the existing meter, in houses and shops. It is not likely to be attained without an expenditure of labour and material which could be justified only for a long-term scheme. Once the technical problem was solved, differential charges for peak hours ought to do the rest. It would become possible to spread loads efficiently, and the incentive would exist for the adoption of devices like the thermal storage system in Switzerland, where water heating is

done in the off-peak hours. Shedding might still be necessary at peak hours in a cold winter, but it should be possible, by an extension of the "central control" method by which heavy load appliances can be cut off automatically by a signal from the power station, to make cuts where they would do least damage. The committee will have to compare the cost of installing devices of this sort with their probable benefits. Anything that can be done to spread loads more evenly should reduce the amount of wasted generating capacity, and should therefore tend to keep costs down. But this will not evade the necessity (discussed in *The Economist* on November 1st) of bringing the general price of current to the domestic consumer more into line with real costs than it is at present.

* * *

Cable and Wireless Questions

There has been much disappointment at the disclosure by the directors of Cable and Wireless (Holding) in the annual report of the company that there has so far been no meeting of the Tribunal set up in accordance with the Cable and Wireless Act to fix the amount of compensation to be paid for the 27,400,000 ordinary shares of Cable and Wireless, Ltd., taken over by the Government on January 1, 1947. When the Tribunal was appointed last summer it was fully expected that the sum would be fixed before the end of the year. No reasons have been given for the delay. In the meantime the group has received no income in respect of its former cable and wireless assets, although it will receive interest on the compensation payment retrospectively from January 1, 1947. But the parent company has been able to pay the preference and ordinary dividends at the same rates as for 1946, by calling on the reserves of subsidiaries to supplement its other income. And it may be an interesting coincidence that the amount drawn from these reserves—£863,000—is, to the nearest £100, the equivalent of one year's interest at 3 per cent on the 27,400,000 ordinary stock of Cable and Wireless, Ltd., valued at 21s. a share. From this it might be assumed that the board of Cable and Wireless (Holding) is expecting the terms of compensation to be of that order, for it has long been held that the price to be paid will be something over par.

The group has been actively developing its interests along investment trust lines during the year. Investments in quoted securities valued at cost have increased from £9,974,125 to £13,351,096, yielding an income of £181,275 compared with £79,967 in 1946. Funds for this expansion have been provided mainly from previously uninvested sums amounting to £1,400,000, receipts from the sale of shareholdings in Marconi's Wireless Telegraph and from a bank loan of £1,200,000 which has since been repaid. Whereas the special dividend of £4,990,000 received from Eastern Telegraph has swollen the investments of the parent company, in the consolidated accounts it is offset by a corresponding decrease in other investment holdings within the group. In fact the full amount of the dividend has been utilised to reduce the book value of the holding of Eastern Tele-

graph stock. Until the High Court has decided whether its payment represented a permissible application of the general reserve of Eastern Telegraph, the eventual fate of this sum must remain in some doubt.

* * *

Building Societies' Record Year

Figures published by the *Building Societies Gazette* for the operations of 195 building societies in 1947 show that the expansionist trends of the previous year have been accelerated. These preliminary figures are subject to completion by the inclusion of those of some 679 other societies whose reports have yet to appear, but they relate to societies which, in 1946, accounted for 90.4 per cent of the total assets of the movement; past experience shows that they are entirely dependable as a guide to the year's operations for the movement as a whole. The outstanding feature of 1947 was the continued increase in mortgage advances. The 195 societies made advances of £219.0 million compared with £168.9 million in 1946, which suggests that the movement as a whole may have advanced no less than £240 million last year against £187 million in 1946—its far above the sum of £140 million advanced in 1936, the previous record year. This startling increase can be largely attributed to the further increase in transactions in existing houses—many of them purchased by tenants; new building for sale has, of course, been negligible.

The rise in the mortgage assets of the 195 societies from £571.7 million to £656.4 million is distinctly small compared with the sharp increase in advances. It suggests, as the *Gazette* points out, that repayments of mortgages have continued on a heavy scale. Moreover, it is implicit in these figures that the repayment of mortgages has been the chief medium from which new advances have been financed. Although the *Gazette* does not furnish an aggregate figure for share and deposit funds, the experience of the Halifax Building Society, whose share and deposit funds have been increased from £128.7 million to £134.2 million compared with a rise of only £1,000,000 in 1946 suggests that this source of finance contributed substantially more in 1947.

The continued upward trend of mortgage assets indicates that the societies have been able to employ their funds more remuneratively since the war, for the interest paid on advances is given as 4.014 per cent—considerably more than was available on gilt-edged investments. In fact, the average rate of interest has been calculated conservatively by the *Gazette* which has expressed the total interest as a percentage of the year-end total of mortgage assets over the year—this was, of course, much higher than the average of mortgage assets over the year. If the rate were calculated on the average mortgage assets over the whole year, it would be 4.292 per cent. This expansion in mortgage assets has been accompanied by a net fall of £15.7 million in liquid funds—reducing the percentage of total liquid funds to 23 per cent.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Cable and Wireless; Woolcombers; Westinghouse Brake.

Prices, Year 1948 (Jan. 1 to Mar. 10)		Name of Security	Price, Mar. 10, 1948	Price, Mar. 10, 1948	Net Yield, Mar. 10, 1948 (a)	Gross Yield, Mar. 10, 1948	Prices, Year 1948 (Jan. 1 to Mar. 3)		Last Two Dividends			Name of Security	Price, Mar. 3, 1948	Price, Mar. 10, 1948	Yield, Mar. 10, 1948
High	Low				£ s. d.	£ s. d.	High	Low	(a)	(b)	(c)				£ s. d.
British Funds															
101½	101	War Bonds 2½% August 1, 1949-51	101½	101½	0 4 1	1 8 2c	104	101½	%	%		Australia 3½% 1965-69	103½	104½	2 18 0
100½	100½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 9 6	1 5 9	94	92½	(d)	(d)		Birmingham 2½% 1966-71	93½	93	2 18 5
102½	102½	War Bonds 2½% March 1, 1951-53	102½	102½	0 15 4	1 17 9	101	99½	(d)	(d)		Argentina 3½% 1966-71	100	100	3 10 0
101½	101	War Bonds 2½% March 1, 1952-54	101½	101½	1 0 0	2 2 5c	83	74	50 c	50 c		Anglo-American Corp. 10s.	81	74½	3 4 0
104½	102½	War Bonds 3½% (after Dec. 1, 1952)	104½	101½	1 4 5	2 17 4c	104	74	50 c	25 b		Anglo-Iranian Oil Co. 10s.	8	7½	3 17 9
101½	101	War Bonds 2½% Aug. 15, 1954-56	101½	101½	1 3 8	2 6 3½	76½	62½	10 c	15 c		Assoc. Port. Cem. Ord. Stk. 10s.	63½	67½	4 8 1½
102½	100½	War Bonds 2½% Aug. 15, 1954-56	102½	102½	1 5 1	2 10 2½	84½	76½	40 c	40 c		Austin Motor 'A' Ord. Stk. 5s.	31/3	30 7½	3 15 8
102½	102½	Funding 2½% June 15, 1955-57	102½	103½	1 5 9	2 12 9	84½	73½	7 b	7 b		Bancalys Bank Ord. 'B' 10s.	73½	74½	3 15 8
103½	102	National Def. 3½% July 15, 1954-56	103½	103½	1 7 1	2 13 5½	103	99	15 a	120 a		Bass Ratchit Ord. 10s.	91	9	2 15 6½
104½	102½	War Loan 3½% Oct. 15, 1955-59	104½	101½	1 10 9	2 17 8½	104½	85½	12 b	8 a		British Oxygen Ord. 10s.	91½	92½	4 6 6
99½	99½	Savings Bonds 2½% April 15, 1956-61	99½	98½	1 9 7	2 12 11	46½	39½	9½	24 a		Courtaulds Ord. 10s.	41½	40 6	3 15 1
102½	100½	Funding 3½% April 15, 1959-69	102½	101½	1 11 7	2 18 3½	32½	25½	25 c	7½ a		Distillers Co. Ord. 4s.	26½	26½	3 16 2
114	111½	Funding 4½% May 1, 1960-90	113½	113½	1 1 5	2 16 2	31 7½	27½	8 c	8 c		Dorman Long Ord. 10s.	29½	30 6	5 4 11
102½	99½	Savings Bonds 3½% Sept. 1, 1960-70	101½	100½	1 12 2	2 17 2½	79½	48½	12 c	15 c		Dunlop Rubber Ord. 10s.	68½	69½	4 6 4
96	93½	Savings Bonds 2½% May 1, 1964-67	95½	95½	1 13 6	2 17 9	6½	5½	13½ a	13½ a		Emp. Chem. Ind. Ord. Stk. 10s.	45½	46½	4 6 11
119½	112½	Victory Bonds 4½% Sept. 1, 1920-76	114	114	1 13 1	3 0 3½	48½	40½	10 b	10 b		Imperial Tobacco, 10s.	52	58	6 2 10
101½	98½	Savings Bonds 3½% Aug. 15, 1965-75	100½	109½	1 2 6	2 17 3	56½	49½	5 c	10 c		Lanes. Cotton Ord. Stk. 10s.	41½	43½	4 12 9
110	107½	Consols 4½% (after Feb. 1, 1957)	109½	105½	1 9 9	3 0 2c	61½	49½	12½	10 c		Lever & Unilever Ord. 10s.	50½	50½	4 0 0
106½	104	Conversion 3½% (after Apr. 1, 1961)	105½	105½	1 15 2	3 11½	35½	34½	24 a	4½ b		London Brick Ord. Stk. 10s.	49½	50½	4 0 0
83½	81	Treas. Stk. 2½% (after Apr. 1, 1975)	95½	95½	1 14 5	3 2 6½	65½	49½	20 b	7½ a		N. Eastn. Elec. Ord. Stk. 10s.	35½	35½	3 18 4
99	94½	Treas. Stk. 3½% (after Apr. 1, 1975)	99½	97½	1 14 4	3 1 8½	55	30½	174 c	177½ c		Pebbin Jenson Ord. Stk. 10s.	51½	52½	5 4 9
100	96½	Redemp. Stk. 3½% Oct. 1, 1986-96	97½	97½	1 14 5	3 4 2	59½	30½	12½ c	12½ c		Prudential 'A' 10s.	51½	51½	2 9 9½
83½	77½	Consols 2½%	78½	77½	1 15 4	3 4 2	85½	74½	15½	12½ b		Stewarts & Lloyds Def. 10s.	51½	52½	4 15 3
98½	95½	British Transport 3½% Gtd. 1978-88	97½	97½	1 14 11	3 2 8½	71½	58½	11½ a	11½ a		Shell Transp. Ord. Stk. 10s.	75½	75½	2 0 0½
104½	96½	British Transport 3½% Gtd. 1987-72	100½	100½	1 11 4	2 18 4½	92½	77½	15 a	55 b		Tube Invest. Ord. Stk. 10s.	58	68	4 2 5
												Turner & Newall Ord. Stk. 10s.	75½	76½	3 18 8
												Woolworth (P. W.) Ord. 5s.	71½	73½	4 8 0

Redemption yields on stocks optionally or finally redeemable within the next five years are shown in italics. All yields are guaranteed at the earliest date. Redemption

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked "e"), and those paying 3 per cent or less will be repaid at the latest date (marked "l"). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 17 years 6 months. (g) Buying Price.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent of income tax. (g) Yield worked out on 15 per cent basis. (h) Fifteen months to March 31 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

RELATION OF CAPITAL TO TURNOVER

TOBACCO AIDS PRODUCTION

UNCERTAINTY OF LEAF SUPPLIES

SIR ROBERT J. SINCLAIR'S REVIEW

The forty-sixth annual ordinary general meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 9th instant, in Belfast, Sir Robert J. Sinclair, K.C.B., K.B.E. (the chairman), presiding.

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

Ladies and gentlemen, with your consent we will take the notice convening the meeting, and the report and accounts, as read, and I will ask the secretary to read the auditors' report.

CHANGES ON THE BOARD

Before proceeding to comment on the accounts, I would like to refer for a moment to those paragraphs of the directors' report which mention the changes in the board since the last meeting. In paragraph 12 reference is made to the death of three greatly esteemed colleagues.

Sir William Churchman joined the family business of H. C. Churchman & Company over 60 years ago. He was a member of our board for no less than 42 years, and for a large part of that time was manager of the branch which bears his name. His great knowledge of every phase of the business, his shrewd judgment and keen business sense, were of the greatest benefit to the company. He retired from active work with the company in 1927.

Mr C. S. Clarke's connection with the industry lasted 54 years. He joined the firm of William Clarke & Son in 1893, and ten years later he came to head office as Leaf Manager. His contribution to the development of our leaf buying policy will long be remembered, not only here but also in the United States where he was greatly beloved and respected, and in Nyasaland and Rhodesia, where his foresight was largely instrumental in the establishment of our leaf buying and handling plants. He was appointed a director in 1912. When failing eye-sight necessitated his retirement from active work he continued to maintain a keen interest in all the company's affairs, and right up to the time of his death his exceptionally retentive memory, allied to his wide experience and his other qualities, made him one of the most valued members of our board. His quiet and almost gentle manner concealed a firmness of judgment and purpose, which served the company well.

Mr William Milligan joined this company after the first world war. He served for 17 years with our organisation in Virginia, and in 1941 he joined the management of

the John Player & Sons branch and was elected a director of the company. From 1944 to the time of his death he was in charge of the branch. He possessed ability of a very high order, an exceptionally strong sense of duty, and an infinite capacity for work. I believe it to be true that he literally wore himself out in the company's service.

Each of these three in their several ways rendered outstanding service to the company, and it is fitting that we should by this tribute do honour to their memory.

NEW APPOINTMENTS

Of the new directors whose names are given in paragraph 13, Mr Gascoigne as one of the management of our W. D. & H. O. Wills Branch, Mr Roberts as our chief accountant, and Mr Ritchie as joint manager with Mr H. C. Williams of our John Player & Sons Branch, are actively engaged in the company's business and each has rendered long and valuable service to the company. Mr H. S. Gunn, son of the late Mr H. W. Gunn whom you will remember as the first secretary of the company and for nine years our deputy chairman, was for many years one of our senior departmental managers. Sir James Grigg is perhaps best known for the great service he rendered to the country as Secretary of State for War during three of the most critical years in our history. In the course of a distinguished career in the Civil Service, he was in turn chairman of the Board of Customs, chairman of the Board of Inland Revenue, and finance member of the Viceroy's council in India. After the war he was for a year the British representative on the International Bank in Washington. He brings to our deliberations a wide experience of men and affairs and an expert knowledge of finance. I am sure you will cordially welcome all these new appointments.

It will be observed from paragraph 14 that Mr L. H. Reed, due to retire under Article 93, does not offer himself for re-election and that the directors propose to appoint Mr J. R. Hutson in his place. Mr Reed was actively engaged with the company for 44 years and for 25 years has been a member of the board during which period he has been the head of our leaf buying and handling organisation in the United States. His unrivalled knowledge of leaf, coupled with a character and personality that won universal respect and affection, were such that it is difficult to find words adequate to express the company's indebtedness to him. It is a truism that the success of our business depends primarily upon the quality of our

brands, and undoubtedly the foundation of that quality lies in the selection and initial treatment of the tobacco we buy. Mr Reed built up an extremely efficient team, and when he handed over the day-to-day control of our organisation in Richmond rather less than two years ago to Mr J. R. Hutson, he did so in the confident expectation that he would have a worthy successor. Subsequent events have fully confirmed that judgment, and it is with very great pleasure that the board have decided to appoint Mr Hutson a director in Mr Reed's place.

COMMENTS ON THE ACCOUNTS

The main features of the accounts are commented upon in some detail in the directors' report and I propose therefore to confine my remarks to those points that appear to me to merit elaboration.

TRADING PROFIT

In the second paragraph of the report reference is made to a point which may, I think, well be emphasised: namely that the true rate of return on capital employed in the business is very much smaller than is represented by the rate of dividend on the ordinary stock of the company. The precise basis on which capital employed ought to be calculated is a fruitful subject for argument among experts, but I am satisfied that it must closely represent the facts on any reasonable basis of calculation to say that the figure of trading profit shown at the head of the profit and loss account is in the region of 10 per cent. on capital employed before charging the income tax and profits tax payable on these profits. Profits tax alone reduces that percentage to about 8.

Although under present conditions duty is a large factor in capital employed, in normal times we would be carrying a much larger stock of leaf in bond, so that the relative importance of duty would be much less; and it cannot be too strongly stressed that the large amount of capital we require in our business should be looked at in relation to our very considerable turnover on which a relatively small rate of profit is earned.

That last statement can best be illustrated by two simple but striking facts—namely that averaged over all the cigarettes we sell (large and small) the duty cost represents nearly 90 per cent. of our price to the distributive trade, and the remainder, which averages less than 2d. per 10 cigarettes, has to cover the cost of the tobacco, its freight, insurance and storage, all manufacturing, selling and administrative expenses, taxation, and net profit. At a time when somewhat sweeping and occasionally ill-informed criticism is directed against the level of industrial profits it is right to mention these facts since they serve to show that in spite of the restrictions under which we are for the time being forced to work our trading operations have been maintained on a strictly competitive basis.

DUTY INCREASE AND LESSER AVAILABILITY OF LEAF AS AFFECTING THE LEVEL OF TRADE

Paragraph 5 contains a reference to reduced rate of withdrawals from Bond in the second half of the year, and paragraph 9 refers to the lower level of sales in the same

period as due to a combination of two factors—the heavy duty increase and lesser availability of leaf. I think you would wish me to dwell on this aspect of the situation for a moment.

The rate of duty stands at the astronomical figure of 54s. 10d. per lb., an increase of nearly 500 per cent. over the figure in the last fiscal year before the war. At the time of the imposition of the last duty increase—19s. 4d. per lb.—the then Chancellor explained that his primary object was to effect a reduction in consumption, and particularly in the consumption of dollar tobacco. A reduction was made in the amount of dollars allocated for the purchase of tobacco from the 1947 crop in the U.S.A., and later, as the dollar situation grew still more acute, purchases in America were stopped altogether at a time when just over two-thirds of the reduced allocation of dollars had been spent.

Immediately after the Budget, purchases by the public fell very sharply, but the distributive trade were able at that time to replenish their stocks of our brands. The result was that in May and June our sales were at a somewhat higher level than that of public consumption. That position, however, soon adjusted itself, and bearing in mind the acute dollar situation we have since June kept our usings of dollar tobacco below the pre-Budget level by rather more than 25 per cent. Fortunately, we have been able, although to a relatively slight extent, to increase our using of tobacco grown in the sterling area.

New there can be no doubt that tobacco has a high place in the range of incentive goods—a point of special significance when most consumer goods are in short supply—and it would, I suggest, be a mistake to overlook its value as an aid to production and to social well-being. Moreover, in the circumstances of today it is a more important contributor to the national revenue than ever before. But it will be obvious that the revenue depends not only upon the rate of duty per lb. but also upon the number of lbs. consumed.

The last increase in duty has undoubtedly deprived some people of the pleasure of smoking and has reduced the consumption of others; and there is every indication that if the present very high rate of duty is maintained the law of diminishing returns must sooner, rather than later, begin to operate—a revenue consideration to which, I trust, due weight will be accorded.

THE COMPANY'S PENSION FUND

I would now like to say a word about the company's pension fund.

A year ago Lord Dulverton told you that a review of the position of the fund had been instituted. This has been undertaken by a special committee in consultation with the actuaries to the fund. The main factors necessitating the review are the decline in recent years in the yield from the fund's investments owing to the general lowering of interest rates; the additional liability accruing from the increases in pensionable remuneration that have been made in the last few years; and the increases in state insurance contributions and benefits.

Consideration of these factors has pointed to the necessity, firstly, of an increase in the capital of the fund, which could be effected by company payments spread over a period of years; secondly, of an increase in contributions from the members of the fund and from the company, who contribute equally with the members; and thirdly, of some revisions in the scales on which future pensions would be calculated, involving reductions in certain cases (though in general it might well be that the level of company pension plus state pension would be somewhat higher than the combined level on the old basis).

Before any such measures are put into operation the details will be fully discussed

with the members of the fund, but present circumstances make it difficult to decide when these changes should be made, and we shall not take a decision nor embark on these discussions until we can see the future more clearly than we can now.

NET PROFIT

You will have observed from the profit and loss account that the net profit for the year is down by approximately £2,230,000. There was a reduction of £1,397,000 in the trading profit and an increase of £1,335,000 in taxation which together amount to £2,732,000. After deducting the increase in dividends and interest on investments the decrease in net profit after taxation stands at the figure I have mentioned.

The exceptional profit arising from duty increase is explained in the report. Such profits arose on more than one occasion during the war but of course never to such a large extent because there has never been so large an increase in duty as was imposed in the United Kingdom Budget of April 1947. During the war such profits simply went to increase the excess profits tax and were reflected in our accounts under the heading of taxation. Now, however, while approximately half goes in income tax and profits tax the balance appears in the accounts as exceptional profit arising from the duty increase. The report states the circumstances in which the profit arose. If and when the duty is reduced—and it is impossible to contemplate its indefinite continuance at a level which makes duty-paid unmanufactured leaf tobacco more costly than silver—we shall certainly want to reduce prices to the public as soon as possible and the transfer of this sum to contingencies reserve should help us to do that. In the meantime the sum is employed in the business and helps to finance the increased capital required by the duty increase. There is no doubt in the minds of your directors that this is the wise and prudent way in which to deal with this item.

If I may venture a general comment on the result of the year's working, I would say that having regard to the difficulties with which we had to contend and which arose from circumstances entirely outside our control the result is appreciably better than might under these conditions have been expected. I believe that would be a fair assessment.

GIFT TO STAFF AND WORKPEOPLE

For many years past we have thought it well to mark our appreciation of the loyal and willing service of our employees both at home and abroad by a gift over and above the ordinary salary or wage and as stated in the report the board have decided this year to make a gift to the staff and workpeople on the same lines as last year. They have authorised the payment of a sum equivalent to 16 per cent. of the total salary or wage received from the company during the twelve months ended October 31, 1947. The general conditions of the gift are the same as in previous years, and the directors, as usual, reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment.

Now, in this connection, may I remind you that the questions whether or not a gift should be paid, and if so the amount, are not decided by the board until the results of the year are known. There is, therefore, no specific commitment for the future; but such a practice cannot continue unbroken for many years without giving some grounds for expectation of continuance unless a note of warning is struck. The rate of the gift has remained unchanged for the last ten years, although of course the amount distributed has risen with increases in wages and salaries. During the same period the amount distributed by way of ordinary dividend has shown very little change. But although the gift has never borne a direct relation to dividend it

is obvious that its continuance must depend to some degree upon the company's prosperity. Therefore, when the immediate future is as uncertain as it is to-day—through causes, of course, that as I have said are entirely outside our control—I would be failing in my duty if I did not point out that our employees should not count upon the percentage being maintained next year. Having thus sounded a note of warning, may I add that the appreciation of loyal and willing service, to which I have referred, is in our case no mere figure of speech. It is indeed my conviction that the relationships which have been built up over the years with our employees are based upon the only secure foundation—good understanding—and anything that my colleagues and I can do to cement and strengthen that foundation will be done.

FUTURE PROSPECTS

My predecessors in this chair have consistently—and wisely—refused to be drawn into anything in the nature of a precise estimation of the financial results of the current year. And the uncertainties of the future have certainly never been greater than they are to-day, so that I might readily be excused from any venture into the realms of prophecy. There must, however, be in the very nature of things many doubts in the minds of stockholders, and while, unfortunately, it is not in my power completely to resolve those doubts, I think I ought to put before you as frankly as I can the major considerations affecting our immediate future.

The first—and this overshadows all the others—is the uncertainty about future supplies of leaf tobacco. About two-thirds of the tobacco consumed in this country comes from dollar countries. That proportion is considerably less than it was ten years ago, and (although we do not grow tobacco ourselves—except to a very small extent and experimentally) we, in common with other United Kingdom manufacturers, are doing all we can to encourage production within the sterling area. But experience has shown that tobacco is not an easy crop to grow successfully even under conditions that look reasonably favourable. It is essentially a small man's crop; and it requires a combination of soil and climate that exists in few parts of the world. A great deal of research and experiment has been devoted to the development of its production and to overcoming natural disadvantages; and even when the pressure for increased production of foodstuffs was much less than it is to-day many of these experiments proved dismal failures. But Rhodesia, Nyasaland, and India, are in greater or less degree exceptions. Rhodesia makes a substantial contribution and, as you know, the Rhodesian growers who recently sent a deputation to this country have received all the encouragement from United Kingdom manufacturers that they could ask for. (Incidentally, I might mention that two of our directors are at this moment in Africa.) In India the need to increase her production of foodstuffs and her very large requirements of tobacco for her own consumption combine to discount the prospect of any very substantial or immediate increase in the export of tobacco from that source. In Turkey and the Near East a considerable quantity of tobacco is grown and, although it is not of a type favoured by the majority of smokers of this country, we are using, and in present circumstances will continue to use, what we can.

TOBACCO AND MARSHALL AID

The fact remains that the Southern States of North America and part of Ontario is the area where at the present time a very large quantity of tobacco can be grown efficiently and economically. And if tobacco does not come from there in large quantities, the world will be short of tobacco.

The position then is that if, despite the recognition that tobacco comes within the

range of incentive goods, this country's financial position is such that dollars cannot be found in the next few years for the purchase of tobacco, the sale of our operations in the near future is in large measure dependent upon Marshall Aid. If what we have seen reported is the proposal for inclusion of tobacco in Marshall Aid materialise, then the quantity available together with the maximum increase that we can foresee in supplies from the sterling area might just make it possible to maintain supplies to the British public at the present restricted level.

I am no pessimist about the economic future of this country and the British Commonwealth of Nations. There are indeed already some encouraging signs of greater productivity if raw materials can be available in sufficient quantity. But it is increasingly and painfully clear that the present financial position of this country is desperately serious. When the British people fully—and I emphasise the word "fully"—appreciate the position, the restoration of our economy will be only a matter of time—but time in which as a nation we have to endure hardship and display a national resolution as great as ever we did in the war. And it is in that matter of time that the great and generous conception of Marshall Aid is of vital importance to the restoration of a world economy distorted by the unequal incidence of the mass destruction of property caused by the war.

I hope you will forgive me for touching upon these wider considerations. I do so only, of course, because of their very direct bearing upon our business. For the tasks ahead of the people of this country the comfort and the incentive of tobacco are not negligible. Although no one would contend that it is a commodity essential to life, further restriction of its supply would be an irritant and a deterrent in national effort at a time when so few incentives are available.

CURRENT YEAR'S TRADING

Even, however, if circumstances make it possible to maintain supplies at their existing level with little or no dollar expenditure until we can as a nation increase our dollar earnings, we cannot expect that the trading profit of our company will be fully maintained on the level of last year. I say this because, although we have kept our operations on a fully competitive basis and should be able at least to maintain our proportion of the trade that can be done, it is clear that we cannot count on, however much we may desire, such an increase in the availability of leaf as would make possible any raising of the existing level of supplies to the public in the current year. Figures are published from time to time of stocks of leaf tobacco, but they rarely if ever distinguish between stocks for export and home trade. The facts are that our stock position does not justify, so far as we can at present see, any increase in the level of supplies even if the full quantity proposed by way of Marshall Aid comes forward and if the hopes for the maximum supplies from the sterling area are realised. Therefore, it cannot be expected that our trading in the current year will exceed the level since the Budget of April last year, and that was a level somewhat lower than the average for the whole of our last financial year.

These, ladies and gentlemen, are the considerations I feel it my duty to put before you. There are clearly many difficulties and uncertainties ahead. So far as lies within our power we will cope with them and we have a loyal and efficient organisation backed by generations of experience, and kept up-to-date by continuous research and development. I can assure you that the whole effort of that organisation will continue to be directed to maintaining our efficiency at the highest possible level and so making the best possible contribution to the national effort in these critical times.

The report and accounts were unanimously

adopted and the dividends as recommended were approved.

The retiring directors were re-elected and the auditors, Messrs Deloitte Plender Griffiths and Company, were reappointed.

VOTE OF THANKS TO THE CHAIRMAN

Mr R. S. W. Clarke, in proposing a resolution of thanks to the chairman, said: Throughout its history the company has been extremely fortunate in its chairman, and when a year ago Lord Duivenrode retired from their office after occupying the chair for 22 years we were fortunate indeed in having available so worthy a successor as Sir Robert Sinclair. Some of us were greatly relieved that Sir Robert was available because during the course of his Government service throughout the war years Sir Robert's outstanding ability and tireless energy had become so well known in the highest circles in London and Washington that requests for his services came from many quarters. Fortunately for us Sir Robert's devotion to the interests of this company enabled him to resist the temptations and withstand the pressures which were brought to bear, and we are most grateful that he did so.

Mr A. G. Thomsen, who seconded the resolution, said that as one who was working in the employ of the company he could say that they felt they had the right man in the right place at the right time.

The vote of thanks was carried with acclamation.

The chairman, acknowledging the vote of thanks, said the company was fortunate in its personnel and he paid a tribute to the help received from the staff, and in particular Mr Partridge, the secretary, and his colleagues on the board of directors. They had all contributed to the efficient running of the organisation.

The proceedings then terminated.

ACHILLE SERRE LIMITED

INCREASED EFFICIENCY

The annual general meeting of Achille Serre Limited (Cleaners and Dyers) was held, on the 5th instant, in London.

Mr F. M. L. Fitzwilliams, F.C.A. (the chairman and managing director), said:—

The February fuel crisis caused to us a loss of over £17,000 and an ensuing dislocation which postponed complete recoupment of that loss for several further months of the year 1947. This winter, as a result of the installation of our own generating plant, disruption of production through lack of electric power has been avoided.

In the last six months of 1947 we were able to effect great advances in production.

Volume of sales expanded by 17 per cent. Average weekly earnings of all employees increased by 16 per cent., while working hours decreased by 13 per cent. But output per productive man-hour increased by no less than 33½ per cent. and the average price per order paid by members of the public was reduced by a full 3 per cent.

The accounts for the year to December, 1947, show a trading profit of £79,382 and a net profit amounting to £23,837. Adding to this amount the brought-forward of £6,284, there is a total to be dealt with of £30,121. After transferring £12,000 to reserve and providing for a dividend of 15 per cent., less income tax (same), there is a credit on profit and loss account of £6,571.

Considerable assistance has been obtained from the American and Canadian industry, and supplies of new types of plant are already being received from enterprising British manufacturers.

The report and accounts were adopted.

THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The hundred-and-thirty-fourth stated annual meeting of the Scottish Widows' Fund and Life Assurance Society, was held in the society's head office, Edinburgh, on Tuesday, the 9th instant, Mr Douglas Mure Wood, C.A. (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, the chairman said: The year under review was one in which the country was beset by growing economic difficulties but the need for life assurance was as great as ever and the demand continued at a high level. We are able to record an increase to over £9,000,000 in the gross amount of new assurance business completed—£7,500,000 of ordinary business and £1,500,000 of group life assurances under pension schemes. The net total, after deducting sums reassured with other offices was over £8,800,000 and the figures both gross and net represent the highest amount of new business ever transacted by the society in a single year.

The interest income is higher than the figure for the preceding year by about £180,000 and represents an average rate of interest on the whole of the assurance and annuity funds of £5 1s. 6d. per cent. before deducting income tax. This is 3s. 9d. more than in the year 1946 and it will, I am sure, be gratifying to the members. The net rate of interest, after deduction of income tax, £3 16s. 3d., has risen by 5s. 5d.

Once again you will notice our customary statement that the stock exchange securities stand at or under their lowest market value at the date of the balance-sheet. This is an understatement of the position because of the margin between the market values of our securities and the values at which they stand in the balance-sheet. Notwithstanding the general fall in prices of stock exchange securities since the end of 1946, the margin today is still a large one and provides a useful buffer against fluctuating values in these uncertain times.

At December 31, 1947, our holdings of British government securities and securities guaranteed by the British Government under the Trade Facilities Acts appear at a combined total of just under £5,000,000—a reduction of £5,000,000 from the figure at the end of 1946, accounted for by sales during the year under review. The major part of the proceeds of these sales was applied to increase our holdings of home railway stocks and this has proved to be a satisfactory exchange. These stocks were automatically converted into British transport stock on the nationalisation of the railways on January 1st, of this year, and it may interest you to know that, if our balance-sheet had been drawn up at that date instead of at December 31st, our holdings of British government securities and stocks guaranteed by the British Government would have appeared at practically the same total as at December 31, 1946.

In conclusion, I would draw your attention to the fact that we have now entered what is known as "Bonus Year" at the end of which our quinquennial valuation and distribution of surplus fall to be made. I shall not be so rash as to attempt to forecast the results but I can say that we look forward to being able to present to you next year another satisfactory report not only for the year but also for the quinquennial period.

The directors' report and the accounts, as audited, were adopted unanimously.

HONGKONG AND SHANGHAI BANKING CORPORATION

CONTINUED EXPANSION

THE HON. A. MORSE ON CONDITIONS IN CHINA

The ordinary general meeting of the Hongkong and Shanghai Banking Corporation was held in Hongkong on the 5th instant.

The Hon. A. Morse, C.B.E., the chairman, in the course of his speech, said: Our business continues to expand and there has been an increase in the total of the accounts during the year of about £23 millions. Our note issue has increased by over £12 millions and current and deposit accounts by over £10 millions. On the assets side cash in hand is up by £1½ millions, certificates of indebtedness by £12 millions, bills receivable by £1½ millions, investments by £2½ millions and advances by £5½ millions, while money at call is down by £2 millions.

The increase in our note issue is as you are probably aware due to a great extent to the uncertainties at present unfortunately attached to the currency of China and not to any inflationary tendency in the Colony during the year under review. The amount of H.K.\$2 millions written off bank premises brings the figure appearing in the balance sheet slightly below that shown last year, after taking into account additions during the year under review.

INCREASED PROFIT

Turning to the profit and loss account you will observe the profit arising from current transactions during the year, after making certain transfers to provisions for contingencies, amounts to H.K.\$16,595,079 which exceeds our profit for the previous year by approximately H.K.\$7 millions.

In the various countries in which we operate an unparalleled number of constitutional changes have taken place in the past year or are at the moment being fashioned. When one considers the upheavals in the East it is surprising that we have been able to produce such a good balance sheet and I hope you will agree with me that the results of the past year are very satisfactory. It is with great pleasure that your directors are today able to recommend the payment of a final dividend of £3, making a total of £5 for the year, similar to that paid for the year 1940. Much credit is due to the staff for the hard work they have done since they resumed their duties. Their keenness, and I may say their enthusiasm, will help us to face the future with confidence in spite of the difficulties with which banking is confronted in many of the countries where we operate.

I am glad to say that the Trustee companies which we established here and in Singapore a little over a year ago are both proving their worth and are actively extending their usefulness.

SITUATION IN CHINA

In China the situation at the end of hostilities with Japan was different from that in Europe. Being predominantly an agricultural country she was in a better position to recover rapidly, but the longer period of turmoil which had existed could not fail seriously to affect the economy of the country and its morale. There were, however, fair chances that trade and industry would be restarted on a peace time basis without any excessive complications, and such might have been the case had it not been for the differences between the Kuomintang and the Communists which spread steadily throughout 1946 and 1947, and developed into an open split in spite of the efforts of General Marshall and other mediators. So far the main areas of disturbance remain north of the Yangtze River and from Shensi Province eastwards to the coast, but the situation has deteriorated since our meeting last year. Of the wealthy north-eastern provinces there remains in

Nanking's control little more than a tenuous hold on Moukden; the Lung Hai Railway is badly disrupted and crossings of the Yangtze River have been threatened.

In South and West China and in Taiwan conditions are generally quiet, but in many parts there is a feeling of unrest due to fears of disturbances inspired by Communists or other disaffected parties. The disgraceful Shamen episode in January was one such case which developed without warning.

INFLATION INCREASING

China's financial situation is also not a happy subject to discuss, nor are the details clear. But Chinese Government spokesmen have frequently noted the fact that the inflation of currency to meet the budgetary deficit, which it was hoped would be checked at the end of hostilities with Japan, has in the postwar years increased at a dangerously enhanced pace, almost solely because of the needs of the military in their operations against the Communists.

The outstanding fact is, as emphasised by the Minister of Finance in an interview reported in the Press on December 23, that there is little hope of stabilising financial conditions so long as the enormous military expenditure continues. Currency reforms will of course be necessary, but while the basic causes of inflation are not eliminated, the Minister added, the issue of a new currency would complicate and not lessen the problems.

Meantime the Central Bank and the Central Authorities have made vigorous and sometimes successful efforts to lessen the diseases of inflation and prevent the situation getting out of hand. Their task has been exceedingly complicated and, under the circumstances, it is surprising that they have been able to hold the fort in spite of military demands, smuggling, black markets, speculative operations and all the evils which are legacies of war.

ENCOURAGEMENT OF EXPORTS

As regards foreign trade, by means of regulations governing the import and export trade and by frequent adjustments of the official rate of exchange, it appears that reasonable success has been obtained in encouraging exports and in checking the enormous surplus of imports which the Customs returns showed in 1946 and early 1947. At the end of the year 1947 imports were reduced and exports were making a better showing, but obscurity veils our information about smuggling.

In recent months the Chinese Government has reiterated that foreign capital coming to China will be free from inequitable and restrictive legislation, and will be permitted to remit overseas a reasonable return. In July, Premier Chang Chun replied in this sense to a questionnaire by the United States Ambassador and again in August he said that a procedure was being worked out whereby an appropriate portion of foreign capital invested in industries might be remitted abroad. Unfortunately, no practical steps have yet been taken to permit reasonable profits, nor even properly chargeable foreign currency expenses, to be remitted. In the circumstances it has not been possible for our offices in China to contribute towards our dividend.

As for your bank I feel that notwithstanding the uncertainties of the future we have a strong organisation supported by a reliable staff capable of dealing with any problems it may have to face with as much skill and vigour as in the past.

The report was adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

ANOTHER YEAR OF PROGRESS

MR. H. L. SCORE'S ADDRESS

The annual general meeting of the Co-operative Permanent Building Society was held, on the 28th ultimo, at the Conway Hall, London.

The President, Mr H. L. Score, in the course of his address, said: This is a fitting occasion to refer to the loss we have sustained in the passing of our colleague, Mr C. P. Derbyshire, who died this year. Mr Derbyshire commenced duty with the society as far back as 1907. We shall deeply miss his friendly presence.

You will recollect that your directors asked me to succeed to the office of president in succession to Dr Mansbridge, who continues as a director. I would like to say to him that we know of our great debt to him. We are proud of him and his work.

So far as the society is concerned the balance-sheet and accounts once again speak for themselves. We have gone forward in the year, rising to new heights, and our total assets are reaching out towards the £50,000,000 mark.

INCREASED ADVANCES

The details of our progress this year are shown in the report and statement of accounts. I will only mention the increase in mortgage advance by nearly £4,000,000 to £14,000,000, and in share receipts by approximately £1,600,000 to £4,700,000.

I am very glad to tell you of the continued strengthening of our associations with co-operative societies in all areas. Our links with the Co-operative Insurance Society have brought increasing business to our mutual benefit.

In these troublous days there are special duties and responsibilities placed on building societies. Building societies, in their mortgage service, must take every possible step to restrain inflation in house values. Singly and in isolation there is very little they can do beyond strengthening the usual sound arrangements to ensure competent valuations, joined with prudent assessments of the sums to be lent on each property in relation to value. Most societies habitually take these precautions, for their methods and procedure are based on long experience. They have had to deal, in past years, with problems of a similar nature, arising out of the first world war, the general strike, and the financial crisis in the nineteen-thirties. This individual action of each society is largely unco-ordinated and has practically no effect in restraining inflation.

CO-OPERATION AGAINST INFLATION

I venture to ask the Chancellor of the Exchequer whether he could not re-examine this very important problem of inflation as it affects the homes of the people. An approach by him to leading building societies, or the Building Societies Association, would, I feel sure, bring about a co-operative action from the societies. It is in their interests and the interests of the country as a whole that a limit be placed on the extension of this serious form of inflation. Action should be taken in time, not only to prevent further increase in the values of existing houses, but to avoid the possibility that most of the new houses shall become affected by the contagion.

At the same time there is much to be said for discussion and the desirability and possibility of settling building society interest rates at a common level. Building societies are the largest voluntary housing service in this country. The magnitude of their operations requires that their resources and influence should be harnessed to the nation's effort to retard inflation. The report and balance-sheet were adopted.

INTERNATIONAL COMBUSTION, LIMITED

ORDERS REACH NEW PEAK

The fourteenth ordinary general meeting of International Combustion, Limited, was held, on the 10th instant, in London, Mr G. R. T. Taylor (chairman) presiding.

The following are extracts from the chairman's circulated statement:

The preference dividend and an interim dividend of 10 per cent. on the ordinary stock having been paid, your directors recommend that a final dividend of 27½ per cent. be paid on the ordinary stock for the year ended September 30, 1947. This leaves a balance of £124,958 to be carried forward, against the sum of £112,789 brought in from last year.

As shown by the consolidated balance-sheet, the capital employed in the business, which includes the reserves, is more than double the actual share capital issued. Consequently the rate of dividend for the year on the actual capital employed in the business is really less than half of the rates indicated above. It should also be borne in mind that our trading profit represents a small percentage on our turnover.

Our order book, which includes a useful amount of export work, continued to expand, reaching a new high peak at the end of the year. Notwithstanding the capital expenditure cuts which the Government has seen fit to make, we are still extremely well placed so far as orders for future execution are concerned.

While the fuel crisis naturally affected us to some extent, we have by unremitting effort been able to maintain our output for the past year and we hope that no further serious difficulties will now occur to prevent us from increasing our production so as to keep pace with the greater volume of orders on hand. The report was adopted.

BRITISH HOME STORES

IMPROVED NET PROFIT

The annual general meeting of this company will be held, on the 17th instant, at Winchester House, London, E.C.

The following is an extract from the circulated statement of the chairman (Mr Horace Moore):—

The improved net profit of £441,893, against £292,331 last year, can be attributed to three main reasons. The first, and most important, is the very substantial increase both in volume and units of sale which has followed our continuous efforts to give our

customers ever-improving quality and value. Secondly, the two smaller businesses acquired in recent years are showing excellent results. Thirdly, since the termination of hostilities, the return of so many of our personnel.

Our gross profit margin on goods sold was smaller than in the previous year, and costs of operation, particularly wages and salaries, increased considerably. It has always been our policy to keep selling prices as low as possible while maintaining quality.

The issue of ordinary shares to our stockholders a year ago was an immediate success, and we had applications from stockholders for fifty times the shares available. The premium on the issue of the ordinary shares, after deduction of expenses of both issues, left a balance of £151,842, which has been applied in reduction of investment in subsidiary companies. To bring the general reserve to £250,000, your directors have appropriated £71,850 this year.

A final dividend of 8d. per stock unit (less tax) is proposed, which will allow an increased carry-forward of £40,593. It is interesting to note that we have been able, this year, to plough back into the business more than three times the amount retained last year.

I am pleased to be able to report that so far in the current year business is satisfactory.

UNIVERSITY COLLEGE, NOTTINGHAM

SCHOOL OF AGRICULTURE

The Council invites applications for the following appointments in the Department of Agricultural Economics:—

(a) *Agricultural Economist*
Salary scale: Men £170-£710. Women £100-£620, plus cost-of-living bonus. Men £90. Women £72, per annum. Candidates must be graduates in Agriculture or Economics and should have had experience in the field of Agricultural Economics. Preference will be given to candidates with suitable research training and experience.

(b) *Assistant Agricultural Economist*
Salary scale for candidates with 1st or 2nd Class Honours and at least two years' postgraduate experience: Men £295-£470. Women £285-£400, plus cost-of-living bonus. Men £78. Women £63, per annum.

The conditions of appointment and form of application may be obtained from the Registrar, University College, Nottingham.

A **STATISTICIAN** is required by an expanding manufacturing company in the Home Counties to take charge of its statistical department. The successful applicant will have taken an Economics Degree combined with Statistics as a special subject and it is desirable that he should have attained the standard set in the Certificate Examination of the Royal Statistical Society. The work includes forward planning and forecasting and provides an opportunity for development of statistical method in relation to business problems, especially those of marketing and production, and experience in these fields will be of advantage. Age preferred 25-32. The commencing salary will be at least £1,250 per annum. Send for full particulars including education, qualifications, experience, age, etc., to Box 680.

An **ASSISTANT MANAGER** required for Export Department of development and other foreign languages desirable but not essential. Good prospects. Remuneration according to qualifications. London office.—Please write Box 687.

THE **BRITISH INSTITUTE OF MANAGEMENT** wishes to appoint a senior member of its Information and Research Staff, with experience in a majority of the following subjects: Company Accounting, Budgetary Control, Cost Accounting, Production Control, Stores, Control. Applicant must be interested in the application of these techniques to general management problems, be capable of supervising enquiries in fields related to those in which he has direct experience, and be able to express himself in clear English. Salary £1,250 per annum or over, according to experience. Apply in writing to: The Director, British Institute of Management, 17, Hill Street, London, W.1.

A **BUSINESS** man, 31, Cambridge M.A., formerly staff Lieut.-Colonel, crisis, seeks responsible post demanding application, organising ability and drive. At present advertising and sales executive, well known abroad, provided young family can accompany.—Box 685.

A **SALES** Manager required by progressive Scottish Manufacturing Firm to organise and supervise home and overseas sales. Technical knowledge, shipping experience, or previous knowledge of Sales Management an advantage. Good prospects for enterprising young man, age under 35 years.—Address "0236," Wm. Porteous & Co., Glasgow.

EUROPEAN HAGUE CONGRESS. Speakers: M. FRENAY (Ex-Minister, France, Soc.), ROBERT BOOTHBY, M.P. (Cons.), DR. H. BRUGMANS (Benelux, Soc.), R. W. G. MACKAY, M.P. (Lab.), Chairman: F. L. JOSEPHY (Lib.). CENTRAL HALL, WESTMINSTER (Lecture Hall). THURSDAY, 18th MARCH, 7.15 p.m. ADMISSION FREE. RESERVED SEATS AT 2/6d. and 1/- from FEDERAL UNION, 20, Buckingham Street, Strand, W.C.2.

BELGIUM.—Economic and marketing counsel, market research, merchandising, advertising. Englishman with wide and successful experience would like position in Belgium.—Box 644.

EASTER HOUSE PARTY: A few more professional and university people are invited to join informal Sussex House Party, also other Easter, Weekend and Summer arrangements Gt. Britain and abroad.—Box 682.

PROFESSIONAL CONSULTANT seeks modest, comfortable office with telephone, for secretary and self. Westminster or City preferred.—Box 678.

GOVERNMENT RETURNS

For the week ended March 6, 1948, total ordinary revenue was £94,614,000 against ordinary expenditure of £107,864,000 and issues to sinking funds £2,885,000. Thus, including sinking fund allocations of £16,622,000 the surplus accrued since April 1st is £749,776,000 against a deficit of £397,446,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to Mar. 1947	April 1 to Mar. 1948	Week ended Mar. 6, 1947	Week ended Mar. 6, 1948
ORDINARY REVENUE					
Income Tax	108,600	105,513	110,371	35,767	50,436
Sur-tax	80,000	65,992	79,755	3,300	3,900
Stamp duties	155,000	138,074	159,079	3,050	5,700
Stamps	57,000	34,579	51,480	500	1,500
N.D.C.	206,000	30,477	32,420	325	700
E.P.T.	309,011	259,068	5,020	3,800	
Other Inland Rev.	1,000	469	715		40
Total Inland Rev.	1,585,900	1,633,795	1,666,378	47,962	66,076
Customs	742,460	571,835	740,652	11,202	18,369
Excise	668,540	545,400	602,500	2,395	3,000
Total Customs & Excise	1,411,000	1,117,235	1,343,152	13,597	21,369
Motor Duties	50,000	48,812	48,528	397	514
Surplus War Stores	95,000	133,424	167,421	110	679
Surplus Receipts from Trading	55,000	40,000	91,261		
Post Office (Net Receipts)		3,650	2,980	700	250
Wireless Licences	11,000	9,110	10,240		
Crown Lands	1,000	870	950		
Receipts from Sundry Loans	21,000	23,580	22,991	91	
Miscellaneous Receipts	270,000	48,195	216,713	7,211	5,726
Total Ord. Rev.	3,499,000	3,058,672	3,570,515	70,068	94,614
SELF-BALANCING					
Post Office	144,230	121,600	132,250	2,000	2,150
Income Tax on E.P.T. Refunds	49,000	147,689	21,651	2,079	248
Total	3,692,230	3,327,961	3,724,416	74,147	97,012

Expenditure	Estimate, 1947-48	April 1 to Mar. 1947	April 1 to Mar. 1948	Week ended Mar. 6, 1947	Week ended Mar. 6, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	489,288	493,301	6,493	43,485
Payments to N. Ireland	23,000	18,021	21,766	1,161	1,274
Issue to Nat. Land Fund	50,000				
Other Cons. Fund Services	8,000	7,076	6,992		5
Total	556,000	564,385	522,059	7,653	44,764
Supply Services	263,514	287,516	228,058	93,782	63,100
Total	819,514	851,901	750,117	101,435	107,864

Expenditure	Estimate, 1947-48	April 1 to Mar. 1947	April 1 to Mar. 1948	Week ended Mar. 6, 1947	Week ended Mar. 6, 1948
Issues out of the Exchequer to meet payments (£ thousands)					
Government	132,250	2,000	2,150		
Government	21,651	2,079	248		
Government	295,801	105,514	110,262		
Government	477,572	477,572	477,572		
Government	21,543	21,543	21,543		
Government	45				
Government	550				
Government	303				
Government	25				
Government	430				
Government	6,050				
Government	5,000				
Government	25,000				
Government	551				
Government	37,909				

Expenditure	Estimate, 1947-48	April 1 to Mar. 1947	April 1 to Mar. 1948	Week ended Mar. 6, 1947	Week ended Mar. 6, 1948
P.O. and Telegraph					
E.P.T. Refunds					
Overseas Trade Guarantees Act, 1939, sec. 4 (1)					
Housing (Scot.) Act, 1944, sec. 4 (2) and Housing (Financial Prov.) (Scot.) Act, sec. 13 (2)					
Local Authorities Loans Act, 1945, sec. 3 (1)					
War Damage: War Damage Commission					
Civil Contingencies Fund					
Finance Acts, 1946 and 1947. Post-war Credits					

Statistical Summary

CHANGES IN DEBT (£ thousand)	NET RECEIPTS	NET REPAYMENTS
Treasury Bills	325,087	3% Conv. Loan
Nat. Savings	1,200	1948-53
2½% D.T. Bonds	1,682	Tax Reserve Certs.
Other Debt		Other Debt
External	24,596	Internat.
Treasury Deposits by Banks	58,500	Ways & Means Advances
	410,067	

* Including £2,715,000 paid off on maturity.

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1947				
Mar. 8	2185-6	2600-7	583-7	1443-5
Nov. 22	2250-0	2579-7	339-1	1517-5
Dec. 6	2250-0	2582-2	340-3	1572-5
" 13	2250-0	2569-5	325-1	1567-5
" 20	2250-0	2605-4	306-6	1577-0
" 31	2250-0	2550-7	305-6	1402-5
1948				
Jan. 10	2220-0	2515-3	317-2	1474-0
" 17	2210-0	2474-3	373-7	1357-0
" 24	2200-0	2426-6	341-1	1330-0
" 31	2190-0	2357-3	371-3	1329-5
Feb. 7	2170-0	2351-5	301-6	1329-5
" 14	2160-0	2307-4	366-4	1274-0
" 21	2160-0	2346-8	447-6	1236-5
" 28	2160-0	2342-4	492-7	1201-0
Mar. 6	2160-0	2667-5	446-3	1259-5

TREASURY BILLS

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allocation %	Per Cent Allotted at Min. Rate
1947					
Mar. 7	170-0	287-0	170-0	10 1-15	43
Dec. 5	170-0	300-6	170-0	10 2-26	38
" 12	170-0	283-1	170-0	10 2-66	45
" 19	170-0	273-1	170-0	10 2-89	50
" 24	170-0	288-1	170-0	10 2-73	45
1948					
Jan. 2	170-0	274-2	170-0	10 2-99	52
" 9	170-0	285-2	170-0	10 2-63	45
" 16	170-0	251-2	160-0	10 3-41	57
" 23	160-0	269-1	160-0	10 2-97	46
" 30	150-0	282-7	150-0	9 11-56	36
Feb. 6	160-0	275-5	160-0	9 11-89	42
" 13	170-0	240-2	170-0	10 0-92	67
" 20	170-0	266-0	170-0	10 0-16	52
" 27	170-0	236-8	170-0	10 2-41	68
Mar. 5	170-0	262-7	170-0	10 1-19	40

On March 5th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 40 per cent of the amount applied for at 99 17½. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 99 17½. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for March 12th. For the week ended March 13th the Banks will be asked for Treasury deposits to an amount of £120 million (maximum).

NATIONAL SAVINGS

	Week Ended	Totals
	Mar. 1, 1947	Mar. 28, 1948
Savings Certificates:—		
Receipts	7,350	3,800
Repayments	4,800	2,500
Net Savings	2,550	1,300
Defence Bonds:—		
Receipts	4,200	665
Repayments	543	935
Net Savings	3,657	Dr. 270
P.O. and Trustee Savings Banks:—		
Receipts	11,487	11,687
Repayments	8,866	10,374
Net Savings	2,621	1,313
Total Net Savings	8,828	2,343
Interest on certificates repaid	864	450
Interest accrued on savings remaining invested	2,331	2,349

BANK OF ENGLAND

RETURNS

MARCH 10, 1948

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt: £
In Circulation	1236,895,691
In Bank Department	63,352,142
Total	1300,247,833
Govt. Debt: £	11,015,100
Other Govt. Securities	1288,344,156
Other Secs.	£29,167
Coin other than Gold	11,577
Am't. of Fid. Escrow	1500,000,000
Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
Total	1300,247,833

BANKING DEPARTMENT

Capital: £	Govt. Secs.: £
14,553,000	329,824,291
Reserves: 3,923,406	Other Secs.: 20,600,458
Public Deposits: 12,624,100	Advances: 9,498,816
Other Deposits: 299,102,555	Securities: 30,119,274
Bankers' Bills: 93,448,826	Notes: 63,352,142
Other Assets: 392,551,381	Coin: 516,180
Total	423,651,887

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

COMPARATIVE ANALYSIS

	1947	1948
	Mar. 12	Mar. 3
Issue Dept.: Notes in circulation	1385-4	1231-6
Notes in banking department	1236-5	1236-5
Government debt and securities*	64-8	118-6
Other securities	63-7	63-4
Gold	0-7	0-8
Valued at s. per fine oz.	0-2	0-2
Banking Dept.: Deposits	172-3	172-3
Public	9-7	12-1
Bankers	18-5	12-6
Others	289-4	290-6
Total	94-6	93-3
Securities:	393-7	396-0
Government	314-4	263-3
Discounts, etc.	12-4	11-3
Total	19-7	20-9
Banking dept. res.	346-5	295-5
"Proportion"	65-6	118-6
* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.		

GOLD AND SILVER

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

	SILVER				GOLD	
1948	London per ounce	New York per ounce	Bombay per 100 tolas		Bombay per tola	
	d.	c.	Rs.	a.	Rs.	a.
Mar. 4...	45	74½	157	0	108	4
" 8...	45	74½	158	12	109	4
" 6...	Markets	Closed	158	0	109	0
" 45	45	74½	160	0	109	8
" 9...	45	74½	Markets	Closed		
" 10...	45	74½	161	0	109	14*

One Shilling

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UNIVERSITY OF LEEDS
DEPARTMENT OF EXTRA-MURAL STUDIES

Applications are invited for posts of Staff Tutor for Adult Education work from candidates qualified to take University Tutorial Classes in one or more of the following:—English Literature, Psychology, Music, History, International Relations, Industrial Relations, Economics, Political Science, Biology. Appointments will be made either on the salary scale for probationary Staff Tutors (£400-£25-£500) or on the scale £550-£25-£900, together with child allowance and membership of the Federated Superannuation System for Universities. Applications should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than the 30th April.

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Can It Happen Here ?

IN four weeks since the fall of Prague, the outlook of the Western world towards the East has been transformed. After a wave of alarm, the reaction in Western Europe has been prompt and determined. Western association has rapidly developed from a vague concept, capable of gradual attainment, into a pressing political necessity. Prague has given Brussels and Paris an urgent meaning which they would otherwise have lacked. In the United States, the Senate has approved the European Recovery Bill more quickly and more decisively than seemed possible a month ago. President Truman has urged the necessity for conscription in the United States, now at the height of its prosperity and power. In Western Europe, the dangers from the Communist Trojan Horse have been demonstrated by the horrifying object lesson from Czechoslovakia. Such a cynical and indecent *ruse de guerre* invited, and is most properly receiving, retaliation with the gloves off.

Such is the background against which the Prime Minister's statement about the employment of Communists and fellow travellers in Government service must be assessed. Inevitably, it has produced howls of denunciation from the Communists, who represent the removal from temptation of those with doubtful loyalties to the state as the introduction of the police state in Britain, and "another indication of complete subservience to American monopoly capitalism." In Czechoslovakia today, there is no police state and, of course, no subservience to Russia. This insolent perversion of the very reasons for which the *Putsch* in Czechoslovakia has been universally condemned by all true democracies has a staggering but characteristic effrontery.

But it is, nevertheless, a disturbing thing when liberties have to be qualified in order to preserve the larger freedoms. A healthy democracy does well to think long before it resorts even to the gentlest of the means employed by its enemies to deny freedom of opinion to any of its citizens or to limit their choice of occupation. But a careful reading of Mr Attlee's statement shows that the Government in its precautionary measures has stopped well short of the point at which liberty and conscience are imperilled or economic sanctions raised against particular political creeds. The state has the undoubted right to exclude from the performance of secret duties anyone whose reliability is in doubt. Experience has shown that "membership of, and other forms of continuing association with, the Communist Party may involve the acceptance by the individual of a loyalty which in certain circumstances can be inimical to the state." Not all Communists would necessarily be disloyal, if opportunity offered, but since there is no way of distinguishing the loyal from the potentially disloyal, party members and fellow travellers must be excluded from work which is vital to the security of the state, though alternative non-secret work will be found for them as far as possible. The same rule will apply to those who are known to be actively associated with Fascist organisations.

Action is being taken, then, solely on security grounds, and not because of the political views of particular employees in the Government service. To all except the purblind, and professional "viewers with alarm," the

Prime Minister's simple logic must be convincing. Western democracy works by toleration and governs by consent. Eastern Communism has no use for mutual trust; it exacts unquestioning loyalty; it seeks to overrun the frontiers of sincere democratic patriotism and to spread its poisonous religion at every opportunity. Attempts will be made to institute some form of judicial process or tribunal to hear cases and weigh evidence. But while this shows a proper regard for the prevention of any arbitrary excesses on the part of the Executive, it misses the point of the procedure which the Prime Minister outlined. There is no case for judgment; no offence is alleged—otherwise the Official Secrets Act would quickly be invoked. It is merely that the state must satisfy itself, on good *prima facie* grounds in each case, that one of its servants, by membership of, or allegiance to, the Communist Party, might be capable of accepting an outside loyalty which in certain circumstances could be inimical to the state.

No one who surveys the plight of freedom in the Communist satellite countries would regard this test as being in any way extreme. Of the possible conflict of loyalties, equally, there can be no doubt. In Czechoslovakia it was obedience to Russia which impelled a Communist minority to impose its will on the majority—insurrection under the covert form of a change of Government. In Canada, as the Report of the Royal Commission showed, it enabled the Soviet Embassy at Ottawa to build up an espionage organisation, served by Communists, scientists, and Government officials, whose overriding loyalty to their Russian masters and fellow-conspirators can be measured by their refusal to answer questions about their activities and contacts in their espionage network. The British Constitution makes no provision for such a division of loyalties. Nearly three hundred years have passed since the state felt itself to be endangered by rival authority, and hurriedly put the Test Acts on the Statute Book. They were no adornment on the banner of British liberty.

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If remedies against the tyranny of a minority exist, either in the Common Law or on the Statute Book, they should obviously be invoked. But a brief survey of both branches of the law shows that neither offers any effective safeguard against the undercover work of Communism, in its latter-day form. There is indeed authority for the view that an intention to incite feelings of ill-will and hostility between different classes of His Majesty's subjects may be seditious—but it is for the jury to decide, and moreover it rests on the commission of an overt act. Sedition, as defined in the law books, is a phrase too wide in its meaning to attract the measure of public support on which the foundations of good law must rest. Put quite shortly, many people today would accept the existence of class antagonism but would reject out of hand the Communist thesis of how to deal with it.

A century ago, the threat came from the burning but misguided passion of the Chartists; today it comes from the insidious boring from within, the conspiring of invisible partners, the undeclared ideological war. It is not civil strife, but the breach of security, the betrayal of duty, the furtive suggestion of economic sabotage which are the peril now. All of these are offences which are difficult to prove until it is too late—if indeed they can be proved at all. But that is not an argument for violent steps like the banning of the Party, or some emergency counterpart of the wartime Regulation 18b. For one thing, it would be an imperfect instrument, a net at once too large and too wide in its mesh. For another, the Communist Party is no longer a conspiratorial party; it has open and avowed aims, and if it could convince a majority of the electorate, genuinely but mistakenly, that the changes in the social and political structure which it advocates were desirable, its activities would

not deserve the label of sedition, no matter how wrong-headed they might be. But if the object is to overthrow democratic rule of the majority, or to further the interests of another state, then the state against whom they are working is entitled beyond question to put them out of harm's way.

There are two principal reasons for arguing that this stage has not been reached, and that no further extension of Executive action against the danger from within is at present justified. The first is the abiding faith in the democratic principle which has always inspired the activities of the major political parties. That is why Sir Stafford Cripps's recent references to the danger of totalitarianism have failed to make a convincing ring through the country. People may be convinced that the outlook is grave, yet they refuse to believe that it could become so grave as that. But it is still true that faith in the democratic principle is frequently unaccompanied by a determination to make democratic forms work. The successes of the Communists in the Trade Unions have so often been due to indifference to union elections and failure to attend and support union activities. The crude successes of Communist propaganda would not survive a little clear thinking and a little counter-campaigning on the merits and achievements of social democracy. The extremes of class antagonism which the Communists work so hard to foster, and which some Socialists are unduly anxious to encourage themselves, have no meaning in modern Britain.

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The second reason is more technical. Experience in Hungary and Czechoslovakia has shown that states within the Russian sphere could still survive as Parliamentary democracies so long as Communists were kept out of the Ministries of the Interior, or Justice or Defence. But the moment that Communist Ministers are entrusted with these portfolios, the die is cast; Governments can be divided and very soon torn asunder by Ministers representing a minority of the people, but wielding a degree of power beyond that of Prime Ministers and Presidents. This moral has not been lost on Italy and France, where it might still be relevant. But in Britain, it is not relevant at all.

The merciful conclusion, then, must be that it cannot happen here. But there is not the slightest justification for its smug acceptance—as if Britain is destined, by some immutable law of Providence, to remain a social democracy for all time. There are Ministers whose notion of the dividing line between individual liberty and responsibility to the state might well be refurbished. There is an urgent need for an effective counter-attack on Communist activities and propaganda in all walks of life—in public affairs, in the professions, in science particularly, in the arts, and above all in the factories. The measure of the problem is not the 40,000 members which the Communist Party claims, but its half-convinced adherents who have been persuaded by better organisation, tireless proselytising, and dishonest propaganda to move away from the dull established forms of the trade union movement towards the crude religious beliefs of Communism. They are not converts—yet. But they will become converts unless there is a more active evangelist in the Trade Union movement.

This act of legitimate self-defence by the state, so far from being a "purge," is an example to all who are revolted by the manifestations of Communism to strengthen their own defence against its erosive forces. There is no justification for any witch-hunting. Action against professing Communists in the Government service has long seemed desirable, but it must not be allowed to develop into the kind of excesses which have lately been witnessed in Washington. There may be something laughable in the spectacle of Hollywood reduced to a jelly of fear of "radicalism"; but there is something tragic in it too. In the last resort, democracies must work out their own means of self-protection, by their own democratic method. That is the only final assurance that it cannot happen here.

Western Workshop

MR BEVIN struck exactly the right note when, in opening the second conference of the Sixteen Nations with a speech of admirable brevity, he urged two things on his colleagues—work and speed. Speed they have certainly shown. At a meeting attended by fourteen Foreign Ministers, many of them with separate axes to grind—as was expected, the Portuguese Minister suggested that Spain should be invited to join the Sixteen—the unity of purpose which had brought them together was not once lost to sight. The Conference lasted less than two days, fewer than a dozen speeches were made and when the delegates departed, they left behind them three agreed resolutions. If all international conferences could be conducted with such praiseworthy despatch, international institutions would hardly be in their present disrepute.

Those who expected feats of oratory and clarion calls to new crusades from Mr Bevin are no doubt disappointed, but the Foreign Secretary has shown himself shrewder than they. There has been quite enough talk about co-operation for the time being. If the realisation of closer association in the West depended only upon the public utterances of distinguished men, it would have come into being months ago. The real test of Western Europe's capacity for co-operation is the practical test of how much sovereignty the nations are prepared to sacrifice and how much effort they will throw into the common cause. Mr Bevin has given his pledge for the British to "make whatever contribution we can." But this contribution and that of all the others can only be judged by experience. The need now is not to talk but to get to work, and the first step towards working together is to establish the machinery of co-operation.

The decision to set up a working party to draw up an agreed constitution for this machinery—the continuing organisation as it is called for the time being—is clearly the most urgent of the three resolutions with which the conference closed. Of the other two, the first though important is a matter of routine—to report to the United States the amount of progress achieved by the Sixteen so far. The second—the decision to ask Military Government to designate German experts from the Western Zones to work with the Sixteen—will have long-term consequences of the utmost importance. But the immediate task is to create the continuing organisation.

To judge by past experience, there are two different ways of establishing a functioning piece of international machinery. One is to make the central secretariat an efficient but not very influential international body, and attach to it national delegations with considerable powers in which real authority resides. These delegations in effect negotiate with each other on such questions as allocation, production, inter-European trade or the Sixteen's dollar strategy, and the international secretariat provides them with material and registers their decisions. This pattern was largely adopted in setting up the Combined Boards on which British and American delegates sat in their national capacity and the role of the secretaries was entirely subordinate. In part as a result of this wartime experience, the British are believed to have favoured this approach so far. Another reason for their supposed preference may be that, since such a structure would represent a fairly loose type of organisation in which there would be no loss of national identity, it should be easier to protect Britain's special position as a member of another association—that of the Commonwealth.

This approach, however, seems insufficiently radical to some of the continental governments, and particularly to France. They want a strong international secretariat, under a chairman or director of commanding influence and personality. This body would carry out all the functions allotted to the central

authority, not as a group of separate national officials, but as a single international team with loyalty to Western Europe as a whole; it would negotiate directly with member governments to secure their consent for the policies it proposed and—so at least the French hope—it could provide the nucleus round which a genuinely international civil service would gradually grow up to serve an eventual Western European Government.

It may be that some compromise will be found between these two views, but the weight of argument seems to lie with the French case. The difficulty in working out policies for Western Europe will not lie in the safeguarding of national interests. Sixteen jealous governments will see to that. The difficulty will lie in establishing clearly the wider international interest and in relating national policies to that interest, often at the sacrifice of local aims and ambitions. If, at the very centre of the Western association, there is a series of negotiating delegations and not a genuine international body, then each problem will be discussed from the national angle and the result may be, not the emergence of the common good, but of the lowest common denominator of governmental bargaining. In that case, Mr Bevin's hope that the continuing organisation will be "not a conference but a workshop" will be largely frustrated. The advantage of setting up an international continuing organisation with loyalty to the western association as a whole, and without overriding loyalties to any particular partner, is simply that European policies will have a chance to emerge at the centre, however much they have to be modified later to meet the views of the member governments.

These considerations are borne out by two others. The first is that the setting up of national delegations would probably lead to great duplication of activity and effort. Not even the strongest delegation could exercise governmental powers. The decisions taken by the delegations in Brussels (or Paris) would have to be referred back to their Governments. There would thus be three stages in every negotiation—the preparation of material by the small secretariat, the discussion and decision of the delegations and the referring back of these decisions to the various national capitals. If, on the other hand, the secretariat itself were a strong international body, one time-consuming stage would be cut out, since the inevitable bargaining could be carried out directly with the only authorities competent to take final decisions—namely the governments themselves. And this consideration is enforced by yet another: perhaps the most difficult task at Paris will be to find the right men to staff the new organisation. The quality and effectiveness of the machinery established will depend entirely on the character of the men appointed to work it. There is already a dangerous shortage of officials competent to carry large administrative responsibilities, but nowhere is the shortage so apparent as among those capable of acting effectively in the international field. The proposal to duplicate the secretariat by separate national delegations would involve impossible demands on the manpower available; men of sufficient calibre simply cannot be found for both tasks. One central secretariat with the most competent and effective men available would be infinitely better than sixteen delegations of very uneven quality tripping over each other at the centre.

The need for a strong secretariat is underlined by the nature of the work which the continuing organisation will be expected to do. Mr Bevin outlined its two chief functions when he mentioned its responsibility to secure the successful allocation of the scarce supplies available under the Marshall Plan, and "to establish an equilibrium with the Western hemisphere and to reduce the dollar deficit." The former responsibility is

reasonably straightforward, although it involves exceedingly difficult political decisions. For instance, it is now apparent that the amount of crude steel available to Western Europe under the American programme may be 4,000,000 tons short of the desired total in 1949 and 2,000,000 tons short in 1950. When the overriding need for crude steel and scrap in each industrial community in Western Europe is remembered, it is clear that the process of deciding where, in the best interests of all, the cuts should come and of persuading the unlucky nations to accept the decision will tax to the utmost the organisation's authority and power of persuasion.

The heaviest responsibilities may, however, be incurred in carrying out the second function—the establishment of equilibrium between the Old and the New World. On present calculations, anything from one to three billion dollars has to be cut from West Europe's spending by 1951. This formidable reduction can be made only if production is developed with the utmost vigour in Europe and in non-American areas of supply, if inter-European trade (of essentials as well as the frills) is fostered by every measure, if the Sixteen will organise some sort of pool for their dollar earnings and agree to the spending of those dollars only on the most essential imports from the dollar area. A "dollar strategy" involves co-operation of the highest order and the sacrifice of sovereignty at some of the most delicate points in the national economic systems of the Sixteen.

At this point, some critics may ask whether such tremendous responsibilities can be exercised by an international secretariat. Can a body of international officials undertake the responsibility for determining the most vital interests of individual states? Can they be left to decide how much industrial development is to be permitted in individual countries by allocating such vital materials as steel or coal? Can they determine how hard-earned dollars are to be spent—sometimes by countries which have not made satisfactory dollar earnings themselves? Can the development of the whole pattern of Western European trade be left to such a body? Many would argue that no Government could accept sacrifices of sovereignty of this character, and that although the meeting of delegations to bargain may not be a perfect arrangement, it would at least be practicable.

Probe for Monopolies

THE Government has announced its intention of dealing with monopolies—as promised in *Let Us Face the Future*. This is good news. Any measure which reduces the power of combine, cartel or association either to exploit the public or to clog and frustrate technical and commercial progress is much more to the point than the pursuit of party logic through a series of half-digested Nationalisation Bills; here is a genuine national interest, and one which, if near-Syndicalists on the left and near-Corporationists on the right be excluded, should command a genuine national backing.

This is not to say that the Government's line of attack will inevitably, or even probably, be the best. There are, indeed, suggestions that the Anti-Cartel bill will be a mere enabling measure, whose effectiveness will depend entirely on the energy which the overburdened Board of Trade can bring to its application in individual cases. Again, few Socialists are capable of envisaging Trade Unions as what they in fact are—highly aggressive monopolies whose wares happen to be manpower. Hardly more are willing to apply to the enormous, powerful and introverted public corporations of triumphant Socialism the same criteria of economic conduct as those by which they judge Big Business when in private hands. But almost any move in this field will at least have an educational effect; a monopoly-conscious public, roused by disclosures (if such are to come) of private iniquity, may not be quite incapable of applying what

To these objections, there are two answers. The first is that, for the time being at least, ultimate responsibility will continue to rest with the member Governments. As the years pass and the habits of co-operation grow they may be ready to give power to some central body—a Prime Ministers' Conference perhaps—but for the time being, the continuing organisation will depend for its effectiveness on the extent to which it can persuade, cajole or bully the member governments into accepting its recommendations. But the second answer lies in the extent to which international bodies in the past have successfully carried out such functions. During the war such bodies as the Middle East Supply Centre and the United Nations Relief and Rehabilitation Administration, were both examples of effective international bodies dealing with such questions as allocation, supply and production programmes and the negotiating of these programmes with governments. And since the war, two bodies have exercised vital functions in the sphere of allocation. Both were international bodies. Both had to negotiate with national governments. Both handled the most vital of all commodities. Both were successful. One, the International Emergency Food Committee, has allocated the whole world's scarce grain supplies for the last two years. The other, the European Coal Organisation (now a Committee of the United Nations Economic Commission for Europe) allocated Europe's desperately needed coal supplies. There is thus no reason to deduce from the history of the last six years, that a strong international secretariat cannot plan and allocate or secure the support of governments. The lesson is, in fact, the exact opposite.

With these models in mind the working party should go to work to prepare its proposals for the next conference of the Sixteen which will be convened again as soon as the working party's report is ready. Its work may seem unsensational and severely practical compared with the great events—the policies and treaties and acts of union—which ordinarily occupy the centre of history's stage. But in reality its concern will be to create the sinews of western association. Mr Bevin hardly exaggerated when he said that its work "will determine the future peace and prosperity of the world."

it has learned in judging the behaviour of Trade Unions or of nationalised industries.

It is most likely to be roused by evidence of positive misdoing, in the easily recognisable shape of exploitation—the reaping of exorbitant profits from artificially induced scarcity. It is, in fact, likely to look on these, and on these alone, as calling for condemnation; and under the guidance of the Left it may not be particularly reasonable in its interpretations. There may well be heard some British counterpart of Mr Reuther's recent indictment of the American steel industry (when it was operating at some 120 per cent of its nominal rated capacity) for engaging in a nation-wide conspiracy to promote shortage and penetrating, in its accuser's peculiar phrase, "a creeping Pearl Harbour." Exploitation is, of course, perfectly possible, and it would be rash to deny that it plays an appreciable part in maintaining the perilously high British price structure. But successful exploitation depends on a combination of circumstances—inelastic demand, concentrated monopoly power, and an absence of economic penalty for the under-use of equipment—which is less frequently found than is often supposed. Much more frequent, and much more insidious, is a state of affairs where profits are far from exorbitant, simply because high prices are matched by high costs; where monopoly produces its effects indirectly, through the withdrawal of the competitive spur of efficiency, through actual penalties on enterprise, and through

the barring of entry to the promising newcomer with a good idea. It is on a dynamic view of economic affairs that monopoly and near-monopoly stand condemned; and this condemnation should not rest (as in the public mind it generally does) merely on the monopolists' supposed propensity for buying up and suppressing inconvenient competitive inventions such as perpetual matches.

The case for monopolistic organisation must, of course, be honestly recognised. Technique alone may demand it. Only a few enthusiastic supporters of competition would like to chop up the London transport system into competing atoms. The very process of dynamic specialisation which has made so important a contribution to economic advance tends to create a number of concerns holding a monopoly position in a field too small to admit a competitor. Stability is a genuine economic asset; the benefits of uninhibited competition may be too dearly bought if the relation between an industry's capital structure and its operating costs is such that the slightest shrinkage of the market unleashes cut-throat warfare. And any deliberate public planning, whether national or—a highly relevant point at the moment—international, must *ipso facto* interfere with the free play of competition; it must work towards an agreed allocation of markets and supplies; and thus it must imitate in its policy, even if it does not actually use as its instrument, that suspect economic organism the cartel.

The problem confronting any government, whether Socialist or not, is thus more complicated even than that presented by a sweeping frontal attack on all monopoly practices. Such an attack would be faced with almost overwhelming difficulties; to make monopolistic agreements a statutory offence, for instance, would be comparatively easy if such agreements were invariably embodied in written documents, or easily open to proof. But when monopolistic policies are carried on by a single highly respectable firm which has no need to make agreements with rivals because none exists; or where agreement merely consists in a reciprocal verbal agreement not to tread on the other party's toes; or where no agreement whatever exists, but one dominant concern exercises a tacitly recognised price leadership—what is authority to do?

But a frontal attack does not appear to be in question. The Government's plan, though not yet disclosed in detail, may be to set up a special division of the Board of Trade to collect, sift and publicise complaints of monopolistic practices, and to promote specific action when the facts as disclosed seem to call for it. This would be a useful, if not stupendous, beginning. But the practical steps for action remain obscure; so does the nature of the restrictive practices which the Government might consider to require action. Will complaints against Trade Union restrictionism and aggressiveness in wage policy be considered? They should be; no monopolists pursue more single-minded policies of exclusion, restriction and extortion

than some of the craft unions. Where it can be shown, after fair investigation, that production is being impeded by unnecessary rules and union delimitation, will remedial action be taken by the Government? Will the price policy of the nationalised industries, whether as buyers or as sellers, be subject to publicity? There is no logical reason whatever why they should be exempt; but the omens are not good. Socialist economic theory has constructed beautiful models of a planned society whose various economic organs function behind glass walls, "playing at competition" in the light of a mass of information about costs, techniques, and policy which should bring their activities nearer to the theoretical perfections of the free market system of the text books than those of any *laissez-faire* economy in real life. But they have yet to be seen in practice.

Above all, will feather bedding for the inefficient get as much attention as the profit margins of the efficient? It would be encouraging to think so. There is a relation, though often depressingly indirect and inadequate, between the profit motive and the public interest. But there is no harmony whatever between the public interest and the motives liable to operate in non-competitive enterprise; the prestige-of-size motive, the departmental-jealousy motive, the for-heaven's-sake-let-me-sleep-in-peace motive. In Labour nostrils, however, the profit motive has a brimstone smell. The scientific analysis of costs which is supposed to replace it has the properties of ether—it may be clinical in small doses but too much of it becomes overwhelmingly soporific.

More positive action, judging by a recent statement of the Prime Minister's, might be expected in the matter of inventions and patents. For obvious reasons, no reliable estimate can be made of the extent to which monopoly power is in practice buttressed by the buying up and suppression of patents. It is less widely known than it should be that a patent unused after a reasonable lapse of time after its acquisition is legally open to use, on a royalty basis, by anyone who cares to apply for a licence. But the practical difficulties of this procedure are at present enormous. Many patents depend for their applicability on the prior possession of a master-patent, which may itself be in use and so not available to the applicant; and legal battles over patent rights are notoriously so costly, and therefore likely to go by default in favour of the big financial battalions, that this access to undeveloped technique is usually inoperative. This situation could and should be remedied.

There does thus emerge a line of action which the Government could follow with general approval from all except those who slumber on feather-beds. That line is to establish organs of publicity, investigation, and audit. It is not so sensational as the method of mass attack, complete with dramatic legal actions, on the American model; but in this field there is good reason to believe that the probe is likely to be more powerful, and more discriminating, than the bludgeon.

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Far Eastern Fronts

THE rape of Czechoslovakia has stirred up American politics into a fresh blaze of anti-Communist resolution and activity which is by no means confined to Europe. In combination with recent news from the Far East, militant Communism in Europe has brought a large section of American opinion round to the idea of giving military aid to the Chinese Government in its civil war. A few weeks ago the auspices for such proposals were not favourable and the Administration's programme called for an appropriation for China of only \$570 million for relief and recovery. But on March 2nd, ex-Ambassador Bullitt, addressing the House Foreign Affairs Committee, denounced the State Department for "blindness and apathy" towards China and demanded \$100 million for military supplies. "We cannot successfully oppose Communist conquest of the world," he said, "by opposing it in Europe only." On the next day even heavier guns were brought to bear; a cable from General MacArthur's castle in Japan was read to the legislators. In it the General told them that "a free, independent, peaceful and friendly China" was essential to "the peace of the world and the position of the United States," and that mere economic aid could not bring it rehabilitation as long as the military problem remained unsolved. The Committee has now tacked aid for China on to ERP in its Bill for the House of Representatives.

Since the period immediately after the war, when American transport was used to enable the Chinese Government troops to move up to North China and forestall the Communists in taking over from the Japanese, there has been a natural reluctance in the United States to intervene in the Chinese civil war. Intervention in a foreign country must be for someone as well as against someone, and few Americans have recently been able to see in China any authority to which the support of American power could be given with a clear conscience. The correct moral position for Americans, in their emergence from isolationism, is to sustain a democracy against domestic dictatorship or foreign aggression. But in China no real political democracy exists to be endangered; the struggle has been hitherto between two brands of revolutionary "tutelage," and the elections recently held in Kuomintang China to establish the democratic legitimacy of the present regime were not, even on the most generous interpretation, very convincing.

In the absence of any fair means of measuring relative popular support for the rival parties in China, General Chiang Kai-shek's Government might still have gained—or rather retained—general moral support in the United States, if it had shown itself, since the defeat of Japan, an active promoter of social and administrative reform. But shocking manifestations of inefficiency and corruption, particularly the postwar reign of carpet-baggers in Shanghai and Formosa and the malversations of Unrra goods by high officials, have alienated many American observers who cannot be suspected of inclination towards Communism. Indeed, they have been disposed to think well of any deluge which might cleanse the Augean stables. The Communists by contrast have won good reports for the honesty of their administration and the personal austerity of their leaders—for the Chinese Communists, who need to bid for the genuine support of the masses, are still in the stage of apostolic poverty. Moreover, their short-term programme of agrarian reform and toleration for private enterprise in industry has seemed harmless enough to foreign business men and liberal politicians, who have even been converted in some cases to the belief that Chinese Communists are a distinct species, distinguished from Communists of other lands by the difference between a grass snake and an adder.

Were it not for the question of China's foreign policy, there can be no doubt that American tactics would be to let events in China take their course and recognise whatever power emerged from the struggle. In Mexico, where a series of revolutionary civil wars took place, with redistribution of land as the main underlying issue, the United States never seriously intervened against the disorder on its very frontier. But the Mexican revolution was independent of international alignments, and did not aim at bringing Mexico into a bloc of nations hostile to the United States. Chinese Communism, on the other hand, shows fundamentally the same gravitation towards the Soviet Union as Communism elsewhere.

It is not true, as is sometimes asserted, that the Chinese Communists were anxious to co-operate with the United States and were only driven to take up an anti-American attitude because of American help for the Kuomintang. They were indeed eager to share in the supply of American lend-lease to China, and were quick to encourage wishful thinking among American



officers and journalists who visited them. But the full orthodoxy of their party line was demonstrated between 1939 and 1941, when they faithfully reproduced Soviet propaganda of the Molotov-Ribbentrop honeymoon and denounced the Anglo-French "imperialist war" and American support for it. There cannot be any reasonable doubt that Communist victory in China would mean its alignment in the Soviet bloc, with the same campaign against all Western influences, political, cultural or economic, that has been going on in the countries of the Russian zone in Europe. From recognition of this probability, American official circles have been slowly and reluctantly drawing the inference that active measures must be taken to prevent the overthrow of what remains internationally the legal Government of China.

To apply the Truman Doctrine in China will be an infinitely more difficult task than applying it in Greece, where the Americans have already met trouble in plenty. It will certainly be necessary not to limit aid to military supplies, but to supplement them with an agency similar to AMAG in Greece, with a

wide range of supervision over the national economy as well as over the finance, training and administration of the Government's military forces. It will not be easy to staff such a mission, for the United States possesses few individuals with the special qualities required for persuading Chinese to do what they would not otherwise be doing. But, even if good working relations could be established, and even if it proved possible to strengthen the Chinese Government's rule in part of China, the suppression of so vast a revolt as has occurred in other parts would be an immensely long and costly undertaking. China is about seventy times the size of Greece, and its division may persist for years or decades. Washington may have to choose—it may indeed already be thinking in such terms—between more and less important or defensible areas.

At present there is no clear-cut front in China; Nanking still has forces in southern Manchuria, while Communist formations are scattered over North China down to the Yangtze. Unless Nanking can show better success than it has met so far in its Manchurian campaign, American advice may be strongly in favour of cutting the Manchurian commitment and concentrating on suppression of the Communists in North China. Such a partition was implied in the deal over Manchuria which President Roosevelt made at Yalta; its significance was to place Manchuria, like Poland, within the Soviet sphere. Even if Nanking were to gain complete military victory in Manchuria, the consequences of Yalta could not be undone, for Russia has now a treaty right to Port Arthur and the trunk railways. Moreover, it is hard to imagine that Russia would watch an American-directed military campaign up to the Amur without a reaction which might bring the world very close to a major war. Manchuria is Chinese and cannot be permanently separated from China, but a Communist "Manchukuo" may be a temporary *pis aller* to be accepted in this two-world period. If the political

NOTES OF THE WEEK

Five Power Pact

The Brussels Treaty is an excellent document: clear, simple in its key clauses, open to the adherence of many other governments, and enlightened in its statement of common social and economic objectives. To compare it with the Dunkirk Treaty of last March between Britain and France is to measure the great distance travelled by the statesmen of western Europe in twelve months.

It is not a regional pact on the lines suggested in the United Nations Charter, because the five Powers can "by agreement" invite "any other state to accede." Yet it leaves obligations under the Charter untouched, and simply ensures that defensive action against an aggressor will be taken jointly and quickly while the Security Council is playing its usually hesitant role. It is a simpler and more swiftly usable instrument than the Rio pact of reciprocal assistance between the American States. In fact, it is just the kind of pact needed to persuade small Powers that it is worth while giving up precarious neutrality in a divided Europe.

So much having been said in its praise, it is legitimate to point out things that the Brussels pact does not do. It does not define aggression by fifth-column or "tourist" methods. Some such definition must be found sooner or later for the ideal treaty; but this one is content to make the signatories promise "all the military and other aid and assistance in their power" if one of them is "the object of an armed attack in Europe." Then there is no specific mention of the colonial territories of four of the five Powers; but Article VII says they can be called together for consultation about "a threat to peace in whatever area this threat should arise." These and other apparent omissions can all be made good if the statesmen who signed the treaty on Wednesday are determined to put stuffing into it.

Three points have to be borne in mind in deciding the exact degree of optimism which the Brussels Treaty should inspire. Firstly, it probably commits our grandchildren to compulsory military service. From the individual and social point of view that is bad; but it is only one of the sacrifices that Western Union may in the long run demand. Secondly, to use the language of

health of mankind is restored such schisms can be remedied; if it deteriorates further, China, with American naval supremacy in the Pacific, would still be better off strategically than in 1937.

But this strategic position would depend on the continued exclusion of Russia or of Communist satellite ascendancy from the present American occupation zone of Korea, as well as from Japan itself. In Korea there is an absolute barrier along the notorious thirty-eighth parallel of latitude. In the north the Russians have enabled the Communists to take power in coalition with several well-purged parties of fellow-travellers and forcibly to eliminate all opposition; in the south the Americans have tried to introduce political democracy, and are about to hold a general election. The Korean Communists have built up a strong army in the north, with Russian training and equipment, and the withdrawal of the occupation forces from Korea would inevitably be followed by an armed struggle, in which the south would probably be defeated. As the Russians will not agree to any unification of Korea prior to withdrawal of the occupation forces, except on terms which would assure Communist ascendancy, there is no prospect of an end to the present deadlock.

The Americans will have to make up their minds whether to surrender Korea entirely to the Russian orbit, or to remain indefinitely in their occupation zone to protect their moiety of the Korean people. The new pattern of American diplomacy suggests that they are unlikely to withdraw; but if they stay, it will be no use merely to keep an isolated beachhead on the Asiatic mainland without any strategic support. In Europe a Western Union would be weak without American military backing, but it would mean something in terms of power. But in the Far East, with a disarmed Japan and a disintegrated China, there is no first line of defence and no buffer; an equilibrium of power can only be maintained if America stands in the breach alone and keeps watch on the Great Wall.

Rugby football, the five countries do not make up a team of international standard. Britain is a useful full-back and France, Belgium and Holland will make quite good three-quarters if they are joined by Italy. Luxemburg will presumably be the traditionally small but plucky scrum-half. But there is a lack of weight and speed, so long as the United States has no representatives in the team. Thirdly, there is nothing in the treaty to show that the signatories intend to pool their military and industrial resources for defence. Much is said about economic, social and cultural co-operation; nothing about standardised equipment, weapons and training. Perhaps ideas like these are to come later; but it is well to realise that what is taken for granted in the pacts of eastern Europe is not yet publicly mentioned in the west.

Burden on Britain

Clearly, much of the value of the treaty will arise from the working of the Consultative Council. This will have a permanent secretariat and should meet in the first place in London. For until 1952, at the earliest, the defensive strength of the Brussels bloc will depend on the power of this country. French forces, particularly the air force, are in a parlous state; the strength of the Dutch army is largely tied up in Indonesia; the Belgians are in the throes of reorganisation.

The Consultative Council will, of course, have economic tasks which will not clash with those of the continuing organisation of the 16 Marshall countries, but its real tests will be political. If, for example, Italy is invited to join the Brussels group—as it should be—there might well be within the next three months a threat to peace in that country which would bring the Council together. But unless the purpose and procedure of this body are carefully thought out beforehand, there is a risk of the threat being dealt with hesitantly and simultaneously by a hierarchy of bodies—the Security Council, the "little assembly" and what will doubtless come to be known as the Western Council. It may be that the time is coming to reconsider the functions of the United Nations organisation,

Truman Doctrine—Stage Two

The Treaty of Brussels does in the sphere of defence what the Sixteen Nations Conference hopes to do in the sphere of economics. It establishes beyond all question the determination of the Western European democracies to help themselves and it lays the foundations upon which the defence and reconstruction of the West can be built. But both at Brussels and Paris it is realised that in present circumstances the efforts of the European nations alone are insufficient to achieve their ends. They must be reinforced and completed by the United States. President Truman's speech before both Houses of Congress, represents the American Government's recognition of its double responsibility. His plea that the Recovery Programme should be speedily passed and that, by adopting military service, America should demonstrate its readiness to support its allies—if necessary by force—places squarely before Congress and before the American people the sacrifices for which they must be ready in order to check aggression and underwrite the risks of defending peace.

The first purpose both of the Brussels Treaty and of the President's Message is to leave the Russians in no doubt of the consequences of further violence and expansion. In 1914 and 1939, lack of certainty about the future policy not only of America but even of Britain gave the aggressors the pretext for believing that they could attack with impunity. To-day, that pretext must be removed. That is the immediate aim of the moves in Brussels and Washington. But the President was right to emphasise the fact that the fundamental purposes of the Western democracies are profoundly pacific:

We shall remain ready and anxious to join with all nations . . . in every possible effort to reach international understanding and agreement. The door has never been closed, nor will it ever be closed, to the Soviet Union or any other nation which will genuinely co-operate in preserving the peace.

The hope of Western Europe and of the United States is that their clear determination to rebuild their community and to defend it against all attack will quieten the adventurous spirits in the Kremlin. They are certain that, provided Russia can be restrained now, time itself will prove their own profoundly pacific intent.

* * *

Miracle in the Commons

One of the oldest traditions in British parliamentary practice is a certain continuity in foreign policy and the readiness of Government and Opposition to take broadly the same line in international affairs. This unity has not, of course, been absolute. Liberals and Conservatives were bitterly at odds on the question of Ireland and there were divided minds in the 1880s over British imperial expansion. But the first occasion on which foreign policy became the chief bone of contention between the parties was during the years of appeasement, when such issues as Spain dominated all others and violent ideological passions were aroused on both sides.

There was at least a chance after the war that a similar division might have arisen, and that once again differences in ideology would have added a sharp edge to the discussion of foreign policy. But Stalin has succeeded after all in making strange bed-fellows. Who would have thought two years ago that the names of Sir Cuthbert Headlam and Mr Ian Mikardo could appear together in the list of signatories supporting any motion, let alone a motion advocating new and startling innovations in the conduct of British foreign policy? Yet the miracle has happened. The unity of British foreign policy has been for the time being restored. Crusted Conservatives and members of the Keep Left group together have signed an all party motion advocating the creation of a political and economic union in Western Europe and the establishment immediately of a Council of Western Europe. This would have powers to create the machinery of integration and to prepare for an eventual federation.

The movement is encouraging and right. It will strengthen Mr Bevin's hand. It will encourage timid spirits in the Foreign Office. It will assure the Government of the widest parliamentary support even for its boldest experiments. Two reservations should, however, be made. Those members who have held back because they wish to move forward in Western Europe only "in agreement" with the Dominions, are showing a wise restraint. "Consultation" is hardly enough to safeguard the feelings and interests of peoples who are closer to Britain in sentiment and tradition than any of its potential European partners. The second reservation concerns the project of federation. As an ultimate aim it is legitimate, but nothing could be more confusing than the injection of constitution-making into West European negotiations for some years to come.

A Whale of a Victory

After Paisley and Wigan, the result of the by-election at North Croydon must have come as something of a shock to the Government. The Conservatives not only managed to retain the seat but increased their majority by just short of 11,000 votes. This result has naturally been hailed by Lord Woolton as a conspicuous triumph for his party, and it is certainly significant that of the enlarged electorate three-quarters voted—a very high percentage for a by-election. As in the general election, there were three candidates: Mr Harris, the Conservative had the advantage of being a well-known local figure; the Labour candidate was Mr Harold Nicolson, whose original method of campaigning was not perhaps calculated to captivate a suburban electorate; while the Liberal candidature of Air Vice-Marshal Bennett—who like so many Liberal candidates in recent by-elections, forfeited his deposit—must have struck the public as something of a stunt. Moreover, the seat was traditionally Conservative; since the Conservatives managed to retain it in the general election, though only by a very small majority, the result was hardly surprising—except for the size of the majority, which was no doubt assisted by the opportune participation of Mr Churchill in the critical last phase of the campaign.

But even when all due allowance has been made for these factors, it would be a mistake to underrate the significance of this symptom of a turn in the tide of public opinion. The Conservatives indeed have claimed for their industrial charter a large share in the merit of the victory, but it may perhaps be doubted whether this really played the determining part. It would appear more probable that the Communist coup in Czechoslovakia and the suicide of Mr Masaryk were decisive in turning votes; and it seems fairly plain that on this occasion the Liberal votes which did not go to the Liberal candidate, who polled less than two-thirds of his predecessor's total in the general election, went to the Conservatives and not to Labour. Nor can the shock administered to the public by the Economic Survey be entirely ruled out. Though few of the electorate would have had the opportunity of digesting it before polling day, its main features had been given publicity in the press, and there must have been not a few electors who drew their own conclusions from so candid a comment on the success of Government planning. Though it would be easy enough to exaggerate the importance of a single poll, North Croydon is certainly, as Sir Richard Acland candidly described it, a whale of a victory, which gives a much more palpable indication than any previous by-election of the potentialities of the floating vote.

* * *

Electoral Reform

This week's debate in the House of Commons on the Committee stage of the Representation of the People Bill dealt only with the University seats and the City of London. It was hardly to be expected that any novel arguments would emerge, but the case against the University representation was obliquely given away on the Labour side by Mr Chamberlain, who maintained that they should be represented in the Lords rather than in the Commons. And the most convincing defence of it on general grounds was provided from the Labour side of the House by Mr Skeffington-Lodge, who with great courage voted with the Opposition for the retention of the University franchise. On purely abstract grounds the defence of the City of London seats, which is bound up with the existence of the business vote, is more difficult to sustain, and Mr Assheton's suggestion that all who worked in the City should be given the alternative of registering there hardly seems very practicable.

As was only to be expected, the charge against the Government of a breach of faith in failing to confine themselves to the agreements reached in the Speaker's Conference of 1944 again figured prominently. After it had been refuted somewhat perfunctorily by Mr Morrison, it was pressed with great vigour by Sir Arthur Salter, and formed as it were the *basso continuo* to the whole debate. And even if in this matter the Government is given the benefit of the doubt, the fact remains that it cannot be acquitted of sinning against the important unwritten convention that constitutional changes should be made wherever possible by agreement, and the offence would still be rank, even if on the merits of the case the abolition of these constituencies were justified. Despite the strong emphasis which Government spokesmen have laid on the abstract principle of "one man, one vote," they have been unable to refute the suggestions of class bias in their handling of the University vote. Even in the case of the City of London it might have been wiser to display a little magnanimity—to say nothing of a respect for history—by pre-

serving some form of representation for it. As things are, with an Opposition unreconciled to these dubious changes, the only result can be a lamentable prospect of constitutional tinkering.

* * *

Four Minds on Libya

The four-Power commission on the future of the ex-Italian colonies has moved into Libya in a state of mind that is, to say the least, unpromising. In Eritrea and Somalia, where it has finished its inspection, its members have found agreement difficult even on matters of fact. Their Eritrean report, though finished, is said to be peppered with blank paragraphs and dissenting footnotes. Their Somalia report is not yet drafted; they propose to complete it during their Libyan afternoons. To crown all, each delegate approaches Libya with a preconceived, and different, notion in his head. The French member wants an Italian trusteeship because France wants an "old colonial" type of administration in a territory that adjoins four French dependencies—Tunisia, Algeria, French West Africa and Chad. The French Government, which is already in charge of the Fezzan province of southern Libya, wishes, if humanly possible, to retain this area as a shock-absorber.

The Russians also support Italy as sole trustee, because they hope thereby to help Signor Togliatti and his Communists in the Italian elections. The Americans, wanting to influence the Italian elections in the opposite direction, also favour an Italian share in Libya's management. The Italian vote in America and this year's Presidential election are probably also in their mind. The British, remembering their own strategic interests as well as a promise they have several times given to the Cyrenaican Senussi, intend to see that Cyrenaica shall not come under Italian domination. In a situation so bedevilled by power politics, what hope have the Libyans of being "consulted"? And what hope is there of a united Libya? The answer to both questions is: None.

The Libyans' chances of a proper hearing would be greater if they were agreed upon a workable plan for their future. As it is, they agree upon two points only: that they want independence and that no one wants the Italians back. In both they are, of course, vigorously supported by the Arab League. All brush aside the awkward fact that a Libyan state is, by the economic standards it now knows, not economically viable. And, failing independence, all are at sixes and sevens about making a second choice. Some favour a collective trusteeship. Some, particularly in Tripoli, would welcome the Americans. Most Cyrenaicans would prefer the devil they know and to keep the British.

Though divided on domestic details the Cyrenaicans and Tripolitarians have made some effort to speak with one voice to the commission, but outside factors keep pulling them apart. The Senussi Emir, for instance, having measured the pressure to restore Italy in Tripolitania, wonders whether he would not do best to discard the United Libya idea and to shelter under the umbrella of the British promise in a smaller area. In Cyrenaica, he has mustered all parties into a National Congress. In Tripolitania, where there is more political dissension and less leadership, a similar operation is being attempted by a recently returned emigré called Beshir Bey Saadawi.

All told, the Commissioners must expect a babel of opinion, swelled by the voices of Egypt (speaking for the Arab League but at the same time wanting the oasis of Jarabub and the Sollum escarpment); of the local Italians, a few of whom are even flirting with Arab independence groups; of the Italian majority and the Italian exiles, who are of quite another mind; of Russia, which is asking what the American air force is doing on the aerodrome at Mehaha, and of several states which ask whether it is in order for the British to use Cyrenaica as a park for forces leaving Palestine.

The omens are set for yet another major Great Power disagreement. The alternatives ahead are, on the one hand, a ruthless bargain on a basis of power politics; on the other, recourse to the sequel already planned: reference of the problem to the next UN Assembly. Here is an even gloomier prospect. For the Italians should be able to muster in that body at least as many votes as the Zionists. If so, will 1948 see a second vote for a fight to instal an immigrant people?

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Transjordan Treaty

Transjordan's new Treaty of Alliance with Britain is a neatly tailored job—diplomats are calling it the "New Look Treaty." Some of them add a hope that it does not, like the New Look, cover more than it reveals. It has some features in common with the ill-fated Treaty with Iraq—notably the Anglo-Transjordan Joint

Defence Board, an advisory body of equal numbers of British and Transjordan military representatives to co-ordinate defence policy. But it discards those features of the older Anglo-Transjordan Treaty which were considered incompatible with full sovereignty. An Annex provides that, until it is agreed "that the state of world security renders such measures unnecessary," King Abdullah will invite Britain to maintain RAF units at Amman and Mafrak. There are, however, no extra-territorial privileges at such airfields, which remain under Transjordan command. There is no provision for stationing British land forces in Transjordan in time of peace, but they are to have full transit facilities, and British "operational units" are to engage in joint training operations with the Transjordan armed forces "for a sufficient period in each year."

Accompanying letters assure British financial assistance for Transjordan and help in carrying out "extensive plans in economic and social development," and draw attention to Transjordan's regard for its obligations under the Arab League Covenant. Indeed, despite 20 years of good government and steady progress, Transjordan is not yet an economically self-supporting entity. King Abdullah is as financially dependent on Britain as his rival King Ibn Saud is on the American oil companies. But nationalism is habitually more suspicious of foreign governments than of foreign companies, and the fact may as well be faced that this new Treaty will be criticised by many nationalists in the Arab world.

They will not be the only ones. The absorption of the Arab remnant of Palestine after partition in Transjordan has often seemed desirable to the Zionists, who fear Abdullah less than the Mufti. But Mr Ben Gurion was bitterly criticised for such a view the other day by *Al Hamishmar*, organ of the influential Jewish pro-Soviet bloc, on the ground that if "British bases" were to be set up in Arab Palestine, they would be "a permanent threat" to Jewish "neutrality and security."

* * *

Quick Returns from the Colonies?

Reports from committees on colonial development are showering on an expectant public. Two have appeared during the past week, and more are due shortly. The first two—interim reports from the Colonial Primary Products Committee and the Development Co-ordinating Commission for Southern Rhodesia—concentrate on dispelling the prevalent dreams of a Colonial Empire, flowing with milk and honey, which has only to be tapped to fill British bellies overnight.

The Primary Products Committee have so far surveyed the general question of how soon, and by how much, food production in the Colonies can be increased. They point out that the lack of adequate communications, of transport, of skilled labour and of capital equipment of all kinds, and the presence of such obstacles as soil erosion, primitive husbandry and political eruptions mean that colonial development must almost everywhere be looked upon as a long-term investment. In particular, the shortage of agricultural equipment is world-wide, and, moreover, the introduction of a high degree of mechanisation in areas where husbandry is still primitive will bring with it a social revolution. In a section dealing in detail with the principal agricultural commodities, the committee present a formidable account of the difficulties to be overcome. The possibilities of development are shown to be great, but it is obvious that it will be several years before the fruits of any schemes started now are likely to mature.

The report of Sir Miles Thomas on Southern Rhodesia is no less revealing. The lack of adequate transport is shown to be the greatest single drawback to the colony's development. The grandiose ideas represented by the Sabi Basin project and the expansion of the coal mines at Wankie—which hope to export 3,000,000 tons of coal—are directly dependent upon improved railways. Shortages of other items such as cement, bricks and water-piping also govern the speed of the colony's development. In an interesting graph, based on reasonable expectations of capital equipment, Sir Miles Thomas shows that Southern Rhodesia may achieve a 50 per cent increase in production by January, 1950. During 1948 production will increase by only 5 per cent.

Both reports show that the British Government must draw up immediately a list of priorities for the export of capital equipment. The need for dollars now must be weighed against the possible return from the colonies in the future. And the potential production of the colonies themselves must be carefully analysed. It is becoming more and more obvious, for instance, that a quicker return can be expected from expanding the food and

mineral products of the West Indies or Malaya, where the groundwork has already been done, than from starting from scratch in virgin Africa.

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FBI and Prices

The reply of the Federation of British Industries (with which the Association of British Chambers of Commerce and the National Union of Manufacturers are associated) to Sir Stafford Cripps's request to make proposals for a reduction in prices goes quite as far as could be expected. It meets the Chancellor of the Exchequer rather more than half-way in his attempt to obtain a voluntary stabilisation of wages and prices and has been welcomed by him as a good basis for action. Though it hints very pertinently that the stabilisation of wages at the present level, combined with a reduction in prices, would merely involve a continuation of inflationary pressure, it accepts for the period of one year the limitation of dividends, which is discussed in a note on page 466, and recommends reductions in prices of goods and services wherever possible. But the view taken of this possibility is naturally far from optimistic, since selling prices have not yet been adjusted to sharp increases which have recently taken place in manufacturing costs, and some formidable recent increases in the cost of various raw materials are quoted, such as wool, cotton, leather, wood pulp and coal.

After emphasising that the real key to a reduction of costs and prices is increased productivity, some hope is held out for a reduction of prices—in some (unspecified) industries—even though this will entail reduced profits. But this hope is qualified by the statement that it is not immediately possible in many industries for price reductions to be made. Finally, the Government is reminded that in the matter of fuel and transport what is sauce for the goose is also sauce for the gander, and is urged to create a substantial budgetary surplus, not by increasing taxation but by reducing expenditure.

The replies of the National Joint Standing Committee on Wholesale Distribution, and the Retail Distributive Trades Conference display a similar co-operative spirit, but their real import can be summed up as *Tirez les premiers, Messieurs du Gouvernement*. Voluntary deflation by mutual agreement is not as easy as it sounds, as the recent experience has shown. Nor would it seem that the prospects of its success are rated very highly in the Economic Survey. The principal measures necessary to cure inflation are well known, but the medicine is certainly a bitter one which the public has too long been encouraged to regard as a poison. It is therefore natural enough in the circumstances that the Government's attempt to cope with the economic crisis should assume the aspect of a political deal, the only bait by which trade union opinion could be persuaded to swallow a policy of wage stabilisation. But that is just what makes the present situation so desperately serious. For until the man in the street can be made to look at the facts in all their nakedness, it will hardly be practicable for a Labour Government to take the drastic measures that are known, at any rate by its more instructed members, to be vitally necessary. Some advance in this direction has been made in the Economic Survey, the popular version of which, though far from perfect, is at any rate an improvement on its predecessor. Meanwhile the country will await Sir Stafford Cripps's first Budget with heightened expectation. Is it still too much to hope that it will contain some really sound deflationary measures?

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The Cost of Mr Strachey

The civil estimate of the Ministry of Food for 1948-49 which was presented to Parliament last week caused a little surprise and much unjustified jubilation. The total cost was given as £320 million against £476 million in 1947-48—an apparent reduction of over £150 million. Is this the first fruits of lower world food prices? Clearly not, because the cost in 1947-48 was made up of an original estimate of over £333 million and a supplementary one of over £142 million, of which £100 million was the pre-payment to Argentina for food supplies which will arrive in this country during the coming financial year. Hence the cost for the twelve months beginning next April should be £420 million compared with £376 million in the present year—a net increase of £44 million. And if past experience is any reliable guide, even this figure may prove to be too low by March 31, 1949.

So, too, with the deficit on the trading services—the sum budgeted for in 1948-49 is £302 million, but this figure should, in fact, be nearer £400 million if account is taken of the payment already made to Argentina. The deficit for 1947-48 was £364

million—a clear indication of the rising trend in the cost of subsidies. But the civil estimate represents a request to Parliament for money to carry on the Ministry of Food's work over the ensuing twelve months. It does not show the cost of subsidies which the country has to bear and which can only be revealed by the Ministry's trading accounts. Mr Strachey has promised publication of these accounts for 1946-47 at an early date, and when they are available it should be possible to recalculate the subsidy for that particular year. But it will be at least twelve months out of date and thus mainly of academic interest.

The only possibility of calculating the current cost of subsidies from the new civil estimates is by making certain assumptions regarding trading and stock policy, which necessitates a calculation of the level of food stocks in this country. Even without this, it is obvious from the increased food prices Britain has agreed to pay under various contracts that next year's subsidies will cost more than the current ones, unless retail prices are allowed to rise. And the fundamental question which has to be answered is whether this increased cost is genuinely forced on Britain by extraneous circumstances or the result of the Government's purchasing policy. Parliamentary debates on this topic—and indeed any discussion at all—must necessarily be unsatisfactory until the relevant details on the Ministry's trading operations are published. Mr Strachey last week again defended secrecy of the Argentine meat and maize prices as the usual practice of private trading. But he forgot to add that private traders do not use public money. However, if those who desire to know what price Britain has paid to Argentina—or even Russia—will exercise a little patience, these details can be obtained from the appropriate monthly trade returns published by the Customs and Excise.

* * *

Labour Lessons from Queensland

The great transport strike in Queensland, which is now in its seventh week, is threatening to spread throughout Australia. The strong measures taken by Mr Hanlon, the Prime Minister of Queensland, have not succeeded in bringing the strikers to heel; they have instead given the Communists an opportunity to make political capital out of what was originally little more than a petty annoyance. There are now more than 31,000 transport workers on strike, including the powerful Seamen's and Waterside Workers' unions. Trade is being brought to a standstill—22 ships are blocked in the ports, 200,000 tons of butter for Britain are waiting to be loaded, the delivery of £3,000,000 worth of wool is being held up, and inland towns in the State are suffering a severe shortage of food.

The strike began by the refusal of the Queensland Industrial Court to hear out of turn a claim by the railway metal workers. There were some 349 other claims to be heard, and the Court would not allow itself to be stamped into breaking the queue. The 600 metal workers then struck, preventing the servicing of locomotives, which in turn caused 18,000 engine-drivers and station hands to be stood down. Mr Hanlon thereupon declared the strike to be illegal and tried to force the strikers back to work. Communist agitators were suppressed, but they were nevertheless able to seize the lead, and called out the waterside workers', seamen's and miners' unions in sympathy.

The Australian Labour Party has always put its faith in the arbitration and industrial courts to settle disputes, and Mr Chifley has backed Mr Hanlon in all his efforts to subdue the strikers. The Federal and State Governments are also doing their best to confine the struggle to Queensland; but well-known Communist leaders from other States, particularly from New South Wales, have gone to the strike centre. It is probable that they will try to spread the strike throughout Australia. The unions in New South Wales have already banned rail freight between the two States.

There is no doubt that most Australians are opposed to the Communists and that the Labour Party will win the struggle. But the lesson of the Queensland strikes is clear: action against Communists, unless taken with skill and patience, plays into their hands by inflaming the workers' fear of suppression. Mr Hanlon, provoked though he was, acted rashly and aroused precisely those fears which the Labour Party was put in power to remove.

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How Much Room in Australia?

At a time when it is proving so expensive to bring food to the British people from abroad, it is natural that Sir Stafford

Cripps and others should be thinking of how the people might be brought to the food. And there have been reports recently, arising out of hints dropped in Australia by Mr Calwell, the Minister for Immigration, that some big new scheme is hatching. Whether this might be a straightforward emigration scheme, or a development of the idea that there should be planned dispersal of skilled labour in the Commonwealth for defence purposes, is not clear. In either case the long-range immigration prospects in Australia are uncertain.

There is no question of admitting immediately 250,000 British emigrants, as has been suggested. The annual "absorption quota" is about 2 per cent of the population, namely, 140,000 people, of which half are provided by natural increase in Australia itself. This year the Australian Government is expecting 70,000 immigrants: between 30,000 and 35,000 from Britain, half the remainder from Europe (including 10,000 displaced persons) and the other half from the United States. Private, unassisted emigration from Britain is already larger than the shipping companies can cope with: it will take two and a-half years to work off the waiting list of 35,000. Australia House is still receiving some 3,000 applications weekly for immigration permits.

Anything like planned emigration to Australia—or any other Dominion—is impossible until it has been decided in London what "planning" implies, and whether dispersal of skill is more beneficial to defence than harmful to production. There is the further difficulty that the Australian Government has not worked out its absorption curve for future years, and cannot forecast with any accuracy the immigration possibilities that lie ahead.

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The Doctors Declare War

After the storm created by the results of the doctors' plebiscite there has been a lull; during it the public has been left to speculate about the point at which the thunder would break out again. On Wednesday the storm broke afresh. A BMA meeting of nearly 400 doctors from all over the Kingdom unanimously decided not to enter the National Health Service on July 5th unless substantial changes are made in the Act. And a Scottish amendment declaring willingness to reopen negotiations with the Government was overwhelmingly defeated. Moreover an independence fund was established, to which it was announced that £400,000 had been voted by the National Insurance Defence Trust as an initial contribution. There are thus no signs that the *impasse* which threatens to wreck the new service will be avoided.

The doctors have certainly missed a valuable opportunity of contributing some constructive proposals. It is on the constructive side that they are most vulnerable to criticism. Bit by bit they have retreated from the proposals put forward by their own Planning Commission in 1942, and now that they have enormously strengthened their position by the plebiscite, they can afford to be generous. But they are still obviously unwilling to make the first move.

The position on the Minister's side is psychologically more complicated. Temperament and politics combine to make concession difficult. It is to be hoped, however, that in private Mr Bevan has at last brought himself to believe that he is his own worst enemy. At the conference, Dr Guy Dain's words that the Minister's powers were far too absolute and Lord Horder's claim that it was for liberty that the doctors were fighting both evoked roars of applause. The Minister must now realise that, the doctors' fears of dictatorship are very real, even if unfounded, and that it is his own handling of the situation rather than the terms of the Act which have made them so. The solid barrier of difference between the two parties is in fact small, but it is of great importance, and it is concerned almost entirely with the issue of freedom from control. A little unbending by Mr Bevan could even now bring about agreement.

* * *

Tourist Travel Restored

Sir Stafford Cripps's long-expected announcement in the House of Commons on Tuesday, giving a list of eight countries to which foreign travel for pleasure is to be permitted, will certainly be welcomed—if only as a first instalment of the restoration of freedom in international movement. As from May 1st tourists will be permitted to travel to Austria, Denmark, France, Italy, the Netherlands, Norway, Portugal and Switzerland, with a foreign currency allowance of £35 for adults and £25 for children—hardly an extravagant sum, yet in the circumstances perhaps as large as could be expected. With the exception of Switzerland, to which travel is to be limited by quota, none of

the hardest currency countries is included and two omissions are particularly notable—Belgium and Sweden. But as the Chancellor of the Exchequer pointed out, the eight countries do not necessarily constitute a final list and it may be possible to add one or two more within a few weeks.

In the light of Britain's foreign exchange difficulties, the public must be content to be thankful for small mercies. But it is a sad commentary on the postwar world that freedom of travel, one of the more important spiritual freedoms of mankind, should be enchained in the meshes of bilateralism. Nevertheless, after six months staying at home the prospect of even partial relief is stimulating, and to-day, when the issue of the union of Western Europe is so pressing, the restoration of travel facilities is particularly welcome. And on the material side it must be remembered that tourism need not be a unilateral business, even though as far as Europe is concerned the balance of flow is from rather than to this country. The renewal of British tourism abroad should help to stimulate a mutual exchange of intercourse, and the tourist industry in this country, difficult as the circumstances are today, has an opportunity of developing an important contribution to the nation's balance of payments.

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Communists and the BBC

Last week's brief debate on the BBC would have had little significance had it not raised the question of Communism in broadcasting. Two members accused the Corporation of harbouring Communists, particularly in its overseas services, and allowing distortions to creep into its broadcasting as a result. A couple of days later the Prime Minister was challenged, after his statement that Communists would be removed from positions involving the nation's security, to say whether similar steps would be taken in the BBC.

It is clearly important for public opinion not to lose its head on this matter of Communism and to end in such ridiculous witch-hunts as those conducted by Congressman Thomas in the United States. Nothing in the Prime Minister's statement warrants a general attack upon the Communists' right to hold their views, to express them and to be employed in work for which they are competent and which has no bearing on national security. The number of jobs vitally concerned with security within the BBC cannot normally be very large. For the rest, an official who does his or her work conscientiously and does not violate the fundamental requirements of the BBC cannot be chased out for political opinions which do not affect the quality of the work.

But it has to be remembered that the "fundamental requirements" are rigid and exacting. Their basis is strict impartiality and the Corporation's duty to give an unbiased and accurate reflection of public opinion and public thought. If any BBC official is found tampering with the news, or pressing Communist or Marxist views in a manner out of keeping with their strength in the community at large, then the case for dismissal is obvious. The BBC will presumably exercise especial vigilance now that events in Prague have shown the Communists' methods of undercover activity in every branch of society. But the case for dismissal must depend, not on views, but on dereliction of duty.

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Sweden and the Risks of War

It is neither cheap nor comfortable to be Minister of Defence of a small power in Europe today, even if its policy is directed towards neutrality. The Swedish Defence Minister, Mr Vougt, who several months ago supported the defence committee in their desire to cut the High Command's budget estimates from 1,050 million kronor to 810 million, has been made so uncomfortable by the trend of events that he now considers "the basis of defence calculations has altered" and supports the higher figure. The Chief of his General Staff, General Jung, had earlier criticised the reduced estimates in a manner reminiscent of the days when he led the "Jung Turks." Russia's actions in Czechoslovakia and Finland has underlined his warnings; for Russian bases in Finland are only under 200 miles from Stockholm.

Since Sweden's forces, which are very modern and well-equipped, are organised for defence, the emphasis is on fighter aircraft—mainly de Havilland "Vampires"—and light naval craft, although the new *Tre Kronor* and *Göta Lejon* are two of the most modern cruisers afloat anywhere. If no cuts are made in the defence estimates, it is likely that the extra money will be spent mainly on day fighter aircraft and partly on night fighters. The defence committee's proposals regarding the size

of the forces and the length of service will probably stand, particularly since a new system of "time and motion study" training is proving very successful. If so, conscripts will serve for nine months. This is considered the minimum time in which men can acquire at least the rudiments of winter fighting.

For a knowledge of winter fighting is necessary in the north of the country, and if Sweden fights, it expects to fight there. Recent manoeuvres of the Finnish Army in Lapland and the prevalent Scandinavian view, that Russia's main purpose in forcing an alliance on Finland is to put the Red Army in an advantageous position to control the north, do nothing to weaken this opinion. Lying half-way between American bases in Greenland and Russian industrial centres in the Urals, northern Scandinavia is likely to be watched carefully by both World Powers. Here could be established airfields, controlled weapon sites and radar stations, both for offence and defence. Secondly, through the north of Sweden goes the only adequate land route to Narvik—through an area which valuable iron deposits make an attractive prize in itself. And Narvik is important both as controlling a large part of the iron-ore trade and for its potential value to the defence of the north Russian ports.

Recent scientific developments have opened up such vast potentialities to the designers of weapons that no country dares commit itself to a large expenditure on present types of equipment. Recent policy has been to compromise all round. Long a producer of excellent guns, Sweden has recently acquired licences for the manufacture of items like jet engines. Much specialised equipment—radar, for example—has also been bought; and its development goes on in Sweden. Such production at home is less economic than the purchase of arms abroad, but it is safer. These patents and this equipment have come from the West—inevitably, for the East will not sell. Hence the tendency sometimes to consider Sweden as more committed to the West than in fact it is. There is influential support for real co-operation with the West, but self-reliance and self-defence are the basis of Sweden's continued neutrality.

* * *

New Leader for China?

The new American interest in the affairs of China arising out of demands for an extension of the Truman Doctrine to the Far East, gives a special significance to a struggle for power now reported to be going on in Nanking. The Government's military defeats, the incessant currency inflation and the absence of any clear or effective economic policy are said to have at last seriously undermined the personal prestige of President Chiang Kai-shek himself. There is a widespread demand within his own camp for a leader younger, more dynamic and less bound up with the "Old Guard" of the Kuomintang. Respect for Chiang is still expected to be sufficient to ensure his re-election to the Presidency when the National Assembly meets in April, but it is recognised that, if a man of strong character with powerful political backing were to be elected to the vice-presidency, the latter might in practice wield an even greater authority in present circumstances.

The party machine's favourite for the post is the elderly Yu Yuen, a respectable but ineffective figure, who would be unlikely to cause any embarrassment to President Chiang or his entourage. But a numerous faction, gathered together from military, business and literary circles, has been canvassing for General Li Tsung-jen,

at present director of the Government's military headquarters in Peking. Aged 57, Li was the principal organiser of the administration which made Kwangsi one of the best governed of Chinese provinces, and his military record has been outstanding; the reluctance of the Government to give him one of the highest military posts has perhaps been due to jealousy of his popularity. His participation at a high level in the central government might well give it the reinvigoration which it so badly needs. In China at present it seems that only a military man can provide real political leadership, for influence over the army—or rather armies—is essential as a foundation for power.

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France and Vietnam

At a time when the trend of French internal politics appears to be towards Gaullism, France's unfinished war in Indo-China is one of the principal factors posing to Frenchmen the question of national power and prestige. Two and a half years after French troops landed at Saigon to take, with British assistance, the surrender of the local Japanese forces, there is still no solution in sight for the political problem of Indo-China. The military campaign in recent months has been far from satisfactory for the French. They hold the principal towns, but they are faced with an extremely well-organised and stubborn guerilla warfare; their convoys are frequently ambushed, with serious loss of life, and even the use of air power avails little against a mobile enemy who disappears into the jungle whenever closely threatened. The protracted struggle is costly for France and it destroys the productivity and trade of Indo-China, so that there are virtually no export surpluses of commodities to offset the drain on French resources.

Politically, all negotiation with the Vietnam Government headed by Ho Chi Minh has been abandoned; the final rupture was marked by the arrest in Paris at the end of January of Tran Ngoc Danh, the head of the Vietnam delegation to France, on a charge of "inciting acts to endanger French territory and publication of false news." As their alternative to coming to terms with Ho Chi Minh and the Vietnamese nationalist party, the Viet Minh, the French have been negotiating with the ex-emperor Bao Dai, who abdicated under Viet Minh pressure in 1945 and was living in retirement in Hongkong until invited by the French Government to enter into talks for setting up a new regime in Vietnam. The old royal dynasty was almost completely deprived of actual power by the French; but its heir would probably have rather more standing in Vietnam than the undistinguished personalities who have so far shown willingness to work with the French, and have to go about in armoured cars for fear of assassination. Bao Dai, however, has claimed a substantial autonomy for Vietnam and wants to see clear evidence of military victory before finally committing itself.

France is now faced with a dilemma; either it must cut its losses, withdraw its forces and come to the best terms it can with Ho Chi Minh as the only possessor of real power in Vietnam; or else it must treat the military campaign as a serious war and make a much bigger effort than has been made so far to crush the Viet Minh resistance. The French cannot now achieve a friendly parting in the manner of the British quitting of India and Burma. Sooner than merely accept military defeat, they will probably intensify their attempt at reconquest. Impatience at a mismanaged colonial war is already an important factor aiding the cause of General de Gaulle.

Letters to the Editor

Basic Petrol

SIR,—The Government has promised a statement this month on the question of the basic petrol ration. I suggest that further consideration of some factors to which too little attention has so far been paid is first desirable.

The question is usually discussed as if it depended upon whether the direct saving, estimated by the Government at about £9 million worth of dollars a year, made the personal hardship involved worth while. If this were indeed the issue I should myself not doubt that, though £9 million is only about 1½ per cent of last year's dollar deficit, the ban ought certainly to be continued. The real question is, however, what loss of dollar earning is to be set against the direct dollar saving, and whether indeed there is likely to be any *net* dollar gain at all. This seems to me doubtful for two reasons.

1. There is a loss to the revenue, through petrol duty and licences alone, of £19 million—that is an addition to the inflationary excess of that amount. The contrast with the increase in the tobacco duty is striking. In that case the direct dollar-saving was estimated at £7½ million, and the *gain* to the revenue (i.e., the decrease of the inflationary excess) at ten times as much, £75 million. It was this second advantage that made the increase of duty well worth while. £19 millions added to the inflationary excess is a formidable matter. I need not here argue either that the measures at present proposed will not eliminate the general inflationary excess, which makes all economic inducements the enemy, instead of the ally, of national policy, diverting enterprise, manpower and materials to the least essential or desirable purposes, with adverse effects on the production of essentials, including dollar-earnings exports. Let me be more particular. Is it not obvious that some of the £19 million more left in the consumers' pockets will (in spite of all controls) increase the purchase of dollar imports? Is it not also certain that *some* of the excess money, additional to the £19 million, would have been spent on e.g. hotel accommodation in country hotels which will now be left wasted, and will now be available for expenditure on articles involving current effort—in other words the inflationary excess will be increased not only by an addition to spendable money but by a reduction of purchasable services?

2. Tourist expenditure here is an important invisible export. Hotels are now being closed down, with the consequence, of which Sir Alexander Maxwell has sharply reminded us, that accommodation for American tourists will be seriously affected. Quality as well as quantity will suffer; and the severe restrictions on tourist petrol allowances will discourage one type of remunerative tourist—the one who brings his car. It is surely likely that the general reduction of tourist amenities (more serious than in other countries attractive to dollar-tourists) will cause a loss of dollar-earning which will be a formidable offset against the direct saving.

If we could calculate exactly the ultimate results of these two kinds of dollar losses, as of course we cannot, would there be any *net* dollar gain at all as the reward of the personal hardship? I suggest that it is at least doubtful and that there may even be a final net loss. It is the temptation of the planner to reckon only the first results, and not the secondary consequences, of a particular action; it is the temptation of the statistician to ignore a factor which he cannot exactly evaluate, even though on a broad view it is the most important. As secondary consequences are normally more difficult to calculate than the direct ones, the planner, advised by his statisticians, is constantly in danger of doing more harm than good. And the petrol ban is a striking example of this general truth.

Are we sure that the personal hardship caused by the ban has any dollar saving to reward it? Are we sure even that it will not result in an actual net loss of dollars?—Yours faithfully,

ARTHUR SALTER

West House, Glebe Place, Chelsea, S.W.3

Reshaping the Balance Sheet

SIR,—The article on the new Companies Act contained in *The Economist* of March 6th concludes with the suggestion that there is, as yet, but little stirring of thought among accountants on the problem of making adequate provision in the form of depreciation for the replacement of fixed assets. Although the interest of British accountants in this problem may be of relatively recent date, and the results of that interest little apparent, it is perhaps hardly fair to suggest that they have not yet begun to think about it. The apparent reluctance of professional accountants to recognise that the orthodox methods may involve an insidious erosion of capital and an overstatement of current earnings derives, I think, from their ingrained conviction that a

pound is still a pound, and that in dealing with fixed assets regard must be had to ascertained "facts"—viz., historical cost—rather than to computations based on hypothetical circumstances and unknown quantities.

In order, therefore, to overcome accounting prejudices the solution seems to be to call for a restatement of fixed assets and depreciation accounts and, consequentially, the capital account, in the terms of present-day monetary values, depreciation being computed on the basis of the "revalorized" asset instead of on a hypothetical replacement cost. The application of this method, of course, requires the use of an index or co-efficient for the conversion of pounds of varying values expended over a period of years into pounds of present-day value, and opinions would be welcomed from your readers as to what would be the most appropriate basis for the drawing up of a list of indices for this purpose. This technique has been widely adopted in countries where currency depreciation has been more marked than in our own, and it is now in use even in the United States. Nothing like "accuracy" is, of course, claimed for this method, but the abandonment of the fetish of historical cost should lead to a more realistic appreciation of the long-term prospects of industrial undertakings and would do something to facilitate the maintenance of their real capital.—Yours faithfully,

E. L. WRIGHT

1, Emberton House, Shakespeare Road, Bedford

Disturbances on the Gold Coast

SIR,—The Accra riots are to be the subject of an official inquiry, as has been stated in the House of Commons. It would be improper to anticipate their findings as to the causes of the disorder.

Two statements in the article of your issue of March 13th are, however, likely to cause grave misunderstanding in this country; and, as they are contrary to fact, I feel sure you will permit me to correct them.

The procession of ex-Servicemen had not been organised to present a petition to the Governor, nor had any application to

From *The Economist* of 1848

March 18, 1848.

THREE times within sixty years the Government of France has been destroyed by a revolution. Improving by practice, each revolution has been accomplished more rapidly and completely than its predecessor. The last, more like a flash of lightning than an ordinary series of human actions, has instantly destroyed the throne, and covered the land with the ruins. Each successive government, either ignorant of the volcano on which it rested, or ignorant of the means to disperse it, has allowed the danger to accumulate till it has tumbled down the government and all the interests that depend on it. We cannot imagine that the ruin was unavoidable . . .

A peurile ambition, and a false creed were the basis of the mighty mischief. France, Europe, and the world at large, believe that nature has done nothing for the order of society, and has left the whole human family a prey to anarchy . . . With the natural system such a government as that of Louis Philippe is perpetually at war. To a certain point it succeeds, then nature can be constrained no further, and the false system is shattered into ruin . . . The whiffing away of the government of Louis Philippe is the most impressive injunction against the centralising and meddling system that has yet been issued from the high court of nature's chancery . . .

To the Editor of the *Economist*.

SIR,—Having been in the House last night during the debate on Mr Ewart's motion for the total repeal of the punishment of death, I feel called upon, as a matter of duty, to offer a few remarks on the subject.

Like Mr Muntz, I have been tried for a criminal offence by a judge and jury, but was less fortunate than him, though equally innocent, and found guilty, but afterwards received a *free pardon*.

Judges and juries, it has been too amply proved, have been, and will continue to be, deceived by false evidence and appearances and *misrepresentation*. On this ground alone, therefore, I contend that man should *not* by law be allowed to take that away which he cannot bestow. . . .

I am, Sir, yours, etc.,

A late Pardoned Convict and Chemist, C.B.

**PREVENT
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see the Governor been made either on that afternoon or at any previous time. The procession moved along a previously agreed route to the office of the Colonial Secretary, and the petition had in fact been duly presented to and received by him before any disorder occurred. The delegation of six persons which presented it had been assured that it would be forwarded to the Governor.

It was only after this had taken place that the organisers, in breach of arrangements previously agreed to, attempted to lead their followers to the Governor's residence, which is in a different part of the town.—Yours faithfully,

K. W. BLACKBURNE,
Director of Information Services

Colonial Office, London, S.W.1

Lessons from German Oil Technique

SIR,—The statement in *The Economist* of March 13th is of particular interest to me because I used to live in Nigeria, in which there are large deposits of lignite, which are considered suitable for manufacture into petroleum. The Imperial Institute conducted experiments on the suitability of Nigerian lignite for this purpose and published the results, before the war, in their quarterly publication, the reference to which I have not at hand. It was stated therein that Nigerian lignite was more suitable than the lignite used in Germany. The decision to make petroleum in South Africa from soft coal inspires the question, could the same not be done in Nigeria? Could machinery used by the Germans for the purpose not be acquired and used in Nigeria?—Yours faithfully,

C. W. GREENIDGE

Denison House, Vauxhall Bridge Road, London, S.W.1

Switzerland and Western Union

SIR,—Your Swiss correspondent in his article published this week remarks that the constitution of Switzerland is often regarded as a model for "a future rejuvenated Old World." It is, indeed, high time that Europe learned from the Swiss what the Swiss learned from the American pioneers of 1789, namely:—

1. The members of the supra-state legislature must be empowered by their electors to make laws which do not require ratification.

2. The laws must act directly on the citizens, not through the intermediary of the constituent governments (the only way to enforce laws upon states as such is by war).

3. The representatives must be appointed not by the state governments, but by the citizens, thus minimising national block voting.

4. The central authority must have full governmental power in its own sphere, but this sphere should be restricted to, e.g., defence, foreign policy and power to finance its own activities.

Your correspondent poses Switzerland's dilemma as a choice between support for "a western bloc formed to protect one-half of Europe against the other," and support for "the United Nations, whose main characteristic is their fundamental disunion and whose Charter does not even pretend to shield the weak against the strong."

It seems obvious to me that a Western bloc could not defend itself unless it had but one Foreign Office, one War Office, one Army, one Navy and one Air Force, and until it possessed a common treasury, and a common parliament and government for common affairs (defence, foreign policy and power to finance itself). All other affairs could, of course, be left where they now rest—with the separate national parliaments. Anything short of this means that Western Europe is inviting an attack which it cannot parry. Full constitutional union means, on the other hand, that the new entity is so well protected that no aggressor dare attack it.

The article goes on to say that "Switzerland's national experience and internal structure lead it to believe that there will be no secure peace and freedom in the world before all national sovereignties are merged in a supra-national federation." This, of course, is true; but your correspondent concludes that until this goal is achieved the Swiss are justified in making no move towards it!

If Switzerland were to be afforded an opportunity to join a constitutional union which showed promise of being the embryo of a future world federation, they would be false to their traditions if (subject to approval of the constitutional details) they did not join in at the outset. If and when such an opportunity occurs, I do not doubt that the Swiss would rise to the occasion. To help create that opportunity lies within the power of us all.—Yours faithfully,

HAROLD S. BIDMEAD

Walsingham House, Seething Lane, London, E.C.3

AMERICAN SURVEY

Arms and the Plan

(From Our US Editorial Staff)

March 13th

IF Joseph Stalin had put a finger on the names of certain members of Congress and ordered that they be made as miserable as possible he could have produced no torture more subtle than that caused by his one-two play in Czechoslovakia and Finland. The Washington air is filled with the groans of men whose noses he thus forced back to the grindstone of international affairs at a moment when they were set to gambol in election pastures nearer home. To face demands for an appropriation of more than five billion dollars for any purpose is not a light matter at any time. To face such demands in an election year, to have them underlined by foreign aggression that comes ever closer, to have them presented in such terms as to rule out party advantage and to make it quite clear that no penny is for use in a place which will return one single vote to the men who support the project—this makes the politician ache. Ordinary

components of legislative generosity he can handle, but the European recovery plan drives him to strange inventions.

Neither aching nor incomprehension prevent his trying to make the most of it. He may grow cross-eyed and confused, set off at once in all directions, get so tangled that he ends by achieving the major result he was aiming to avoid—defeat at the polls in November. But try he will, for of such is the political kingdom. And there are signs in Washington today that Stalin is not the only politician who knows how to sow confusion for his own ends.

The debate on the Marshall Plan goes on in an arena open to the world, and the world makes its presence felt. In the process, certain clear distinctions have given way. Far has become near, foreign become domestic, policy entangled with politics. In 1938 Washington pulled neutrality tighter and agreed with London that Prague was the capital of a far country which could be disregarded. In 1948 it is so close to these shores that the violent death of its Foreign Minister called forth banner headlines on afternoon papers, and provided a favourable background for the President's request that Congress appropriate another \$55 million so that the pipe lines carrying relief to Europe might develop no air pockets between the end of interim aid and the start of funds under the Economic Co-operation Act. Two months ago informed Americans were telling each other that if the Marshall Plan were to accomplish

its purpose it must carry with it a degree of European co-operation more comprehensive than that displayed in Bizonia or Benelux, but that it would be hard to convince Europe and Congress of that logic. Today Western Union means not only a telegraph company, but also a draft agreement ready for the signatures of the European statesmen. Congressmen in Washington who then disregarded the idea are now talking of American support for the reality.

What is perhaps most serious in the situation is the ease with which emphasis in the past month, and particularly since the death of Jan Masaryk, has shifted from economic measures meant to save the peace toward economic measures meant to stave off war. Military measures toward the same end lie still ahead, but not so very far. People begin to forget that the Marshall Plan was conceived as a way of "restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole." Even last June the bogey of Communist domination of the continent was visible, but as a skeleton to be decently hidden behind humane talk of easing suffering, or business talk of promoting trade. With the seizure of power in Prague the Communist bogey rent the veils, and, for Washington at least, is now dominating the scene. The question now is what supplementary measures are necessary to make the plan fit new needs.

The Washington state of mind is mirrored in three recent utterances which indicate the gravity of the situation as the capital sees it. On two successive days the Secretary of State said first that the world situation was "very, very serious," and then that "at no time has it been so important for cool judgment, for an appeal to oneself for a sense of justice, for a realisation of conditions material, political and spiritual, in other parts of the world." A conservative Republican columnist explained the same day that Americans must now "turn from a Republican primary in New Hampshire to a general election in Italy," for if the Communists win on April 18th we shall be faced with the "stark alternative" of permitting Communist totalitarianism to "dominate the world, including us," or of drawing a line and telling Russia "no farther." Later, two junior Republican Representatives introduced into the House a joint resolution asking Congress to "give solemn warning to the conspiracy in asking Congress to 'give further act of aggression, internal or external, will be actively resisted by every means at our disposal.'"

*

To take this alarm at its face value and conclude that the United States is preparing to declare a "preventive" war on Russia is to go much too fast. To try to dismiss it as a whipped-up manoeuvre designed to get through Congress a measure for which gentler arguments might not be enough is to underrate which the keen Congressional nose for administration pressures. If the politics makes strange bedfellows it also induces strange night-mares. At the same time it must be remembered that Secretary Marshall is by education an officer trained to assume that war will come and to plan for it before it arrives. His move from Chief of Staff to Secretary of State marked a change in the terms of the conflict, but it can hardly have blunted his alertness to possible danger.

This time Washington is ahead of the country. Except in quarters known to have a low boiling point, editorial writers and commentators have been very slow to talk of war as a means of stopping the Communist march westward. War is not popular with the people, but neither is Communism. Henry Wallace is the only one trying to test the degree of relative unpopularity as between the two. On the very day that Secretary Marshall was warning the country of peril the New York State Chamber of Commerce was declining to back the Marshall Plan, and applauding a retired industrialist who objected to voting that much money for a Democratic administration to spend, more especially because too much of it would go to England where a Labour government is applying principles "indistinguishable from those that have finally reduced the Russian people to virtual slavery."

Whatever domestic factors may play a part in the present alarm—growing maturity in international affairs, political sensitivity in an election year, attempts to measure the future in

terms of the past before it is too late, experience on the part of many Americans with many Russians—Moscow has regularly called the tune. The picking off of Poland and Hungary a year ago accompanied the Truman doctrine and the spring aid appropriations; the building of the eastern bloc last summer underlined Mr Marshall's June speech; the creation of the Cominform in October preceded Mr Truman's calling of Congress to special session; the Vishinsky campaign of vituperation and the French strikes, which seemed aimed at making America so angry and so scared that it would not help, spurred Congress to provide interim aid and prepared it for the Marshall Plan. The recent coup in Prague came at the moment when Senator Vandenberg needed fresh eloquence with which to open the Senate debate.

There are those who now claim that the Russian attitude is softening, if not going into reverse; that the new Ambassador to Washington knows how to smile; that Stalin said he would go as far as Moscow to meet Truman; that Gromyko has become America's best friend in the Palestine matter. This will have to be demonstrated with more conviction if it is to convince.

Editorial writers are now saying that the year-old policy of containment by economic aid alone has failed to contain. Experts have said repeatedly that the Soviets do not want war and cannot afford it. Events have convinced an increasing number of Americans that neither do the Soviets want peace, and the suspicion grows that perhaps they cannot afford that either. The Marshall Plan was designed as an aid to peace. Senator Vandenberg says it must now be held a counter offensive to the westward Communist march, and an attempt to stop World War III before it starts. Russia found the Plan unacceptable in its first guise. It remains to be seen how she will regard it when Congress passes it in this more martial dress.

American Notes

New Truman Doctrine

Not even Mr Roosevelt in the days of the Hitler menace felt able to deliver so outspoken a warning to an aggressor as that which was contained in Mr Truman's address to the joint session of the Congress. Its terms and its tone are the truest measure of the continuing revolution in American thought about international affairs. Mr Marshall's Harvard speech marked the first stage of this revolution. Mr Truman's speech, indicating the new frontiers of American security, recognises that economic measures alone are not enough to meet the challenge. His central theme is the need for the United States to make its position unmistakably clear and to take steps to support the democracies of western Europe:—

I am sure that the determination of the free countries of Europe to protect themselves will be matched by an equal determination on our part to help them to do so.

This theme was repeated by Mr Marshall when he told the Senate Armed Services Committee:—

We desire a state of affairs which would make repetition of the fate of Hungary and Czechoslovakia, the intimidation of Finland, subversive operations in Italy and France, and cold-blooded efforts to destroy the Greek Government unlikely because they would definitely be fraught with real danger to those who attempted such action.

In language there is not much more than a hair's breadth between these words and the specific military pledge to Europe which has been demanded by some Americans and hoped for by the European democracies. Such a specific commitment could only be made with the consent of the senate. That Mr Truman, in an election year, felt that he could take so uncompromising a stand as he did is a measure of the bipartisan support which the Administration feels it will secure on this issue. Yet a guarantee would be an empty and ineffective gesture without proof of the power and, even more important, the will to enforce it. The

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President's request, the last of many, for the speedy enactment of universal military training, and even more, his request for a temporary revival of conscription, are tests of public and Congressional opinion. Is America ready "to earn the peace," to pay the price in preparedness, and to face the possible consequences of saying: "so far and no farther"?

The President's actual proposals may seem mild to Europe, but they may be more than large sections of America will approve or than Congress will pass in an election year. It must not be forgotten that the bottling-up of the Universal Military Training Bill in the House Rules Committee has been due to a profound conviction that to bring it to a vote would be political suicide for many a Congressman. The revival of conscription in times, nominally at least, of peace is an even more important and more severe test. The response of Congress will show how deep and how widespread is the revolution of opinion caused by the forward thrust of Communist power in Europe.

* * *

The Strength for Peace

Even before the President recommended measures "calculated to give support to the free and democratic nations of Europe," there were signs that the United States was doubtful whether its preparations for defence were adequate to guarantee its own security under present conditions. The first peacetime civilian defence director in United States history, has been appointed. General Eisenhower has talked of the need for legislation on industrial mobilisation. The joint Chiefs of Staff met in Florida last week and, under the combined pressure of events and Mr Forrestal, agreed upon a division of responsibilities among the three services. It had been frequently suggested that their failure to do this had rendered ineffectual last year's Act for the unification of the armed services and had prevented the preparation of an over-all defence plan.

It is presumed that such a plan will soon be presented and that it will call for a great increase in air power. Congress will not be unfavourable to such a call: Senator Taft, Mr Martin, the Speaker of the House, and the Joint Congressional Aviation Policy Board have all recently demanded "air power that is supreme." The Board's suggestions for achieving this closely resemble those put forward earlier by the President's Air Policy Committee: it proposes a combined strength of 35,000 modern aircraft by 1954 at a total cost of nearly \$17 billion. Only about \$10 billion were provided for all the services during the current fiscal year, divided between the three in roughly equal shares, but existing estimates for the fiscal years 1948 and 1949 forecast a gradual increase, especially in expenditure on the air forces.

The need for some means of bringing the armed services up to strength had been recognised before the President asked for conscription, although the actual words "selective service" had hardly been mentioned in public. The latest estimates show that, with voluntary enlistment only, the services are nearly 400,000 men below their authorised strength of 2,000,000, which includes the 226,000 members of the National Guard. Universal military training has never been intended to provide men for the Army, but only to prepare men to serve as part of the Reserve. If the President is at last successful in inducing Congress to act on UMT, it is hoped to have by 1953 a trained reserve of 900,000 Army and Air Force officers and men ready for mobilisation. At present the official Reserves (including the Navy) total over 700,000 officers and men, but this is largely a paper force.

* * *

Aid Before the House

There could be no more impressive proof of the growing responsiveness to international affairs than the crowning of a brief eleven days' debate on the Senate floor by a vote approving the Marshall Plan by 69-17. These were eleven days to shake the Kremlin; the time when floor debates on foreign measures dragged on interminably seem to belong to a now prehistoric era. Thirteen Republicans and four Democrats alone remained unconvinced by Senator Vandenberg's eloquence and the even more pressing argument of the Czech *fait accompli*. Senator Taft's amendment to cut the funds to \$4 billion, the last shot in the opposition locker, was defeated by 56-31, and Mr Taft himself, still sceptical of the Bill's economic justification, voted for it as a part of the fight against Communism.

Two interesting additional changes were made in the Senate draft. One adds \$44 million of additional money to buy surplus American farm goods for Europe; the other eliminated the clause

permitting the chartering of 300 ships to the Marshall countries. This concession to the shipping companies, the maritime unions, and their Senators will, it is estimated, raise the costs of shipping aid by about \$200 million.

On all calendars, even those of the House, there is a red circle around April 18th, the date of the Italian elections. The House has alarmed the State Department by its insistence upon the need for an omnibus foreign aid bill, including Administration-sponsored plans for arms for Greece and Turkey, and military help for China. This would mean compromise in conference, revision of the Senate Bill, and further delay.

Mr Truman's speech, however, seems to have hastened action, and House discipline has some advantages on easy-going Senate procedure. The Foreign Affairs Committee this week rejected further efforts to cut the \$5.3 billion total, but voted for a \$1 billion Export Bank loan, leaving \$4.3 billion only for Congressional appropriation.

The Committee also deferred action on aid for Greece, Turkey and China. On the floor, discussion will now be speeded-up. The debate will begin next Tuesday, and a final vote is now expected in the following week, in contrast with an earlier deadline of April 10th. Allowing for conferences, where Senate authority will be very great, the Bill may be ready for Presidential signature early in April.

* * *

Defence—And Trade Prospects

No action seems likely to follow from the batch of reports received by President Truman concerning the recent advance in semi-finished steel prices. Mr Harriman's Department of Commerce gave a pleasant contrast between a decline in steel profits (measured by the rate of return on investments in 1929 and 1947) and a general rise in the rate for other manufacturing industries. The Department of Justice gravely reported that "further investigation would be needed" to determine whether steel price policy conflicts with the Sherman Act, while the Council of Economic Advisers, in a sharply critical document, declared that Congress had been imprudent in rejecting Presidential pleas for price control, and that the steel price would reinforce wage pressure and would probably prove to be "self-defeating." Its chairman, Mr Nourse, however, declared that "no immediate action is called for."

For the time being, therefore, Mr Truman, individual Congressmen, and the Federal Trade Commission, will presumably continue to rely upon the public pressure arising from direct charges against particular industries. But the longer-term price and profit prospect now depends overwhelmingly upon the pace of the military and industrial response to the challenge of Soviet power in Europe. There is some accumulating evidence of caution, with retail trade reports less than brilliant, and footwear and apparel sales less buoyant. Moreover, an increasing labour force is being absorbed less automatically than in 1947. Unemployment in February at 2,600,000, was 600,000 higher than in January, though employment was also 1,600,000 above 1947. These items are not decisive, though they may be important at a time when the Administration still judges the inflationary potential to be more important than deflationary signals, and when the Treasury still has in its hands the power to exert a modest brake on new expansionist moves.

A dynamic defence policy can, of course, bring a fundamental change to this picture, and Mr Truman's proposals to Congress would mean a formidable addition to present budgetary costs, while his speech certainly ensures that the European Recovery Programme will bring a solid floor for exports, though it will be some way below the peak of last year.

If the political tension continues, there will, ultimately, be no alternative to an all-out armament effort, and already, Mr Walter Lippmann is well in advance both of the President and Congress, in his appeal for the restoration of Lend-Lease and wartime executive powers, and the declaration of national emergency. Wall Street has shown clearly that it will find little consolation in such a programme, even though it would signal the end of any fears of a major depression, and might mark a possible path to later security. It would bring quite certainly the reimposition of rigid material and profit controls, and the assurance of penal taxation.

* * *

Who is Un-American?

Who is un-American? And who is to decide in the case of Federal employees? Is it to be the Administration, through

its own loyalty checks, or Congress? The House Committee on Un-American Activities is locked in a bitter contest with the Department of Commerce over the right to determine the "loyalty" of Dr Condon, head of the National Bureau of Standards; and Mr Harriman, the Secretary of Commerce, has dared to pin an "Un-American" label on the committee itself. This group, which, as the Dies Committee during the war, was accused of a scarcely suppressed preference for investigating Reds rather than Fascists, now swims happily with the anti-Russian tide. It has just been voted \$200,000, twice the appropriation it received last year.

Dr Condon, who worked in Manhattan District during the war, and who is still concerned with research into atomic energy, was appointed to his present post by Mr Wallace. He has already been given a clean bill of political health by the loyalty board of the Department of Commerce, but the Committee stands by its statement—made in advance of a hearing—that he is "one of the weakest links in our security chain" and insists he has not been cleared of the crimes of indiscreet utterances and indiscreet associations with Russian scientists and members of the Russian or satellite embassies.

The Committee's critics denounce the doctrine of "guilt by association" and Dr Condon, himself, has appealed to the Congressional Committee on Atomic Energy for an investigation which would "restore conditions in which men of intelligence will be willing to work for the Government and will not be constantly harried and harassed by irresponsible attacks on their character." The difficulty of reconciling scientific freedom with the requirements, real or fancied, of security, has been notorious since the end of the war, when atomic scientists revolted against the iron curtain imposed by General Groves. But, until relations with Russia improve, or deteriorate completely, this difficulty is likely to grow. The shock of the Canadian spy trials still outweighs Mr Lillenthal's insistence that secrecy, injudiciously applied, is the enemy of security, for by restricting the cross-fertilisation of scientific brains, it impairs the flow of new ideas.

The present case is likely to become more of a trial of strength between the Administration and Congress than an objective test of loyalties. The Committee threatens to subpoena Administration loyalty files; the Administration is said to be preparing a directive forbidding the opening of such files to Congress. The effect of the Committee's charges and methods has been to under-

line heavily the political risks run by the universities and private companies, which, through sub-contracts, perform the bulk of research into the problems of atomic energy.

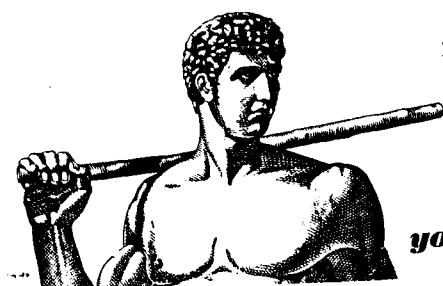
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Opening the Third Round

Mr John L. Lewis's coal strike is as sure a sign of spring as the ground-hog and the first crocus. In the soft-coal fields, nearly 300,000 miners of a total of 400,000 are out on strike, following Mr Lewis's letter last week accusing the coal owners of "dishonouring" their contract. In Chicago the Packinghouse Workers of the Congress of Industrial Organisations have called out 100,000 members, after the major packers refused to arbitrate their demand for a 20 cent increase beyond the 9 cent rise already agreed upon. The strike was called despite Mr Truman's appointment of a fact-finding board and his appeal for delay.

The coal dispute has been on the horizon for many months. The crucial point at issue is not the simple granting of pensions, from the fund created by coal royalties, to miners over 60 with 20 years' service. It is the size of the pension and the problem of whether pensions should be granted to miners who have already left the industry. Operators fear that the inclusion of these men would increase the cost substantially.

Only the events of the next few days can answer the main question: Is this an Easter holiday in the mines, or is it Mr Lewis's considered challenge to the Taft-Hartley Act? Both coal and meat-packing are essential industries; the government has not been out of the coal business for very long, and it took over the meat-packing plants following a strike two years ago. If the strikes go on, imperilling coal supplies for industry and for Europe, threatening a semi-vegetarian diet, there will be no choice but to invoke the procedure laid down in the Taft-Hartley Act for just such contingencies: that is to seek an injunction for 80 days' labour peace while the facts are ferreted out by a government body and a vote is taken by the National Labour Relations Board. The industry has given Mr Lewis three days to call off the strike and accept arbitration of the dispute; after that it will resort to the courts. If Mr Lewis persists, there will then be a trial of the famous clause he had inserted in the coal contract last year to by-pass the Taft-Hartley Act, that the miners would work only as long as they were "willing and able."



The fable of the foolish young man

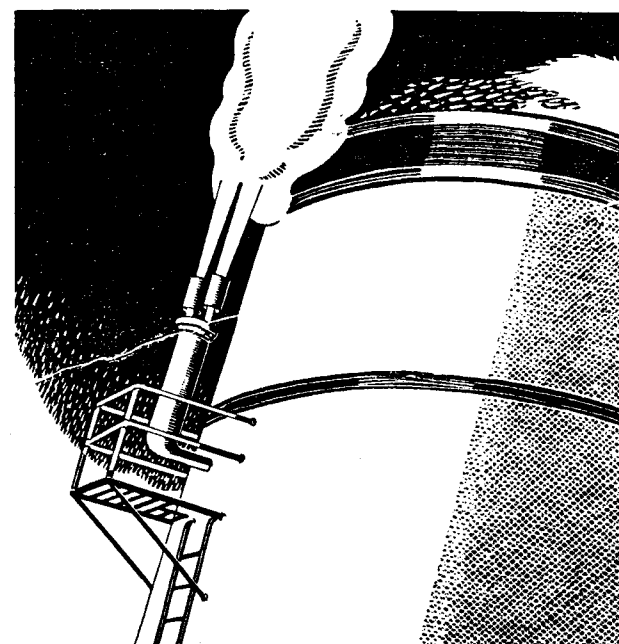
A certain Young Man, dismayed by his country's plight, denounced Discovery, forswore Science and arraigned Industry. 'We are the victims of our own ingenuity,' he declared. 'Henceforth I intend to live simply, unhampered by machines of any kind.'

'An admirable plan' said another. 'First, you must cut off your hands . . .'

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THE WORLD OVERSEAS

Mild Spell in Russia

(By a Correspondent)

IN the last few weeks local and regional conferences of the Communist Party have been taking place all over Russia. The purpose of these conferences has not been made quite clear. Normally, they should foreshadow a national congress of the party at which the leadership reviews past policies and fixes the party line for the future. The last congress, the 18th, took place in March, 1939. According to the new statutes then adopted—their author was Mr Zhdanov—ordinary congresses of the party should be convened “at least once in three years,” and in the intervals less representative and less authoritative national conferences of the party should be convened “at least once in a year.” These provisions of the statutes, adopted with much solemnity, have so far been ignored. For nine years the ruling party has held no congress, and for seven years its delegates have not come together for a conference either.

It is understandable why Mr Stalin and the other members of the Politbureau did not bother to address national assemblies of their party in the years of the war. But nearly three years have elapsed since the armistice with Germany, and the absence of any party convention during this time has been less accountable. It emphasises a certain provisional character that has marked the conduct of party policy since the war. The membership undoubtedly expects the Politbureau to answer many of the questions and doubts that must have been occupying its mind. But the Politbureau has so far apparently preferred to evade hard and fast commitments and to leave some loose ends of the party line untied. Even in the present provincial and local conferences there has been no sign of preparation for the expected congress or conference.

So far as can be gathered from reports in the Soviet press, matters of high policy, problems of war and peace, have not loomed large in the regional and provincial Communist assemblies. Officially, there is no need to thrash out those matters. The propagandists keep on repeating the assurances about the Soviet Government's peace-loving policy, and they dwell on the growth of aggressive tendencies on the part of the Western Powers, though they do so in terms calculated to avoid undue alarm and war panic. It seems that the official line of propaganda meets with popular response. A war weary nation is inclined to take it for granted that its Government is not going to involve it in adventures of aggression, and this belief has been enhanced by Mr Molotov's “peace offensives” at the United Nations by Soviet proposals for disarmament—which have for weeks on end filled the pages of the press—and quite lately by the completion of demobilisation. It has just been announced that only two age groups, the 1926 and 1927 classes, are now with the colours. This would indicate that the army has been reduced to what is a more or less normal peace-time establishment in a country which has always had conscription. The Russian public can obtain from its press only a very faint idea of the international tension created, say, by the events in Czechoslovakia. Those events were presented to it not as a *coup d'état*, but as a wholly legitimate shift to the Left in the internal social balance of Czechoslovakia, a shift which should not normally affect the relations between the Great Powers. There are, it is true, clouds in the sky, but there is no reason to fear the thunder and the lightning of war—this is how the international horizon probably looks to the mass of the Russian people.

Battle of the Secretaries

The fact that international affairs did not loom large in the local party conventions does not mean, however, that the conventions were devoid of interest. Their whole attention was devoted to those domestic developments that may, for the sake of brevity, be described as the semi-liberal spell in Russia. The special feature of every convention has been the election of new party officials, especially of the secretaries of local, district and regional organisations. In the past such elections were, as a rule, empty formalities. Usually the secretaries were appointed

from above, and the members of the organisations could only endorse the appointment by an open vote in favour of the nominee. Even abstention from the vote bordered on treason. Thus the inner life of the party was regulated by the method of military command. The new feature in the present elections is the real and open struggle that has developed over the appointment of party officials in the lower and middle grades. The secretaries are now elected in a secret ballot. In some cases the higher grades have put forward their candidates for the offices, with the result that the provincial assemblies rejected their candidates by majorities, which, if the Soviet press is to be believed, amounted at times to three-quarters of the total vote. A characteristic case is reported in *Pravda*. The regional party bosses come down to sponsor their candidate at a local conference. They are defeated. The local organisation elects a secretary whom it knows and trusts. The regional bosses insist on a new vote. The conference rejects their demand and confirms its previous decision. The bosses threaten to instal in office their own candidate, regardless of the result of the vote. The leaders of the local organisation denounce the arbitrariness of their superiors in the columns of *Pravda*. The same motif in milder versions runs through many reports from the provinces.

Another issue which preoccupied the conferences has been the relationship between the party and the economic administration. Since the war, the party has been systematically boosted, and urged to intervene in every field of public activity. This has apparently led to much overlapping between party men and economic administrators. The party bosses, it may be guessed, were as a rule stronger in the tug-of-war. Their meddlesomeness must have apparently led to much confusion; and so now the party committees are being put back into their places. They are told that their job is to look after the political morale of the people, not to sign or endorse economic plans, to set production targets or to issue administrative orders. Business managers must have a free hand in dealing with their own affairs. The party committees are further castigated for attempts to suppress criticism coming from the rank and file. The inner life of the party, it is said, must be governed by democratic principles.

Revival of Free Discussion

It would probably be wrong to dismiss such signs of a milder spell in Russia's political weather as completely unreal. The freedom to elect party officials, the relative freedom of the administrators from the tutelage of the party bosses mean a lot to people who have not enjoyed those limited freedoms for a very long time. There has, in addition, been a revival of relatively free discussion, such as Russia has not witnessed for more than twenty years. The limits of that freedom are narrow by truly democratic standards; but they are surprisingly wide by Russian standards. From a political viewpoint the most interesting of the recent public debates has been the discussion on Professor Varga's book “The Changes in the Capitalist Economy After the Second World War.” A verbatim report of the discussion, which took place at the Moscow University, has now been published in Russian. It shows a surprising variety of views, some of them undoubtedly “heretical,” expressed with great freedom and thrashed out without any hint of heresy hunting, even though the discussion often touched on the most delicate issues of high policy. Professor Varga has so far made no apologies for his alleged deviation (in which he was backed by a number of other well-known personalities) and he is still the editor of the most serious Russian economic and political journal. The revival of relatively free discussion has been noticeable in many fields, from biological theory to literary criticism. Every now and then Mr Zhdanov, or somebody else, makes a somewhat ridiculous denunciation of this or that “heresy” in philosophy or music such as might be expected from an unqualified and opinionated patron of the arts. But it is not true that those denunciations are followed by purges, especially if the word is given the ominous meaning

it had in the thirties. Some of the men criticised, by no means all or most of them, indulge in mild forms of specifically Stalinist “self-criticism.” But all continue in their professions, and the most eminent continue to be honoured and rewarded by the state.

This semi-liberal spell may be explained by the *malaise* of Russian postwar society and its indubitable longing for a degree of freedom. It may also be explained as a result of some softening in the very texture of the regime. Mr Stalin is surely not the first dictator to grow somewhat milder in his old age long after all his opponents and rivals at home had been defeated. Inevitably the question arises: how long is this semi-liberal spell going to last? The massive framework of the dictatorship is intact. Some screws have been loosened. How far can the loosening go? It is easy for *Pravda* to castigate local party

Portugal's Estado Novo—I

Salazar Loosens the Reins

(From a Special Correspondent)

THE long statement on the European Recovery Programme issued by the British Labour Party on February 27th explicitly bars Franco Spain, but, apparently, sees in Salazar's Portugal no obstacle to the “spiritual and intellectual community” which is postulated. It was not therefore, presumably, just as a backstopper aimed at General Franco that Mr Bevin, in his House of Commons speech of January 22nd, made specific mention of Portugal as one of the prospective members of “Western Union.” He did so in the particular context of the projected co-operation of European colonial Powers in the exploitation of the riches of Africa. It is not for nothing that Portugal today ranks fifth among the Powers administering overseas territories, while the mainland and the colonies of Portugal in Africa are so placed geographically that they must at all time be a matter of vital concern to British strategy.

The *Estado Novo* certainly makes no claim to be “democratic” in the Western meaning of the term. It is a semi-corporate State and the archetype of political paternalism: what it is not, however, is a variant of Fascism. It should be noted that Oliveira Salazar, though manifestly the head and front of the regime, is not himself, strictly speaking, the dictator. He holds his position as nominee and coadjutor of the military leaders who were responsible for sending the parliamentarians packing in May, 1926; and, under the Constitution, ratified in March, 1933, by a national plebiscite, it is the President of the Republic who, as Chief of State, appoints the Prime Minister, and can at any time dismiss him (Article 81). The National Assembly, elected every four years on a restricted franchise, is not a fully-fledged legislative power, but there are in the Portuguese regime, based on the sovereignty of the nation, certain checks and balances justifying comparison with the presidential type of constitution which is the rule in the American continent. Moreover, apart from sharing with that of Eire the distinction of embodying Christian-democratic precepts as laid down in the Papal Encyclicals—and this with a Church whose separation from the state, effected by the Republic, has been wisely maintained in the present regime—the Portuguese Constitution contains in Part I (Articles 1-70) “fundamental guarantees” such as should satisfy the most exacting apostle of liberalism: equality before the law, freedom of religious worship, unimpaired liberty of expression and freedom of association. The only trouble is that in another clause just below this the exercise of these freedoms and prerogatives of the citizen is made contingent on special laws designed to “prevent or repress any perversion of public opinion in its function as a social force.” In practice, as is well known, active political non-conformists are liable to be gaoled by order of the International Police* (whose powers certainly have no warrant in the Constitution) with no means of redress.

While not a terrorist dictatorship, contemporary Portugal comes then into the category of a police state. Yet, compared with other present-day forms of tyranny, Salazar's autocracy is benevolent indeed, and has a good record of clemency. There has been no

* This is the curious appellation of the State Security Police, PIDE (*Policia Internacional da Defesa do Estado*). Its extra-legal powers assumed during the war were nominally abolished by a decree of October 17, 1945.

committees for suppressing the freedom of criticism. But is it not the Politbureau that sets the example of suppression? And if criticism is allowed, which grades of the party hierarchy should be immune from it and which not? If the rank and file are free to reject a candidate of a provincial party boss, may they not one day desire to reject a candidate of the Central Committee, too?

These are the usual dilemmas with which any dictatorship is confronted when it attempts some relaxation of controls. Russia experienced a similar spell of reform and constitutional illusions in the early thirties, one which was followed by the bloody purge trials. It is not very likely that the present relaxation of the rigours of the regime should have a similarly ugly ending, if only because Mr Stalin has now no actual or potential rivals. But any cold political wind may, of course, nip the feeble shoots of toleration that have made their appearance.

shooting of political opponents: indeed, capital punishment is expressly excluded by the Constitution, which also forbids a life-sentence. There is no preaching of intolerance, except in regard to Communism, and little or no denunciation. The press censorship, though humiliating, is no great hardship; it does not extend—in theory, at any rate—to foreign correspondents. And the obligation (Article 6) upon the state to take especial heed for improvement of conditions for the under-privileged is, on the whole, faithfully fulfilled.

Although Salazar can afford to ignore the mutterings of the monarchist or liberal-democratic opposition, and although Communism makes precious little headway, the incidence of three abortive military revolts during the past two years, sponsored by the Military Committee of Liberation, has been a reminder that the all-powerful “dictator” is manoeuvring against a background of military power. Last year the original head of the military triumvirate that made the “revolution” of 1926, Admiral Jose Mendes Cabeçadas, was clapped into prison by the police on a charge of sedition, after he had, apparently, secured the ear of his old colleague, President Carmona, for his complaint that the Constitution, with its blue-print guarantees, has in practice been frequently violated. For their presumed complicity in a projected military *coup* on April 10, 1947, Admiral Cabeçadas and a number of brother-officers were dismissed the service last June. A score of university teachers were likewise suspended from their chairs under a “special law” which grants the Government powers to dismiss any military or civil officials “who reveal a spirit of opposition to the fundamental principles of the Constitution or who do not show a guarantee of co-operating with the State. . .”

Creating an Opposition

On July 21st the ex-officers were summoned to report to the police for interrogation and thereafter detained pending trial—at first in a wing of the Julio de Matos lunatic asylum outside Lisbon, then in an ordinary prison at Santarem. In October, Admiral Cabeçadas filed a petition claiming on behalf of himself and his friends the benefits of *habeas corpus* granted in theory to every Portuguese citizen by a decree of October 20, 1945. Three weeks later the Government announced that this petition had been disallowed by the Supreme Court, a statement of the reasons being given out to the press a few days later. The line taken was that the *habeas corpus* decree in question did not apply to persons who came under military law and who had been detained at the instance of the Ministry of War, and that the police had duly passed on the relevant documents, within the prescribed period, to the military. These rebels are thus still awaiting trial by a military court.

This episode took on unusual significance because seventy-eight year-old President Carmona was involved. But Dr. Salazar put an end to the idle chatter about a serious rift between himself and the President when, in November, he declared with characteristic self-sufficiency “the dignity of the Government is sufficient guarantee of the unrestricted freedom of the Chief of State. . .” Incidentally, President Carmona's term of office expires in the spring of 1949; he has already been twice re-elected, and it is unlikely that at his age he would stand again.

Meanwhile the attempt to fill the political vacuum, which failed

in October, 1945, is being taken up again. The democratic opposition which joined forces in the MUD (*Movimento de Unidade Democrática*) is regarded as having forfeited all claim to consideration by their non-co-operation tactics on that occasion—e.g., their boycott of the elections for the National Assembly. The search now is for new men and new parties. Dr Salazar has indicated the direction in which his mind is working. In a speech to the Executive Committee of the *União Nacional* a year ago, he once more rebutted the charge that the regime is a single-party dictatorship and admitted the need for political development, at the same time excluding any return to a multiplicity of feckless warring and sectionalist parties such as had brought Portugal low in the years before 1926. It was necessary, he said, to secure the collaboration of public opinion without endangering the achievements of the regime. This is, in Dr Salazar's view, the task of the "National Union" in which, he imagines, Right, Left and Centre tendencies may emerge. So far the only concrete development, however, has been the creation of a new grouping of supporters of the regime called *Accão Popular*—presumably with a view to the presidential elections—while renewed efforts are being made to "sell" the idea of the "National Union" as being not merely an assemblage of yes-men, not, indeed, a political party, but a reservoir of "men of good will," without distinction of political creed or religious beliefs, from which new political groups may be drawn.

Unpopular but Stable Regime

The first meeting of this year's Council for the Lisbon area of the "National Union" on February 19th was chosen for a long exposition of the Union's purpose by its President, Dr Marcelo Caetano. What is postulated is general acceptance of the spirit and doctrinal tendency of the Constitution of 1933, and "civic collaboration but not political participation except in the measure required of them": in fact, to organise the non-party mass of the nation into a political force which may sound a contradiction in terms but which has a certain meaning in a country deprived of all political expression for a generation. This introduction of politics from above will be no easy matter. Unprecedented skill will be needed to extricate Portugal from the normal fate of a dictatorship which is to lead into a blind alley. The experiment will be worth watching. The regime is certainly not popular, as Dr Salazar discovered to his chagrin when he opened the safety-valve of criticism two and a half years ago. But it still enjoys the support, with varying degrees of enthusiasm, of a broad and substantial middle sector of the nation; and, at any rate, Dr Salazar has solid economic foundations upon which to build.

(To be continued)

Economic Union for France and Italy

THE French-Italian Customs Union Commission was constituted on September 13th last year. Its task was to examine the possibility of a customs union between the two countries and report by the end of the year. During this short period of three and a half months the Commission worked with energy. Its final report, the full contents of which have now become generally known, was completed on December 22nd.

In this report the Commission reaches conclusions of great potential importance to France and Italy. It is highly favourable not only to a customs union but to an economic union, in which the two states would "establish together a new kind of sovereignty." Two reasons for going beyond a mere customs union stand out from the Commission's report. First, much general legislation nowadays affects the economic structure of a modern state. On the one hand, there are measures which bear directly on international trade such as quotas, import and export licences, and restrictions on capital transfers; on the other, many internal regulations themselves shape economic life, so that the simple abolition of tariffs does not remove the problems which a customs union is meant to solve.

Secondly, in the case of France and Italy, only a relatively small volume of their external trade passes from one country to the other. If, therefore, the object is, as it should be, to improve the standard of living in each by making better use of available resources, then positive steps must be taken to share their raw materials, improve their combined potentialities as a market and exchange their surpluses. In its report the Commission accordingly goes on to examine alternately each aspect of the French and

Italian economies; Algeria is included throughout with metropolitan France.

In the chapter on agriculture, France and Italy are shown to be in very similar circumstances; 40.5 per cent of France is arable land (but only 15.5 per cent of Algeria) against 53 per cent of Italy. France has 25 per cent under pasture, Italy 20; 21.5 per cent of France is forest, 20 per cent of Italy. Both countries provide for their own needs in plough animals, pork, butter, animal fats and sugar. Both have a deficit in oats, maize, dried vegetables, oil cake, vegetable oils (olive or ground nuts), seed potatoes, and, until, 1952, some kinds of agricultural machinery. Both have surpluses of fresh fruit and vegetables, dried fruit, cheeses (according to type), wine and certain species of flour paste; an exchange of hard Italian wheat, for instance, could be made for the more tender French variety. Italy could supply France with rice, hemp, sulphur and, by 1952, with nitrogen fertilisers. France could supply Italy with oxen, perhaps by 1950 with just a little wheat if all goes well, with barley, rye, and potatoes. That is the view of the commission. In conclusion, the report considers, that, in part, French and Italian agricultural products are complementary. For the rest, the two countries have similar types of output; there, it is a question of a joint productive effort to lower the cost of living.

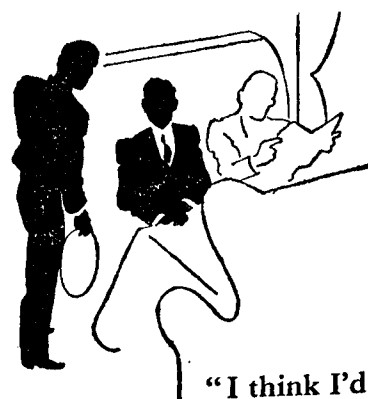
The objective of lower costs is again held out in the chapter on industry. The conclusion drawn from a survey of the chief industrial products of the two countries is that there is great scope for rationalisation and specialisation between them. To execute such a scheme, of course, presents difficulties. The report holds quite rightly that, as a result of wartime dislocations and their continuing effects, it would be impossible to attempt any sudden general reorganisation between the two economies. Instead there would need to be gradual adaptation in each industrial system independently, with the ultimate double objective of developing both not only those French and Italian industries which are complementary to one another, but also those which work in parallel lines.

Lack of Industrial Power

The report examines and compares French and Italian industrial output with particular reference to existing future plans. In dealing with raw materials it assesses France as an exporter to Italy of steel, scrap iron, potash, phosphates and various metallurgical products; Italy would send to France zinc and silk. Both countries are notably short of lead, copper, manganese, cotton and wool. And both lack sufficient industrial power for their projected needs. Thus the French envisage raising their present annual output of 47 million tons of coal by a third before 1952, while the Italians expect to need eighty per cent more than their present consumption of 13 million tons a year. Of the French electric output of 24.5 milliard kilowatt-hours, 12.9 are from water power: the Italian equivalents are 20.8 and 19.6. France hopes to raise its figure to 37 and Italy to 31.26, both mostly by hydro-electric development. Economic union would, it is stated, immediately involve building lines for complete inter-connection.

Such economic union would also mean improving transport facilities between the two countries, particularly by sea. No special difficulty is seen in this, though it would, for instance, probably mean lowering French harbour dues to something nearer the Italian level. This kind of problem is dealt with in the chapter on finance. Here the report concludes that, as the French and Italian budgetary structures are fairly similar, as much in the nature of their receipts as of their expenditures, adjustments to bring them into line in certain respects should be quite possible. A common currency is held out as a still remote but probably desirable ideal. Meanwhile transfers of capital between the two countries would be necessary. This would mean establishing a stable exchange rate between lira and franc, which in turn depends, for one thing, on balancing both budgets and stopping inflation.

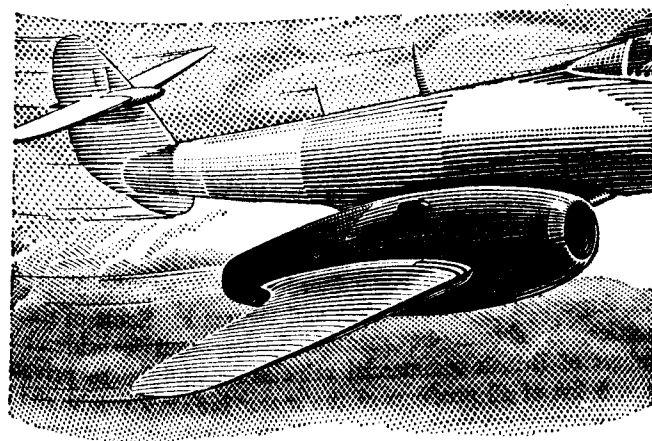
The problems ahead are recognised to be great. But the report is optimistic about solving enough of them to make it practicable to begin a union which could become closer with time. The three stages which Benelux has gone through provide an analogy, though the French and Italians would hope to get much further at the first leap. In general, the report sees a French surplus of capital as complementary to excessive Italian manpower. Provided that free movement of both could take place from the start, the report recommends that the two governments should work out ways and means of forming an economic union as soon as possible. This proposal has now been accepted in principle both in Paris and Rome. Their Foreign Ministers, M. Bidault and Count Sforza, are signing an agreement to this effect in Turin today.



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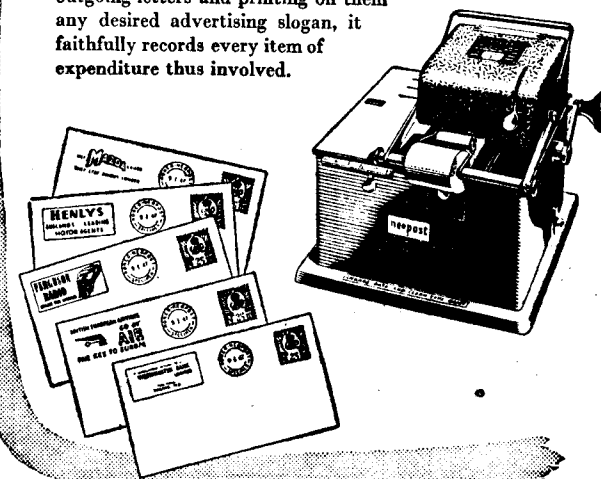
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THE BUSINESS WORLD

Exporting British Cars

THE British motor-car industry has had a good deal of success in the past twelve months in selling its cars abroad. It exported 143,000 cars in 1947—57,000 more than in 1946, and 75,000 more than in 1938. This excluded commercial vehicles and motor parts, both of them substantial exports, too. The monthly rate of export (11,900 on an average over 1947) rose through the year, and in January, 1948, it was 16,129—nearly three times in number, and more than seven times in sterling value, the average monthly export in 1938. Some cheerful assessments of the motor industry's prospects and of its contribution to the country's effort to balance its payments have been based on such figures. But among the motor manufacturers themselves, few would read into last year's trade any assurance that the industry is established beyond question as a large-scale exporter.

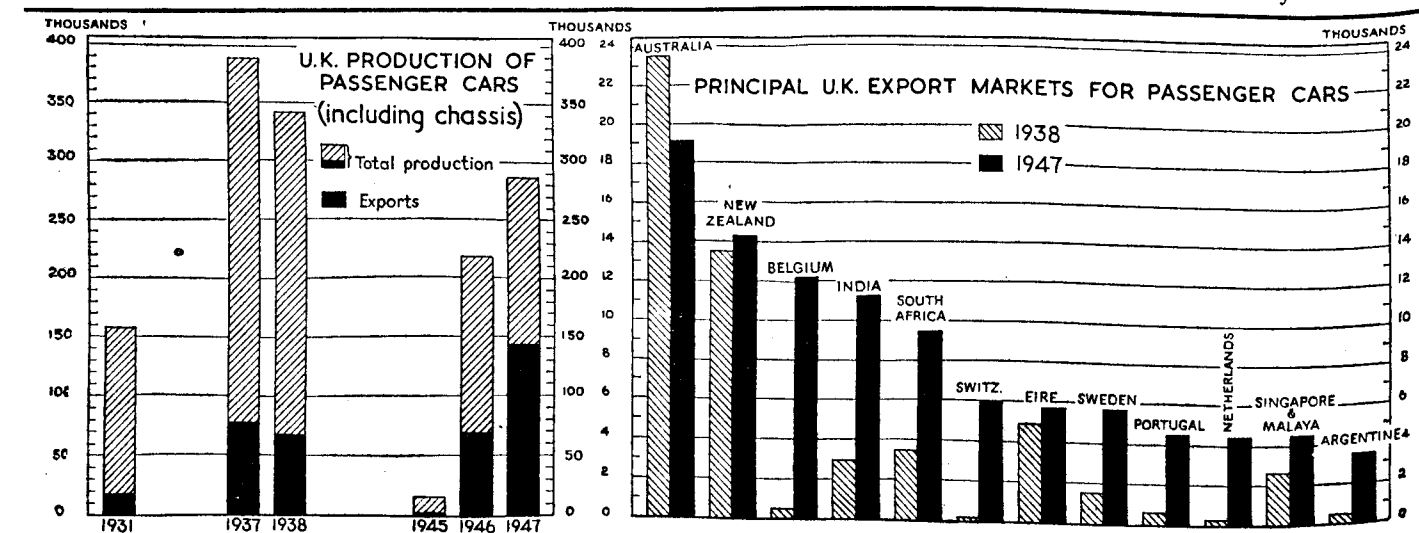
If the trade figures are examined closely, three main points emerge. The 16,129 British cars exported in January (assembled cars, unassembled cars, and chassis) brought in £4,282,000, an average price per unit of £265 10s. fob. Ten years ago 5,684 cars (the average monthly export in 1938) brought in £605,991, or £106 12s. each f.o.b. Average export prices look modest, but they have still to be augmented by freight charges, duties, and distributors' margins. The actual retail prices at which a number of British and foreign cars are sold in some overseas markets are shown in the table on page 463. What matters is that today's fob price is in general two and a half times higher than in 1938, and has not finished rising; last year it was 12 per cent higher than the year before. Certainly world prices have gone up, and the prices of materials and labour at home have gone up too. But the complaint that British cars are too dear for what they are is an old and serious complaint. Has any progress been made towards meeting it? Are the cars, perhaps, bigger and better than they were before the war?

There is nothing to suggest that they are. In design, it is generally agreed that, with a few exceptions, British cars produced since the war do not show any important innovations. In materials and finish, motor manufacturers have to meet the same difficulties as all industrial producers in this country. As to size, *Engineering* pointed out recently that 77 per cent of British cars produced in 1935, and 80 per cent in 1947, were cars of 12 hp or below. British cars (or, at any rate, their engines) have thus been getting smaller, not bigger.

This general fact is even more marked in the export figures for January, which show that, of the 16,129 cars and car chassis exported, no less than 13,561 (or 84 per cent) were cars of less than 1,600 cc—that is, by the old taxation rating, cars of 12 hp or less. It is worth noting that in production for the home market the preponderance of light cars, though still considerable, is less (5,641 out of 8,392: most of the remaining 2,751 were 14 or 16 hp). Since this is unlikely to be due to tenderness for the comfort of the British motorist, it is presumably caused by foreign unwillingness to pay the high prices for the larger British cars. For the British motor industry has yet to build a car with a large engine at a moderate price, or a car with a medium-sized engine at a low price; the horse-power tax was effective in stifling any ambitions of that sort. The new Standard two-litre "Vanguard" is probably the first British car of medium power to be designed for large-scale production. It should gain a further cost advantage from the linking of its engine design with that of the Ferguson tractor.

To assess the importance of the motor industry's part in redressing the British payments deficit, the next step is to consider where British cars are sold. Do they earn dollars? Analysis of British car exports by destinations reveals some curious facts. Export destinations include the Channel Islands, which took 2,411 British cars in 1947—more than twice as many as the 1,127 cars sold in the United States. But exports to the United States were outnumbered also by Malta (1,140) and Hongkong (1,517), and closely rivalled by Trinidad and Tobago (1,018) and Nigeria (1,072). The British Commonwealth, in fact, took 87,000 of the 143,000 British cars exported in 1947. Canada (only 1,956) and South Africa (9,522) can be subtracted as being hard-currency countries, but still more than half the exports of British cars earn, not dollars, but sterling. Australia (19,176) and New Zealand (14,327) are the two biggest customers in the list.

What of the foreign destinations? Belgium (12,215) comes first, with Switzerland (6,000) next; they are both two useful currency-earners. Then come Sweden, Portugal, the Netherlands, Argentina (3,510), Norway and Denmark. Some of these countries, it should be mentioned, imported considerable numbers of British commercial vehicles in addition to private cars. A list of all products of the motor industry would show



a somewhat different order. It would remain true, however, that the preponderance of sales (about 75 per cent) is to sterling and soft-currency countries. British cars sell, but they sell most easily where dollars are scarce.

Indeed, the motor-car industry is dependent on the shortage of dollars in many overseas countries to maintain its sales. The Society of Motor Manufacturers and Traders made the point in its report to the Minister of Supply last September:

Many countries will presumably not be able to buy as many American cars as previously. In contrast sterling should be freely available, particularly following the recent suspension of free convertibility of current sterling. Such conditions should confer an advantage next year on British over USA car exporters and perhaps in some cases neutralise the price differential.

The report went on to say that "the industry could not be content with such an artificial and insecure advantage." Not only is the advantage insecure; it has the further drawback of being useless in the markets which Britain most urgently needs to capture—the dollar markets. If British cars are to earn dollars, they must be bought for choice, not from necessity, by people who are free to buy American cars instead if they wish. Is there any sign of British cars achieving that kind of success?

★

There is, unfortunately, only one answer to this question at the moment. No doubt there is a demand for the light car even in dollar countries. It is a limited demand, but it exists. But the light car is expected to be a great deal cheaper than the British car is at present, and unless it is very cheap indeed, a great deal is expected of it. An American publicity expert, Mr Edward R. Grace, who organised interviews with 1,600 American motorists last December on the question "Do Americans want a small, light car?", told the Society of Automotive Engineers in Detroit a few weeks ago that 60 per cent of the persons interviewed answered "Yes." Their answers to the detailed question make it perfectly clear, however, that the first consideration which caused them to answer "Yes" was that they wanted a car which was cheap to buy. The great majority (78.5 per cent) wanted to pay between 750 and 1,000 dollars, or even less; and the technical developments which would enable a British car to sell overseas at less than 1,000 dollars have yet to be recorded. But what did these American motorists want for their 1,000 dollars? The majority wanted a six-cylinder, five-seater car with a wheelbase between 100 and 120 inches.

Mr Grace's investigation has indubitable lessons for the British motor industry—and, indeed, for the American industry too, for the American producers themselves are heavily committed to their particular types of car, and might be outflanked by a competitor with quick wits and great material and technical resources. The lesson is not that people can be persuaded to pay dollars for bijou cars; in general, they cannot. They can, however, be persuaded to pay dollars for a car lighter and more manoeuvrable than the present Cadillacs and Chevrolets and Buicks, if it is also cheaper—and if it has adequate power, comfort, durability, and space. There is an opportunity here. The fleeting advantages which the British industry derives from the sellers' market, the maladjustment of international currency relationships, and the American steel shortage (which limits American production to no more than ten times the present British production) give the British industry the weapons which it could use to force its way into the world markets—if it had the strength to handle them.

Critics of the industry have exhorted it for many years to set out along a new path of technical development: to design its cars for the world market rather than for the specialised home market which was sheltered and fostered by the old horse-power tax. The average motorist, they maintained, using the average roads in the average overseas country, judged his car by

standards of price, size and performance—not by the ingenuity which put a quart of brake horse-power into a pint of engine or crowded the English family over a wheelbase small enough to fit in the English suburban garage. The British car was a hothouse product—"an exercise in tax evasion rather than in power transmission." It was too lightly powered; it was too dear; it was the wrong size and shape. It could flourish in the British and Empire markets, but it was not what the world at large wanted, and in fact, the world at large did not buy it. The British industry in 1938 exported 68,000 cars, but 56,000 of them went to Empire countries. Only two foreign countries, Denmark and Sweden, bought more than a thousand British cars in 1938. For many years the industry accepted the situation complacently enough, ignored foreign demand for larger, more powerful, more strongly built cars at low prices,

CAR PRICES IN OVERSEAS MARKETS
(£ sterling)

	Portugal Jan., 1948	Switzer- land Jan., 1948	Holland Nov., 1948	Sweden Aug., 1947	Brazil Sept., 1947	Argen- tina Sept., 1947	South Africa Sept., 1947	New Zealand Mar., 1947
Morris 8	410	418	320	400	438	527	415	633
Standard 8 . . .	430	429	327	430	438	481	410	598
Fiat 500 cc . . .		300		300	365	366		
Hillman 10 . . .	495		374	493	557	581	485	646
Morris 10	480	501	393	492		654	484	677
Renault 10 . . .			325			455		
Vauxhall 12 . . .	477	512		452	553	566	475	
Austin 12		512	508	674			633	922
Vauxhall 14 . . .	603	631	399	569	654	657	573	708
Standard 14 . . .	714	726		686	663	754	795	942
Austin 16	733	777	556	768	855		750	994
Ford V8 32.5 . .	694	695	466		620	614	490	
Chevrolet Electmaster 29.4		726	467	637	609	622	517	

and cultivated its domestic garden. Overseas sales were an extra, carried on the back of the home market.

The industry's transformation from a protected home producer to a great export industry has been abrupt. It is now required to export 75 per cent of its car production. No doubt that is too high a percentage to be healthy; but even when (and if) the present dollar crisis is surmounted, the industry cannot go back to the old life. In the foreseeable future, there is no prospect that the national resources of steel, labour, and power can be spared to provide, on the old scale, motor-cars for Englishmen. This fact was given fiscal recognition last June when the horse-power tax was finally replaced by a standard tax falling equally on all sizes of engine. The change was made as a stimulus to technological reform to meet the necessities now admitted: fewer models, mass-produced at lower prices; direction of the designer's endeavours away from British taxable capacity, towards the production of a generally saleable car. But it was not made until the national resources were so dangerously stretched that neither time nor resources could be spared for revolutionary enterprises. And what the industry needs to fit it for untrammelled competition in the world is a revolution in methods and design.

Here is the present dilemma. The industry knows at last that it must face the future as an exporting industry—or those of its members who do not know now, never will. It knows that new designs and new processes alone can save it—or those who do not know, are learning now from their overseas agencies. But the industry is told that it cannot relax immediate production for the sake of better models in a year or two; it cannot have the steel for retooling; it cannot, indeed, have all the steel it wants for actual production. Its immediate task is simply to divert its product from home to foreign markets. It must be exporting 20,500 cars a month by June, and 26,300 cars a month by the end of this year. Those firms which cannot adapt themselves to these requirements have been told by the Minister of Supply that they risk being put out of production altogether. How many will evade the threat?

A Modern Profit and Loss Account

A FIRST article in this series dealt with the reshaping of company balance sheets to conform with the provisions of the new Companies Act when they come into force on July 1st*. The next stage is to assess the importance of the changes which the 1947 Act demands in the content and presentation of company profit and loss accounts. This is, oddly enough, the first Act which lays down any statutory requirements about the content of profit and loss accounts. The overriding principle is that the profit and loss account, like the balance sheet, must show a "true and fair view." But the principle is strengthened by a number of detailed provisions. The first Schedule of the Act demands specific information on several important points—the method of depreciation; the basis of the United Kingdom tax charge; the manner of showing dividends (gross or net); provision of comparative figures; and the effect of exceptional transactions or changes in the basis of accounting. Moreover, directors' aggregate emoluments must be shown in the accounts. Excess provisions or reserves, or transfers from amounts set aside in the past, must be disclosed "if material." Income from investments must be shown separately.

In other words, the profit and loss account of the future will be designed to show true profit. It will open with a credit item for trading profit, without any deduction for inner reserves (save when such a deduction is specifically sanctioned by the Board of Trade) or for depreciation. A warning is necessary lest excessive weight should be given to the figure for trading profit. The shareholder should continue to look to the trend of net profits, not to trading profit, for the measure of his company's earning power. It would be a pity if the full disclosure of items which have to be charged against trading profit should lead to erroneous ideas about the significance of the latter. The new figures of trading profit will be most valuable to the economist; but the wise shareholder will keep his eyes fastened on net earning power.

The obligation on companies to show amounts allocated to provisions may be waived by the Board of Trade if it is satisfied that disclosure "is not required in the public interest and would prejudice the company"—though the fact of non-disclosure must be indicated in the accounts. The Board of Trade is given fairly extensive licence to vary the requirements in particular cases, and may find itself with a considerable load of work as a result.

The disclosure of directors' remuneration is a matter of considerable interest, arising partly from natural curiosity about a field of which too little was known in the past, but mainly from the principle that shareholders should know how much the directors (whom they appoint) actually receive, and whether they are worth the money. The provisions of the 1929 Act on directors' fees were fatuous and indeed positively mischievous. Only "fees" were required to be shown, and even so the fees and salaries of managing directors were exempted from disclosure. Hence the principal part of the emoluments of directors—namely the salaries which they receive for the performance of executive office—was hidden from sight. Since "fees" are generally a small fraction of total emoluments, it is likely that shareholders of some companies will receive something of a shock when they are in a position to compare their dividends with the total emolu-

*An Order has since been made by the Board of Trade which appoints July 1st as the date on which the remaining provisions of the new Act (including those relating to prospectuses and audit) will come into force. The promised Consolidation Bill has been introduced in the House of Lords.

ments of their directors. But it would be regrettable if disclosure were followed by indiscriminate criticism and led to reluctance to spend money on efficient management, which is always a profitable investment. It is right that shareholders should have such information, but this again is a point on which they would be wise to keep a proper sense of proportion.

Perhaps the most important forward step in the new Act is the statutory obligation on holding companies to provide group accounts. Instead of the vague comments which are enough to satisfy Section 126 of the 1929 Act about the treatment of subsidiaries' profits or losses, holding companies must now produce audited group accounts in addition to the ordinary accounts. There is considerable latitude for variation in the precise form of group accounts ; but although supplementary statements of other kinds may sometimes be used, the usual method will obviously be the consolidated balance sheet and consolidated profit and loss account, in which the accounts of all companies in a group are integrated to give a picture of the whole group as an economic unit. One considerable difficulty is presented when the companies forming the group have different accounting dates. This difficulty does not always prevent consolidation, but it does involve the possibility that the grouped figures may be distorted. Under Section 17, directors of holding companies are required to "secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries shall coincide with the company's own financial year." Unfortunately, tax procedure and other considerations often make it positively unprofitable to alter the date at which accounts are made up. Where, for some good and stated reason, the results of any subsidiaries are not brought into the group accounts, particulars of their current earnings and accumulated profits must be given in a note to the parent company's accounts.

Latitude about the form of group accounts extends so far as permitting them to be "wholly or partly incorporated in the company's own balance sheet and profit and loss account." No doubt the practical result would then be a single profit and loss account showing the group's results—beginning with group trading profits, from which depreciation and other provisions would be deducted, leaving a figure for the group's net profits. From this net profit figure, the share attributable to any outside interests would then be deducted, leaving a figure which would be available for distribution to the parent company if the subsidiaries' net profits were divided "up to the hilt." The next stage would be to deduct any net profits retained by subsidiaries (that is the excess of their profits over dividends paid to the parent company), leaving finally the profit in the parent company's accounts. This form has been employed to advantage by several companies, among them Lever Brothers and Unilever. It has so many advantages of clarity and comprehensiveness that it may be hoped that it will be adopted as general practice. *The Economist* is not unaffected by the decision. For 40 years it has regularly compiled records of company profits, and every argument of convenience and comprehensiveness shows that the extension of these records to include—as they should—the totality of profits and not merely those brought into reckoning by the parent companies favours the method of group accounting which has been described.

In the past, there has been too little uniformity in consolidated accounts. A greater measure of standardisation could be achieved without any difficulty if the form of group

profit and loss account, described above and illustrated in the accompanying tabular form, were widely adopted. The

There is only one doubt about this form of account. The new Act—it would seem—offers to any holding company which uses this form of profit and loss account an exemption from showing directors' remuneration. Such remuneration is formally required only in the "ordinary" profit and loss account; the Act does not call for a total item for the emoluments of the directors both of the holding company and its subsidiaries. Presumably, the intention was that shareholders had a right to know the total benefits received by the directors appointed by them, but not the amounts received by individuals who are directors only of subsidiaries and not of the parent company. This curious loophole could be exploited only where the combined form of account is used, but in view of the obvious intention of the Act, and of the manifest advantages of the combined form, it is inconceivable that a technicality which can so easily be rectified should be allowed to prevent the general adoption of a convenient form of group profit and loss account.

The accountants and the lawyers now receive from Parliament the task of improving and democratising the relationship between company administration and ownership. Any one who has attended a typical annual general meeting will testify that the high standards of integrity in the administration of British companies, and even the past standards of information in company accounts are out of proportion to the indifference displayed by the "proprietors" in the working of their companies. The average shareholder can hardly be said to deserve more information by virtue of his own efforts or interest; without a great change in this past attitude, the new Act will not serve its most fruitful purpose, for in the end the work and watchfulness of the financial press and the Stock Exchange is not a substitute for an alert and well-informed

general body of investors. In the new Companies Act, they have a sound measure which in its accounting provisions will give them most, if not all, of the information they require for forming sound judgments. It is up to shareholders to make effective use of it.

XYZ, LIMITED, AND SUBSIDIARY COMPANIES		
Group Profit and Loss Account		
	£	£
Trading profit	100,000	
Less: Depreciation	20,000	
		80,000
Dividends from foreign subsidiaries (not consolidated)	5,000	
Interest on Government securities	8,000	
		13,000
		93,000
Less: Profits tax	20,000	
Income tax (provision on year's profits and deductions from interest, etc.) ...	36,000	
		56,000
		37,000
Less: Net profit attributable to outside share- holders		3,000
GROUP NET PROFIT, LESS TAX		34,000
Less: Retained by subsidiaries		8,000
XYZ NET PROFIT, LESS TAX		26,000
Appropriation:—		
Ordinary dividend at 10 per cent, less tax		16,500
To general reserve		7,500
Added to profit and loss carry forward		2,000
		26,000

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Business Notes

Surplus or Deficit ?

Since the issue of the Economic Survey, efforts to align some of the estimates given there with the figures shown by the Exchequer Return have involved many headaches for the statisticians. But at the close of this particular financial year the oddities of Exchequer accounting threaten to have much more unfortunate consequences than the discomfiture of seekers after truth. The display of a very large apparent surplus on the Budget accounts for the current year seems to the uninitiated to be providing a solid justification for the diverse interests in the swelling chorus which is now crying for tax-reduction as a supposed prescription for combating inflation. The current year's surplus, as the Exchequer computes it, is certainly remarkable. A cautious estimate in these columns a few weeks ago, which allowed for the possibility of particularly heavy expenditure in the closing weeks, suggested that the "above-line" surplus for the full year might reach £600 million. But it is now clear that it will be a good deal larger than that.

Up to last Saturday, with only two and a half weeks to go, it stood at £812 million—contrasting with a deficit of £417 million in the similar period of 1946-47. Apparently, the recent special advance payment by the Ministry of Food has still to be brought to account above the line; but, even after allowing for that and for less predictable last-minute charges (expenditure in the final week of 1946-47 was no less than £230 million), it appears certain that the total ordinary expenditure will fall far short of the official revised estimate of some £3,420 million. The year's revenue, recently estimated here at between £3,850 million and £3,950 million, now promises to be closer to the upper than the lower of these figures. Its performance in the ten weeks or so since the end of 1947 has broken all records. In the taxation categories, all but two items (excise and stamps) already exceed the year's estimates. Income tax, which Mr Dalton expected to produce £70 million less than in 1946-47, has yielded nearly £50 million more, and EPT and Profits Tax, which were expected to fall very steeply, by £150 million, have dropped by only about £70 million. In the ten weeks total ordinary revenue has produced £1,267 million—more than the total of a prewar budget for a full year—and only a little over £100 million of this came from the abnormal items (Miscellaneous receipts, sales of surplus stores, and trading receipts). Almost half came from income-tax.

It is perhaps not surprising that figures such as these, which promise a year-end surplus of, say, £700 million, should have gone to some people's heads. But in fact this striking result of official book-keeping disappears fast under detailed analysis. The "true" figure could be put at anything ranging from about £500 million (assuming an "official" figure of £700 million) down to an actual deficit of some £500 million or so—according to the particular definition adopted by different interpreters. If purely nominal revenues are excluded, the official surplus would be reduced, in round figures, by £300 million, allowing £200 million for the results of Mr Dalton's clawing-back and £100 million for net surrenders of tax reserve certificates. If, in addition, war damage payments, postwar credits and EPT refunds were included in the expenditure, a further £350 million of "surplus" would disappear. If, moreover, the £300 million of income from sales of surplus stores and Government trading was excluded on the ground that these are temporary and fast-disappearing sources of revenue, the balance would become a "negative surplus" (a phrase now dear to the Government statisticians) of some £250 million. If, finally, the year's Exchequer outlays on coal, local loans and temporary housing were brought to account, the deficit on these extreme hypotheses would become £550 million.

No Budget Leak

A spread of a cool £1,000 million between the limits set by these various definitions, each of which is defensible, certainly leaves ample play to those who choose their facts to suit their argument, and is a positive inducement to specious pleas of the kind now being publicised. Amid these shifting sands, the only firm ground is the basis provided in the National Income White Papers and now, apparently, extended into the Economic Survey. The analyses there are made on sound economic principles, and set the national accounts in the only context in which their significance can be seen—the context of the national economy as a whole.

Unfortunately, not only are these merely annual publications, but it is almost as difficult to translate the Economic Survey's analysis into terms of Exchequer accounting as it is to sort out the Exchequer Return on rational economic principles.

In particular—though many are now attempting the task—it seems to be impossible to discover the equivalent, in terms of ordinary Budget accounting, of the £275 million surplus which the Survey estimates (on existing tax bases) for public authorities in the current calendar year. This figure, of course, relates not only to the position of the central Exchequer, but includes local authorities as well as the various extra-budgetary and social insurance funds. It excludes from the expenditure, however, Governmental payments which are assumed to be treated as capital by those to whom they are made: in this category are postwar EPT refunds and war damage payments, estimated at £150 million for the current year, compared with £280 million in 1947. These are good definitions in principle, but outside investigators have no firm basis for estimating the size of the non-Governmental items which they include. For these reasons, the estimated revenues shown as direct and indirect taxes respectively afford hardly any clue to the Treasury's expectations of its own "ordinary" receipts. "Direct taxes" as shown for 1948 in the Survey would appear to include not only the expected return to the Exchequer on the existing tax basis, but also employees' and voluntary contributions to social insurance funds. "Indirect taxes" apparently include Exchequer receipts, local rates, employers' social insurance contributions, and the Post Office surplus (if any).

In short, despite the frankness of the Economic Survey on the issue of inflation, the Chancellor's Budget remains inscrutable. From the discussion in the Survey about the inadequacy of personal savings, there is a strong presumption that the Chancellor intends to frame his Budget in such a way as to provide an appreciably larger surplus than the £275 million which is at present in sight on the basis indicated above. But it would require much labour and ingenuity in analysis to formulate any worthwhile guess of what this means in the conventional notation in which the Budget will be presented.

Voluntary Dividend Limitation

While the principle of voluntary dividend limitation is on trial, the Stock Exchange has rightly assumed that, whether it succeeds in obviating more direct action against profits in the Budget, some form of dividend limitation is likely to be the overriding market factor for some time to come. In the memorandum submitted to the Chancellor of the Exchequer by the employers' organisations last week, it was suggested that, subject to "exceptional" cases, "the gross amount distributed by a business by way of dividends in the current year should not exceed the gross amount distributed on the same capital in its last financial year." This principle would not apply to new companies or to companies which had suffered from concentration, war damage or enemy occupation.

It would be difficult to evolve an equitable basis for freezing dividends, since any scheme will produce anomalies. All things considered, the proposals of the Federation of British Industries are probably as effective and simple in practice as any rigid and complicated scheme. But there is, obviously, plenty of room for argument about the companies which should qualify for exceptional treatment, particularly since the voluntary principle would enable companies in the first instance to be judges of their own eligibility, whatever pressure might be brought to bear later by fellow industrialists. And it will not be easy to apply restriction to the distributions of new companies, many of which have naturally been concerned to bring at least their initial payments up to prospectus forecasts. But difficulties will undoubtedly arise among companies which are emerging from a series of unprofitable years.

In fact, the general significance of this formula is to reduce ordinary shares virtually to the status of non-cumulative preference shares. Once this effect is recognised, the application of the formula is seen to produce a large number of anomalies and injustices. Obviously, those companies which have been ploughing back a large proportion of their profits—according to sound financial

practice and also at the Government's own behest—will now have to withhold the distribution of the higher profits which would usually follow from such a policy in conditions of expanding earnings. By contrast, companies which have been distributing up to the hilt, would be given a further brief

ORDINARY SHARES WITH GOOD EARNINGS COVER						
Company and Share Denomination	Date of Latest Accounts	Latest Year		Price, March 10, 1948	Latest Price	Yield Per Cent
		Earned	Paid			
High Yields		Per Cent	Per Cent	s. d.	s. d.	£ s. d.
Aerated Bread, £1.....	Sept. 30, '47	32½	10	41/-	41/-	4 17 6
Barrow, Hepburn & Gale, 5/-	Dec. 31, '47	125½	20	15/3	15/6	6 9 0
British Glues, 4/-	April 30, '47	78½	25	19/-	18/9	5 6 9
Cannell Land, 5/-	Dec. 31, '46	38½	18	12/4½	12/9	7 1 3
Crossley (John), £1.....	Nov. 30, '47	52½	20	72/6	72/6	5 10 6
Low Yields						
Borax Deft, £1.....	Sept. 30, '47	43½	12½	57/6	58/1½	4 6 6
British Nylonite, £1.....	Dec. 31, '47	102½	20	120/-	125/-	3 4 0
Glaxo Laboratories, 10/-	Sept. 30, '47	787	125	£18½	£17½	3 18 3
Goodlass, Wall, 10/-	Dec. 31, '46	44	15	36/-	35/-	4 5 9
Lever Bros. & Unilever, Ltd., £1.....	Dec. 31, '46	50½	10	51/6	50/9	3 18 9
Wall Paper Manufacturers Deft., £1.....	July 31, '47	30	8	46/-	44/6	3 12 0

to continue to do so. Thus, the formula tends to favour high-yielding equities, although their high yields must still be weighed against their other investment qualifications. Conversely, the shares with modest yields, based on the expectation of higher dividends to come, fall in favour since the fulfilment of those expectations will now be delayed. Under dividend limitation an ample dividend cover may no longer be regarded as an automatic blessing.

Inviting Trouble

The range of dividend increases announced this week is disturbing, to say the least of it. It would be unfair, however, to conclude forthwith that these declarations, of which a sample is given in the accompanying table, represent an attempt by industry to disregard the counsels of the Federation of British Industries and the wishes of the Government. There is inevitably an interval between decisions to recommend dividend payments and their announcement; and a mere handful of companies can hardly be regarded as representative of the behaviour to be expected from industry in general.

That this is so is shown by the response of most of the 580 larger industrial companies (representing a market capitalisation of over £2,100 million), to whom Sir Frederick Bain wrote. Some 97.8 per cent of these companies were prepared to follow the recommendations of the FBI. And it would be wrong to

RECENT ORDINARY DIVIDEND INCREASES				
Company	Year Ending	Ordinary Dividend		Date of Announcement March, 1948
		Latest Year	Previous Year	
		Per Cent	Per Cent	
John Bull Rubber.....	Nov. 30, '47	20	15	15th
Crowther & Nicholson.....	Dec. 31, '47	50	45	9th
Eugene.....	Dec. 31, '47	200	125	16th
Lancashire United Transport..	Dec. 31, '47	20	10	16th
London Brick.....	Dec. 31, '47	12½	10	5th
Henry, A. & S.....	Dec. 31, '47	12½	10	9th
Reardon Smith.....	Jan. 31, '48	15	7½	17th
Sherwood Paints.....	Nov. 30, '47	150	116½	17th

say that the good impression made by this response, which has been duly welcomed by the Chancellor, has been erased by the independent decisions of a few of the smaller companies. This conviction is strengthened by consideration of the decisions of British Aluminium and Bradford Dyers—which have expressly refrained in their recent announcements from making dividend increases that might reasonably have been expected in view of the improvement in their earnings—and of others such as John Summers and British Celanese, who have anticipated the usual date of their dividend declarations in order to say that there will be no increase in their payments this year.

It must not be forgotten that Sir Stafford has shown a genuine desire to gain the co-operation of industry in his assault on inflation and that he is at present watching "with the keenest and most hopeful anticipation the actual results which can be achieved

in the stabilisation and reduction of prices and in the reduction of profits and stabilisation of dividends." Obviously the actions of industry are being watched—and not only by Sir Stafford. Less conciliatory Labour members would prefer dictation to compromise, and if a section of industry prefers in its turn to act without regard to its responsibilities, Sir Stafford might well be pressed to adopt a sterner approach. Nor could the TUC be expected to remain passive. Industry may not like the equity or be convinced about the effectiveness, as a counter-inflationary policy, of the campaign against profits. But if it fails to do its part, it cannot complain if the TUC loses even its present tenuous hold on individual trade unions who are ready to press for higher wages at the first opportunity.

Problems of Revival in Cotton

It has needed the threat of bankruptcy and the sheer lack of steel for other exports to bring home the urgency of regenerating the Lancashire cotton industry. The chosen spokesmen of the Government were not the Cotton Board nor the mysterious committee of under-secretaries, both of whom are primarily concerned, but the authors of the Economic Survey. They are explicit. Between the second half of 1947 and the end of 1948 an increase of 74 per cent in the volume of cotton goods exports is to be attempted. A target of 20 million tons of cotton yarn a week by the end of the year replaces the target of 18½ million tons which had itself only just been announced by the under-secretaries. About methods, the Survey says: "The most immediate need is to increase and re-deploy the labour force. In general, the cotton and wool industries have more than sufficient machinery for their present labour, and raw material stocks are high." They ask for 58,000 more cotton workers this year; but it took nineteen months from May, 1946, to December, 1947, to raise the depleted labour force of the industry from 225,000 to 267,000.

General sufficiency of machinery is no substitute for particular shortages. But it is true that there is here a possibility of expanding output without consuming much more steel. Trained and suitable labour is actually to be found in Lancashire homes. It ought to be possible to induce it to return to the mills for two or three years' work while the re-equipment problem is tackled. Not only more, but more efficient, labour is required. Much can be done by redeployment methods. Studies made by the Shirley Institute show that output per man-hour in different spinning mills using similar plant varies by over 30 per cent. In one weaving shed where non-automatic looms were used, redeployment increased production per man-hour by 11 per cent and reduced labour needs by 30 per cent. The labour problem is a difficult nut to crack, but far harder ones were broken during the war.

Yet there is still no sign of the sense of urgency which will be necessary if the campaign is to succeed. As the three ministers departed from Lancashire after the weekend manoeuvres, a new strike broke out in the Bolton area over comparative rates of payment under the new Aronson agreement; it threatens to spread to more than 45,000 workers. Is Mr Attlee's intercession with the heads of the industry next Monday likely to be more effective? It must indeed be questioned whether the existing weapons are strong enough. Direction can only be cautiously used and in any case it does not reach the majority of the potential workers. Discouragement of other new industries in the cotton area is merely negative, and may have dubious results in the long run. An agent capable of initiating and directing a campaign is needed inside the cotton trade, and the obvious choice is the Cotton Board itself, which under the Order approved by the Commons on Monday is to be reconstituted as a Development Council. But the Board's powers are little more than advisory. The task of regenerating the Lancashire trade is especially urgent, and the ingrained pessimism left in the trade itself by the long decline of the past thirty years makes it peculiarly difficult. Certainly the Cotton Board will need all its strength for the task.

Textile Machinery Problems

Mr Harold Wilson, in expounding the new drive in the cotton industry to a Manchester meeting last weekend, did not confine himself to the problem of finding and utilising labour. He went on to talk of increasing the production of textile machinery and of those "small but vital accessories" the lack of which is slowing up production in so many mills and factories. This is

common sense, but it smacks of heresy in more ways than one. The President of the Board of Trade is responsible for the textile industries, but the production of textile machinery with (or, as often happens nowadays, without) the vital accessories lies within the province of the Minister of Supply. Any buildings which the machinery makers may wish to build, or to alter, so that their production may increase, have to be sanctioned by the Minister of Works. And that consent (as some manufacturers of knitting machines, desiring to furnish their machines with the necessary needles, found not long ago) can by no means be taken for granted. Mr Wilson's first problem, then, is to get co-ordination within the Government machine, so that the textile industries may be revived in an efficient manner.

His attempt to relate textile production to textile equipment contains another heresy: it challenges the tradition in Lancashire that the makers of cloth and the makers of machinery are enemies. The deep roots of this tradition grew during the years when the cotton trade was declining and the machinery trade was selling steadily to Lancashire's foreign competitors. The industries making textile machinery and equipment are firmly established export industries, and the bulk of their production has for many years gone abroad. The chief makers of spinning machinery have several years' work on their order-books, but it is chiefly for export. And the slow response of the spinners to the Re-equipment Bill is unlikely to urge the machinery makers to make any great change in the emphasis of their trade. No doubt, however, they will be able to meet some home orders if the Lancashire spinners can summon up enough confidence to place them. On the weaving side, the Cotton Working Party estimated that 120,000 automatic looms would be needed in five years to bring the industry's proportion of automatic looms up to 45 per cent. The output of looms is so far from meeting such vast requirements that the Evershed Committee suggested "the application of some similar scheme of manufacture as was applied in the war to the production of war munitions, for instance, the Lancaster bomber."

It is clear that the main problems of re-equipment will not be quickly solved. More immediately, a good deal can be done to improve productivity by smaller devices—ring-spinning, larger packages, rewinding, shuttle-changers, and so on—if a number of minor shortages can be overcome. The Ministry of Supply is addressing itself to this problem as well as to the need for restoring to their prewar level the supplies of shuttles, bobbins, card clothing and other ordinary mill stores.

* * *

Agreement with Belgium

None of the financial agreements made by Britain over the past year has had to be revised so often as that with Belgium. The reasons are not far to seek. First among them is Belgium's astonishing export potential which, allied to Britain's equally astonishing import potential—not only *vis à vis* Belgium but many other countries with which Belgium runs surpluses—has contrived to canalise a substantial volume of sterling into Belgian hands. This movement of sterling has been further swollen by considerable amounts of sterling held by Belgian nationals which have been sold to the National Bank of Belgium as confidence in sterling has waned. As a result, Belgium, despite a considerable lifting of the ceiling of its non-convertible holdings of sterling, has been in a position to offer sterling and demand gold from Britain.

It was to meet this situation and to stop an outflow of gold from Britain, which amounted to some £11 million in the first two months of this year, that the financial agreement came up for further revision. The new agreement announced this week maintains at £27 million the maximum of sterling which Belgium is prepared to hold before demanding conversion rights. An attempt is to be made, by influencing the volume of trade between the sterling and Belgian franc currency areas, to keep this balance at £27 million and prevent further gold movements from Britain to Belgium. It is unlikely that the desired equilibrium can be established immediately, and the agreement clearly envisages further sales of gold in the coming weeks.

It is, however, provided that as and when payments turn in favour of the sterling area, Britain will be able to use this surplus in order to buy back from Belgium any gold sold after March 1, 1948. In other words, Belgium agrees to hold its sterling balances at £27 million until such time as it has resold to Britain any gold acquired from Britain after that date. After the completion of these resales, any subsequent current surplus in favour of the sterling area will of course be met by dipping into Belgium's accumulated sterling balances, bringing these below the ceiling of £27 million.

The control of the volume of trade between the two monetary areas which will be required in order to bring about the desired equilibrium is to become the general responsibility of a new Anglo-Belgian joint committee which has been set up and will meet regularly to supervise the new arrangements. The new agreement will operate for a period of eighteen months, beginning January 1, 1948. During this period Belgium has undertaken drastically to restrict its acceptance of sterling from countries outside the sterling area. It will be the task of the Anglo-Belgian joint committee to decide from time to time whether the circle of non-sterling countries from which Belgium may accept sterling for current purposes can be increased.

Although the general intention of the two parties to the agreement is to maximise trade between them it should be fairly evident that in prevailing circumstances the desired bilateral equilibrium can be reached only by cutting down the larger side, namely, the exports from the Belgian to the sterling monetary area. Any suggestion to the contrary in the official statements published here is specious and suspect in the extreme. This is definitely a case in which bilateralism is working in a restrictive sense. Unfortunately, that at present appears inevitable; the agreement provides the least unsatisfactory alternative open to the two countries. If sterling exports to Belgium could be appreciably expanded, the new agreement might yet be cleansed of this restrictionist taint, but nothing in the official announcement lends much support to this particular hope.

* * *

Capital to South Africa

The South African banks have this week been instructed by the authorities in the Union to sell South African currency against sterling only for approved purposes. The intention of this move is to discourage the transfer of idle money from Great Britain to South Africa. It is in step with the financial agreement of last October, which pointed out that it was in the joint interest of the two countries to control or prevent movements of capital from the United Kingdom which are not required for any useful economic purpose in South Africa. The Union Government undertook at the time to give such assistance as might be necessary to make controlling measures effective. The first step taken to achieve the objective is this order by the Reserve Bank of South Africa. Its intention is to prevent unauthorised movements of funds from British to South African banking accounts. There is no evidence that the freedom of the market for gold shares, for example, is in any way impeded, and so long as it is free, this market provides only a very slight detour for the transfer of funds which is now to be discouraged, or even prevented, if it takes the direct route. The move by the South African authorities is, however, one more piece of evidence indicating the drift of South Africa away from the sterling area and into a unique midway position between that area and the hard currency countries.

* * *

Effects of the Film Agreement

Some of the dismay which has been aroused by the details of the American film agreement is a little difficult to account for. It appears that the American motion picture producers have secured for themselves a fair prospect of being able to put the British earnings of their films to profitable uses. This is not surprising. The British Government had set itself the object of restricting the net dollar drain of the film trade to a quarter of what the drain was in 1946. It succeeded, though narrowly, in holding on to that point; in return, it had to give something away.

What the Government gave way was not negligible. Hollywood's balances in Britain will (among other uses) be expendable without restriction—except, one supposes, the restrictions to which all industrial activities are subject as to the material resources they use—on film production in this country and on such associated activity as the purchase of copyrights. It is necessary to be clear that the consequent productive activities will not necessarily, in the ordinary meaning of words, benefit the British film industry. A film made in the United Kingdom may be a British film, or it may be a Hollywood film made on location in Britain; before the war such films as "A Yank at Oxford," though made in this country, were marketed abroad as American films. The Americans will be entitled to make in Britain films which are virtually American films; and, whatever



March

This year Easter falls in March, and Spring brings many inquiries of a happy and eventful nature. "I am delighted to tell you that I am to be married at Easter"—so begins a letter to one of our branch managers. It continues "My solicitors are preparing a marriage settlement and they tell me that I shall need to make a new will, as marriage revokes the existing one. I wonder whether your Trustee Company will act?" Of course the Company will act, as executor or trustee or both. Its officers, while giving the benefits of a specialized service, preserve friendly relations with all those for whom they act.

MIDLAND BANK
EXECUTOR AND TRUSTEE COMPANY LTD.



Roger Bacon showed the world, for the first time, the importance of scientific observation and experiment. This remarkable man was born at Ilchester in Somerset in 1214. After studying at the University of Oxford and in Paris and Italy, he eventually returned to Oxford, and became a Franciscan monk in 1251. In an age when "science" was largely synonymous with the alchemists' search for the philosopher's stone and attempts to transmute base metals into gold, Bacon displayed a scientific vision far in advance of his era. He foresaw the possibility of mechanical flight, the use of explosives, the improvement of sight by lenses and the propulsion of ships by engines.

In all his teaching he insisted on the importance of experiment rather than discussion, and on the necessity for first-hand practical experience, particularly of such chemical operations as distillation and calcination. He saw clearly that, without this practical foundation, natural science was little more than a collection of words. One result of his insistence on experiment was to enable him to show that air is necessary to sustain combustion. He has also been credited, but without adequate evidence, with the discovery of gunpowder. Some explosive mixture was undoubtedly known in Western Europe in his time for Bacon complained of the annoyance caused by boys letting off fireworks outside his study. He died on the 11th June, 1292, leaving as his contribution to science a way of thought which still persists all over the world. Roger Bacon, Englishman, may justly be described as the first modern scientist.



sort of films they make, any dollars the films earn will go to America.

In effect, that will also be true of any dollars to be earned in the United States by British films proper. And here is the most curious effect of the agreement. It gives the American film producers a certain interest in fostering the distribution of British films in the United States, since they will be able to increase their basic remittance of 17 million dollars a year by the amount of British film earnings there. Mr Eric Johnston, president of the MPAA, gave some interesting figures on this subject which do not appear to have been confirmed or denied. He said that British films earned about 4,000,000 dollars in the United States last year, after distribution costs had been met; but that only 1,000,000 of these were actually sent to the UK. He hoped that the earnings might be increased by two or three times as British films became better known. Twelve million dollars is still a modest figure for a big market. And, indeed, the American film industry is not likely to go to any extravagant lengths in pushing the sales of even a small competitor.

But the Americans may be said to have a certain interest in the matter. By contrast, the British Government has now—so far as the balance-of-payments problem is concerned in the next four years—virtually none. During the period of the agreement, the earnings of British films in the United States will have no effect whatever on the British balance of payments. In some ways this may prove a dangerous situation for the British film industry, which will be unable to support with the hope of dollar returns any claims it may make upon scarce material resources. The Board of Trade, it must be hoped, will take the long view and give reasonable help. If it does not, the British film industry at the end of another four years will be no more capable of stepping into Hollywood's shoes, even in its own home market, than it has shown itself in the last few months.

* * *

Slump in Bricks

The White Paper on Capital Investment made it clear that severe cuts in the industries which provide building materials could not be avoided. The brick industry is now experiencing the consequences, which are surprising only by their suddenness; they came at the end of a year in which the Government had persistently exhorted the brick companies to increase their output. Building (and in particular new building) has now slowed down, the demand for bricks has fallen off, and the works are stacking vast quantities. By this time of year they are accustomed to know with reasonable certainty what the demand is going to be; but now, since builders' and architects' plans are contingent on the granting of licences, they have no way of telling. They only know that it will be less than they can meet. A number of brickworks have already closed down.

Night shifts are being stopped at the London Brick Company's works in the Peterborough area and at some works in Bedfordshire and Buckinghamshire. Labour is being redistributed as far as possible to avoid throwing men out of work, and it happens that the prisoners of war who have worked in the brickyards are due to return home; the London Brick Company has still found it necessary to dismiss about 600 of its foreign workers as well. Sir Malcolm Stewart, the chairman, has addressed a message to all workers in the company's employment to explain the situation to them. He admits the impossibility of predicting how long the present restriction of demand will last; it depends on Government decisions, and "efforts to find out what is going to happen have so far been unsuccessful." His own guess is: "Building will continue for the present at a reduced rate which will be insufficient to absorb more than a part of our present production; thus our power to compete and to distribute widely our products on a national basis will be affected." It was only last June that Sir Malcolm Stewart was describing to the company's annual meeting the efforts that had been made to reach full day-and-night working, and the expenditure in building materials and engineering skill which was being made to get the installations working at full capacity. The London Brick Company represents a quarter of the UK brick industry.

It is to be hoped that this situation will at least provide an opportunity for revision of the curious wartime structure of fixed prices which still survives in the brick industry. Minimum as well as maximum prices are fixed, and they are so arranged as to leave room for producers who consume fuel and manpower extravagantly as well as for those who consume economically. The variations in this industry are remarkably wide. Since capacity is now in excess of demand, a free price system would be worth considering.

Trends in Bank Advances

The tightening of control over bank advances which (as a Note in these columns a fortnight ago pointed out) accompanied last December's revised directive from the authorities to the Capital Issues Committee, has so far had no discernible effect upon the volume of demands upon the banks. Even now some bankers still expect that the shifting emphasis in advances policy, and the general effects of the enforced curtailment of industrial development, may involve some reduction in their lending operations. In the past three months, however, as the latest quarterly classification shows, the total of advances in Great Britain (made by all members of the British Bankers' Association) has risen from £1,219 million to £1,307 million. This increase of £88 million is almost twice the expansion achieved in the preceding quarter and compares with £66 million in the three months to February 1947. This experience is not, however, any very reliable guide to the future trend, principally because the latest quarterly return embraces the period of maximum inflow of taxes to the Exchequer. It was certainly no accident that February's record expansion of clearing bank advances—they rose in that month by £50 million—synchronised with record surpluses at the Exchequer. There can be little doubt that a substantial part of the additional accommodation granted recently represents funds required, directly or indirectly, to finance these abnormally heavy seasonal tax payments.

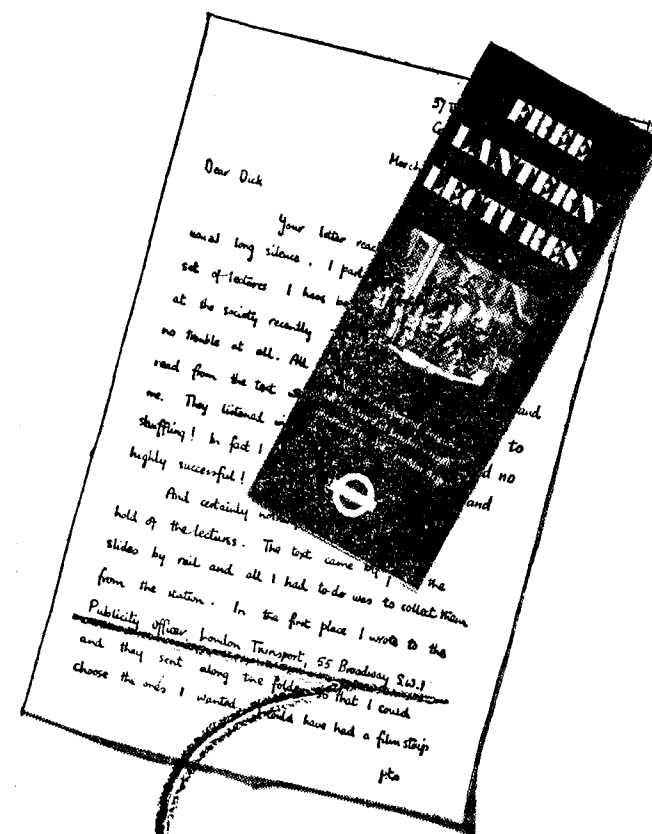
For this reason, the changes shown this quarter in the detailed analysis of advances by industrial categories are a particularly unreliable guide to the underlying experience and financial needs of the industries in question. It is perhaps significant, however, that the proportion of the total additional accommodation absorbed by the large Personal and Professional group has declined still further. Although this category still accounts for 27.2 per cent of the outstanding total of advances (compared with 28.7 per cent twelve months ago) its net demands in the past three months amounted to only £14 million or 16 per cent of the quarter's net new business. The largest expansion during the quarter occurred in the Retail Trade group which absorbed £17 million; advances to this group now stand at £131 million, or more than double their level of two years ago. The only other large expansion during the three months is that in the Engineering group, the total of which has risen by £10 million to £105.5 million, compared with £72.7 million in February 1947. Rather unexpectedly, in view of the restraint which the banks have been asked to exercise when dealing with requests for the finance of hire-purchase or operations in property, there has been a perceptible recovery in accommodation to the "Other Financial" group.

* * *

Canadian Credit Drawings

The latest exchequer return shows that a further £2,200,000 was raised by external borrowing last week. The whole of this came from the Canadian credit and exhausts the quota of \$45 million which it was arranged could be drawn from this credit over the first quarter of 1948. Any further net payments due to Canada between now and the end of the month will, in accordance with that agreement, have to be made in US dollars. Between now and the end of the month, decisions will have to be reached regarding the payments arrangements that will operate from April 1st onward. About \$242 million remains in the Canadian credit, but cannot be touched without a new agreement with the Canadian Government. For that reason this balance was quite properly excluded from the UK gold and dollar reserves of £680 million which the Economic Survey for 1948 calculated to be available at the end of 1947.

High-level discussions of the problem of Anglo-Canadian payments have been proceeding for some time past in Ottawa and London. In these discussions the Canadians have tended to adopt the usual opening bargaining position and have suggested that the deficit Britain will have to meet in Canada be met by a larger proportionate payment in US dollars than was provided for in the arrangements made for the first quarter of this year when the payment of about US \$100 million accompanied drafts of \$45 million on the Canadian credit. These initial Canadian demands may have been intended to stimulate British exports to Canada—the most satisfactory way of closing the gap. The ultimate solution of the problem of meeting the British-Canadian deficit for the next two or three years will probably be provided by Marshall aid. In view of the delicate stage which the Marshall plan project has reached in the United States, it is probable that the new arrangements to be made between Great Britain and Canada will be of very short-term character.



Titles of the lectures include, *London on the Move*, *The Story of the Underground*, *The Story of the London Bus*, *How London's Tube Railways are Built*, *A Night with London Transport*. For details, write to the Publicity Officer, London Transport, 55 Broadway, S.W.1.



"I feel like an angel, up here, winging on my way to be with you. . . ." It's the sense of riding on a big friendly cloud that makes her feel like that. Quietness, a tranquil atmosphere—she writes her letter easily, naturally, and in perfect comfort in the lounge cabin of the Short flying boat.

In the evening, after an excellent dinner, it is a pleasure to sit in the quiet, roomy cabins. The steward will bring the drinks—and through the wide window is a dreamlike view of the passing world below. And then, to bed in cloud-pillow comfort, to dream of breakfast in Augusta.

The romance of flying, to all parts of the world, is catered for in a big way by Shorts. Flying boats leave the U.K. regularly for India and China, South Africa, Australia, and New Zealand. Short flying boats operate also in South America and Scandinavia, and between Baltimore and Bermuda. Your travel agent has details.

It's fun to fly by flying boat!

Shorts THE FIRST MANUFACTURERS OF AIRCRAFT IN THE WORLD

THE SPIRIT OF ENQUIRY



The Black Crust!

... a mystery of 1888

In 1888, the late Dr. Ludwig Mond noticed the formation of a puzzling black crust on the nickel valves of a plant for recovering ammonium chloride in the ammonia soda process.

The black deposit proved to be carbon formed by the unexpected presence of carbon monoxide. Further experiment on a laboratory scale led to the discovery that nickel unites with carbon monoxide to form nickel carbonyl, which in turn breaks down readily again into nickel and carbon monoxide.

Mond immediately appreciated the possibility of using this reaction as a means of refining nickel ores commercially even though other metals were present.

This black crust led to a revolutionary step in metallurgy, for nickel serves us all at every turn to-day thanks to the background of research and enquiry which has always characterized the Nickel Industry.

THE MOND NICKEL COMPANY, LTD.

GROSVENOR HOUSE, PARK LANE, LONDON, W.1

An Annuity

will offset reductions in interest rates

For a man aged 65 (or a woman aged 70) the gross income for life from an annuity is over 10% of the purchase money.

(For residents in some countries payments are exempt from U.K. tax.)

Enquire for details at your age.

The Equitable Life Assurance Society

Founded 1762

19 Coleman Street, London, E.C.2.

No shareholders No agents No commission

HALIFAX BUILDING SOCIETY

Extracts from the Statement of Accounts, 31st January, 1948

TOTAL ASSETS	£142,918,172
SHARE & DEPOSIT FUNDS	£134,187,151
MORTGAGES	£96,901,037
TRUSTEES SECURITIES & Cash	£45,542,685
RESERVE FUND	
& Undivided Profit	£7,304,593

Head Office—Halifax.

General Manager—F. E. Warbreck Howell, LL.D.

OVER 600 BRANCHES AND AGENCIES

See Telephone Directory for nearest Branch address

Home-Ownership Through Thrift

ABRIDGED PARTICULARS

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED.

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

SHARE CAPITAL

Authorised	Issued and to be issued
£200,000 7% Cumulative Preference Stock	£200,000
£1,000,000 4% Redeemable Cumulative Preference Shares of £1 each (the subject of this issue)	£1,000,000
£1,000,000 Ordinary Shares of £1 each, of which £684,379 have been converted into Stock	£684,379
£100,000 "A" Deferred Shares of £1 each	£100,000
£260,000 "B" Deferred Stock	£260,000
£2,560,000	£2,244,379

Apart from a secured Bank overdraft of one subsidiary company not exceeding £10,000 neither the Company nor any of its Subsidiaries has any Debentures, Mortgages, or Loan Capital.

The Subscription List will open and close on Tuesday, 23rd March, for an

ISSUE OF 1,000,000 4 per cent. Redeemable Cumulative Preference Shares of £1 each at 20s. 6d. per Share.

The Prospectus shows (inter alia) that:—

- The Company's principal customer is and has always been the British Post Office, but since the end of the war it has greatly increased its export business and it is anticipated that, in 1948, 60% of its productive effort will be sold overseas.
- The proceeds of the issue will be applied to reduction of the Bank overdraft (amounting at 1st March, 1948, to £1,053,012), to pay for extensions to the Company's Buildings, Plant and Equipment (£160,000), to finance the further development of the Company's interests overseas (£100,000), and to provide additional working capital required for the increased volume of work in hand.
- Total net assets at 31st December, 1946, plus the proceeds of the present issue, amounted to £3,446,016, which sum covers the aggregate of the nominal amounts of the 7% Cumulative Preference Stock and the 4% Redeemable Cumulative Preference Shares now being issued two-and-three-quarter times.
- The gross amount required to pay the dividends on the 7% Cumulative Preference Stock and on the 4% Redeemable Cumulative Preference Shares now being issued plus additional Profits Tax at the present rate is £62,100. This amount was covered over six times by the profits of the financial year ended 31st December, 1946, which amounted to £384,589.
- Final accounts for 1947 will not be available until early in June, 1948, but the Directors are satisfied that the results of the group in that year will approximate to those of 1946, and they consider that provided no factors beyond the Company's control intervene the trading prospects of 1948 should be no less satisfactory than those of 1947.

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

BANKERS:

MIDLAND BANK LIMITED, New Issue Department, Poultry, London, E.C.2, and Branches.

BROKERS:

NORRIS OAKLEY BROS., Kent House, Telegraph Street, London, E.C.2, and The Stock Exchange, London.
HORNBY, TOBIN AND OCKLESTON, National Provincial Bank Chambers, 3, Fenwick Street, Liverpool, 2, and The Liverpool Stock Exchange.

discouraging, but they will tax the resources of the industry to the full. At the moment, exports of domestic pottery are about 50 per cent above 1938 in volume, and four times the 1938 value. About 40 per cent of the exports go to Western Hemisphere countries, and there is still a considerable unsatisfied demand in Canada and the Latin-American countries. To stimulate production, manufacturers have been urged to effect improvements in their methods, and each operative is to receive a special leaflet drafted by the trade unions, suggesting ways of increasing output. Absenteeism is a considerable problem in this industry which employs a large proportion of married women and where so many of the processes depend on team-work. The effective labour force is about the same as before the war, allowing for prewar unemployment, but there are some vacancies and there is sharp competition for female labour from other trades in the area. The chief incentive is the effective one of a straight piecework system, which applies to 98 per cent of the operatives.

The industry's fundamental problem, however, is to increase its efficiency by more mechanisation, especially in its handling methods, and by the replacement of old-fashioned intermittent ovens by continuous kilns. In the past two years, 65 new kilns have been installed, but further progress is delayed by lack of materials. There are suggestions, too, that it is delayed by aversion to change. Until there is a root-and-branch reorganisation, the industry's long-term future must be uncertain. It has already to reckon with the revival of competition from Germany, Czechoslovakia and Japan.

Bowaters' Position

The increase announced early this month in the permitted basis of operation for newsprint manufacture from 20 to 24 per cent of capacity compared with a level of 35 per cent twelve months ago only mitigates to a very small extent the plight of the newsprint industry in Britain. In explaining the process by which the price of newsprint is determined, Sir Eric Bowater, at the annual meeting of the Bowater Organisation last week, referred to the grip of controls in which the industry is held. The Government allocates raw materials, fixes their prices and determines the final selling price. And to assist in establishing selling prices the newsprint companies from time to time voluntarily furnish the Government with cost schedules. This has not been sufficient to prevent at least the United Kingdom subsidiaries of Bowater working at a loss—although, of course, by means of expanding from its big overseas interests, particularly in Newfoundland, Sweden and Norway, the group had a record income in the year to September 30, 1947, earning 76.3 per cent on the reorganised ordinary capital compared with 50.3 per cent in 1945-46. Increases in the price of newsprint, which at present averages around £43 a ton depending on the quality, have apparently

afforded no extra profit to the industry since they have been offset by equivalent rises in the price of raw materials.

With permitted operating capacity at a level which is little higher than in the worst years of the war, the spread of overhead costs over the reduced output greatly increases costs of production per ton of output. But the country itself is in the grip of the dollar shortage, and though it is universally desired to enlarge the size of newspapers and increase the availability of paper in general, the prospects of an early relaxation of the present tight control on operating capacity are not promising. Yet only thus can the weight of overhead charges be eased.

Poland and Sterling

The widening use of sterling for international transactions is to be further encouraged by the new financial agreement between Britain and Poland. This agreement extends the principle of administrative transferability to Poland. The previous account of the National Bank of Poland at the Bank of England has been redesignated the Number One account and becomes a transferable account. Transferable account status will also be given to other Polish sterling accounts that may be agreed between the Bank of England and the Polish authorities. Sterling in these accounts will be available to make payments to residents of Poland for payments to residents in the sterling area and for effective current payments to such non-sterling countries as may be agreed between the Bank of England and the National Bank of Poland. This infiltration of transferable sterling facilities East of the Curtain is one of the more reassuring developments in a tense political situation.

Shorter Notes

The assets of Prudential Assurance at December 31, 1947, were £502,003,240, compared with £471,716,725 a year earlier, and have exceeded £500 million for the first time in the company's history. Although assets amounting to £275 million, against £270 million, were held in gilt-edged securities—British Government stocks amounted to £244 million and Dominion and Colonial Government securities to £15½ million—the major part of the increase in assets in 1947 was spread over higher yielding securities. Holdings of real property increased by £3½ million to £25 million, ordinary shares by some £6½ million to £51½ million, preference shares by £6½ million to £42 million, and debenture stocks were increased by £3 million to £47 million. Cash holdings have risen by nearly £3 million £8,200,000.

The gross operating revenue of the Canadian Pacific Railway for 1947 was \$318.5 million compared with \$292.5 million in 1946. Working expenses were also higher but other income rose on the year, leaving net income of \$31.8 million against \$25.1 million.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the Records and Statistics Supplement. Notes on the following company reports appear in the Supplement: Bovril; Harrods; International Paint.

Prices, Year 1948 (Jan. to Mar. 17)	Name of Security	Price, Mar. 10, 1948	Price, Mar. 17, 1948	Yield, Mar. 17, 1948 (%)	Gross Yield, Mar. 17, 1948 (%)	Prices, Year 1948 (Jan. to Mar. 17)	Name of Security	Price, Mar. 10, 1948	Price, Mar. 17, 1948	Yield, Mar. 17, 1948 (%)
High	Low					High	Low			
British Funds										
101½	101	War Bonds 2½% Aug. 1, 1949-51	101½	101½	0 3 s. d.	101½	101½	1 7 10e	104	101½
102½	102	Exchequer Bonds 1½% Feb. 15, 1950	102½	102½	0 9 3	102½	102½	1 5 8	94	92
101½	101	War Bonds 2½% March 1, 1951-53	101½	101½	0 15 1	101½	101½	1 17 8e	101	99
101½	101	War Bonds 2½% after Dec. 1, 1952-54	101½	101½	1 0 1	101½	101½	2 2 8	8½	7½
104½	104	War Bonds 2½% after Dec. 1, 1952-54	104½	104½	1 4 3	104½	104½	2 17 3e	10½	7½
101½	99½	War Bonds 2½% Aug. 15, 1954-56	101½	101½	1 3 9	101½	101½	2 6 4½	76½	62½
102½	102	Funding 2½% June 15, 1952-57	102½	102½	1 4 10	102½	102½	2 10 0½	38½	29½
104½	104	National Def. 3% July 15, 1954-58	104½	104½	1 5 8	104½	104½	2 12 8½	84½	73½
102½	102	War Loan 3% Oct. 15, 1955-59	102½	102½	1 6 11	102½	102½	2 13 3½	10½	9
102½	102	Savings Bonds 3% Aug. 15, 1955-65	102½	102½	1 10 8	102½	102½	2 17 7½	104½	85½
99½	96½	Funding 2½% April 15, 1959-69	99½	99½	1 9 3	99½	99½	2 11 8½	46½	39½
102½	102	Funding 3% April 15, 1960-90	102½	102½	1 11 9	102½	102½	2 18 5½	32½	25½
114	111	Savings Bonds 3% Sept. 1, 1960-70	114	114	1 12 7	114	114	2 19 7½	31½	27½
102½	96	Savings Bonds 2½% May 1, 1964-67	102½	102½	1 13 10	102½	102½	2 17 8½	63½	44½
102½	96	Victory Bonds 4% Sept. 1, 1920-75	102½	102½	1 13 4	102½	102½	3 0 7½	48½	40½
102½	98	Savings Bonds 3% Aug. 15, 1965-75	102½	102½	1 2 8	102½	102½	2 17 7½	56½	46½
110	107½	Consols 4% (after Feb. 1, 1957)	110	107½	1 10 4	110	107½	3 0 11e	61½	48½
106½	104	Conversion 3½% (after Apr. 1, 1961)	106½	104	1 15 8	106½	104	3 4 10½	35½	34½
84	77	Treas. Stk. 2½% (after Apr. 1, 1961)	84	77	1 14 6	84	77	3 2 8½	45½	49½
99	94	Treas. Stk. 3% (after Apr. 1, 1961)	99	94	1 14 11	99	94	3 2 6½	35½	30½
100	95	Redemp. Stk. 3% Oct. 1, 1986-96	100	95	1 15 9	100	95	3 4 11½	59½	49½
83½	76½	British Transport 3% Gtd. 1978-88	83½	76½	1 15 6	83½	76½	3 3 5½	85½	74½
98½	91½	British Transport 3% Gtd. 1967-72	98½	91½	1 11 7	98½	91½	3 2 18 8½	90½	73½
100½	96½		100½	96½		100½	96½		92½	77½

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be repaid at the earliest date (these are marked 'e'), and those paying 3 per cent or less for tax at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 8s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months. (g) Buying Price.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (A) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (B) To latest redemption date. † Free of tax.

EQUITY & LAW LIFE ASSURANCE SOCIETY

VERY SATISFACTORY RESULTS

SUBSTANTIAL NEW BUSINESS

SIR GEOFFREY ELLIS'S REVIEW

The annual general meeting of the Equity & Law Life Assurance Society was held, on the 18th instant, at The Auctioneers' and Estate Agents' Institute, 29, Lincoln's Inn Fields, London, W.C.

Sir Geoffrey Ellis, Bt. (Chairman of the Society), presided.

The Chairman said:—Gentlemen, I rise to move: "That the report and accounts for the year ending December 31, 1947, be received and adopted and entered on the minutes." These have been in your hands for some days and I assume may be taken as read.

My first very sad duty is to refer to the death during the year under review of our friend, Thomas Francis Tallents. He was a most loyal and able colleague and a lovable friend; his early death was a great loss to all who knew him, and I would like to take this opportunity of expressing the Society's thanks for all that he did for us, and our sympathy with his family.

CHANGES ON THE BOARD

The next three matters which I wish to mention also concern directors of the Society. First, the appointment of Sir Arthur florde to be headmaster of Rugby School. This appointment means that Sir Arthur is relinquishing his directorship of the Society—we shall miss him greatly. May I pay tribute to the outstanding ability which he has brought to the conduct of our affairs. We wish him well, and I can only echo warmly a phrase used by the Chairman of the Board of Governors of Rugby School in announcing the appointment—"we believe Sir Arthur florde to possess in an altogether exceptional degree the personal and intellectual qualities which make a great headmaster."

Next, I refer to the change in the title of Mr Lewis G. Whyte—who was appointed to the board on April 9, 1947—from "Investment Manager" to "Investment Adviser"; this change in title gives effect to the change in his duties in our internal administration which I forecast to you in my speech last year.

Lastly, we welcome our new director, Mr Geoffrey Eley, who joined the Board of the Society on February 1st to fill the vacancy left by the death of Mr Tallents.

THE YEAR'S RESULTS

Now I turn to the report and accounts before you. May I begin by reminding you that the year under review is the first of a new triennium and that no formal published valuation falls to be made until December 31, 1949. We have, of course, made a valuation for our own internal purposes, and the results for the year were very satisfactory indeed; the surplus earned is amply sufficient to provide bonuses on our policies at the rates we are now paying.

The three main sources of profit or loss—mortality, expense and interest—call for comment. Mortality I can dismiss quite briefly by saying that it was so favourable to the Society that we can only regard the contribution provided from this source as exceptional.

EXPENSES OF MANAGEMENT

As regards expenses of management, you will see from the revenue accounts before

you that there has been a substantial increase in this item as compared with the previous year. This increase is approximately £68,000 excluding stamps on policies and annuity bonds, which we now show as a separate item.

The increase has been due in part to special non-recurring items—such as the bonus which we paid to our staff to mark the occasion of the Society's Centenary; in part to the building up of our organisation after the war; and in part to increased salaries. This matter is being watched both from the point of view of the provision made in our rates of premium, and from the point of view of the valuation bases which we employ in assessing our liabilities.

INTEREST RATES

And now as to interest; in my speech to you last year I indicated that we expected to earn a rate of interest of slightly more than 4 per cent. gross after making full allowances for the loss of income likely to be suffered on all securities then the subject of legislation; the figure shown in the report before you is £4 10s. 10d. per cent. gross. The very substantial difference between these two figures is due to a number of causes; to dividends from Home Railway stocks, which are now replaced by 3 per cent. Transport stock; to the collection of arrears of interest in respect of mortgages; and to our investment policy resulting in the securing of a rather higher yield than expected on certain classes of securities. At the end of each year we investigate the future interest earning capacity of our assets, and on the basis of the investigation made as at December 31st last we expect to earn a rate of interest of 4½ per cent. gross on their balance sheet value. This figure is truly comparable with the figure which I mentioned to you twelve months ago and shows an increase of about ½ per cent.; this increase is a measure of the effect of the investment policy followed by the Society during the year.

Last year, in comparing the rate of interest assumed in the actuarial valuation with the rate the Society's funds were expected to earn, I said that there was a very valuable margin of ½ per cent. gross which should prove in the years to come both a source of strength and a source of profit to the Society. After allowing for the increase in expenses to which I have referred, the increase in the rate of interest which we expect to earn is such that this margin has now increased to about 1½ per cent. The other margin which I mentioned to you last year, namely the difference between the value at which our assets appear in the balance sheet and their market value, has decreased, but remains satisfactory; the increase in the margin of interest as a source of profit to the Society is, of course, of the greatest possible importance.

And now four points to which I think I should draw your attention in the accounts before you—one in the revenue accounts, the other three in the balance sheet. The revenue account figure is that for "premiums," which shows an increase of over £340,000 as compared with the same item for the year 1946. This increase is almost entirely due to the group life and pensions business which we have placed on our books and to which I shall refer later.

The first point on the balance sheet concerns Home Railway and Canal securities; we felt that it would be misleading to include these securities with our investments in debentures, preference and ordinary shares since they would be immediately replaced by British Transport stock, and we accordingly show them in the balance sheet as a separate item of just over £5,700,000. The large figure appearing in respect of "securities purchased for subsequent settlement" is due to the fact that a number of the securities in question were bought in December for settlement in January; this liability is offset on the assets side of the balance sheet by short dated and readily realisable securities earmarked for the purpose.

Second, you will notice that the item "Deposit with the High Court" has disappeared from the assets side of our balance sheet—this is a technical point arising from the passing of the Assurance Companies Act, 1946.

Last, I would draw your attention to the reduction during the year of just over £190,000 in the item "Other Subsidiary Companies." This reduction arises from the sale of our interest in "Reserves Securities Trust"—an investment trust company; the sale was effected at prices which resulted in a substantial profit for the society.

Next, I wish to mention our new business figures. When I spoke to you last year I referred to the efficient service which could be given by our pensions department in connection with group life and group pension schemes; I hardly thought, however, that within twelve months we should be reporting to you the very substantial amount of new business which is shown in the report. The figures reflect the greatest credit on all concerned. Another point that will, I think, interest you, is that after consultation with our principal medical officer, Dr A. E. Gow, we have decided to underwrite—on special terms—lives suffering from diabetes. As you probably know, the treatment of this disease has made great strides in recent years and we feel that assurance facilities should now be extended to these lives more widely than hitherto.

IMPORTANCE OF WITH-PROFIT POLICIES

Finally, I would like to emphasise the great importance which we attach to the securing of new With-Profit Whole Life and Endowment Assurances. Experience has shown that a Life Assurance Society thrives best when it is in a position to transact a large volume of business on terms which provide not only excellent value to new policyholders, but contribute as well to the general well-being of the society as a whole. I have no hesitation in saying that in the case of the society the medium by which this dual purpose can now be achieved best is by the issue of With-Profit Whole Life and Endowment Assurances. When a With-Profit policy is under consideration and when estimates are made as to its ultimate value, it is not infrequent that comparisons are made with an office's bonus record stretching over many years into the past. While relevant, this method contains some obvious fallacies. The ultimate value of a With-Profit policy will be determined partly by unknown events unfolding in the future and partly by an office's present financial position. We make no claim for any exceptional foresight as to the former, though it will be our constant endeavour to follow the paths of prudence, efficiency and enterprise; but the latter—an office's present financial position—is a matter of fact. The most careful and critical examination of the society's present financial position entitles me to state with the firmest conviction that the society's With-Profit policies provide outstanding value in life assurance contracts. We shall go forth to seek such business holding our heads high in the face of the keenest competition we may meet.

To our staff I would again say "thank you"; we hear with great pleasure of the promise shown by a number of the younger men who returned from the Forces—they are settling down well, and it is with particular pleasure that from time to time we are able to accord promotion to some of these men.

May I take this opportunity of saying how thoroughly their colleagues on the board appreciate the year's work of Mr Kirton, our General Manager and Actuary, and Mr Whyte, our Investment Adviser.

The success of Mr Kirton's rebuilding to meet a year of exceptional inhibitions is evident in the strength of our position. Moreover, he has paid a most successful visit to North America in order to equate with our own insurance problems those on the other side of the Atlantic. That visit has been fruitful as well as interesting. As an assurance society we also appreciate what he is giving up out of a scanty leisure to carry on as joint honorary secretary in the preparatory work for the centenary gathering of the Institute of Actuaries.

Mr Whyte's work has been done in a year which every City man will agree has no parallel in recent world financial history. His intimate sense of market atmosphere, his knowledge of industrial conditions and his foresight into our economic future have proved of exceptional value in the arrangement of our investments.

The report and accounts were unanimously adopted.

The retiring directors, Mr Allan E. Messer, C.B.E., and Mr Owen J. Humbert, were re-elected. The third director who retired by rotation, Sir Arthur F. B. florde, did not offer himself for re-election. The auditors, Messrs. Price, Waterhouse and Company, having been reappointed, the proceedings terminated.

JEREMIAH ROTHERHAM AND COMPANY, LIMITED

VERY SATISFACTORY RESULTS

The fiftieth annual general meeting of Jeremiah Rotherham & Company, Limited, was held, on the 17th instant, in London, Mr Joseph Hockley, chairman and managing director, presiding.

The following is an extract from his circulated statement:—

Notwithstanding the shortage of supplies in some sections, we are able to report an increase in our turnover in those departments which have obtained certain consumer goods that were available for home consumption. The result of the year's trading, despite the many regulations and conditions under which we are working, may be considered to be very satisfactory.

The trading profit, after allowing for all expenses, but before providing for final payment of Excess Profits Tax and Profits Tax (estimated at £30,204), amounts to £140,335, against £113,752 last year. The net amount, viz., £58,945, is after crediting interest on investments and providing for Profits Tax to January 15, 1948. Adding to that amount £52,121 brought forward from last year gives a disposable balance of £111,066. The increase in profit this year enables us to recommend a dividend on the ordinary stock of 6 per cent., and a special bonus of 6½ per cent., making 12½ per cent. for the year.

With regard to the future, the existing conditions and the Government's White Paper for freezing prices and limited profits, make it difficult even to attempt a forecast on what the trading conditions are likely to be in the present year. Nevertheless, I can assure you that we will do our part to meet whatever difficulties that may confront us, with the hope that we will overcome them and be able again to present a satisfactory report at the end of the current year.

The report was adopted.

CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

RECORD FIGURES

The 94th ordinary general meeting of this Bank will be held, on the 24th instant, in London.

The following is an extract from the statement by the chairman, Mr Vincent Alpe Grantham, circulated with the report and accounts.

During the last year, further progress has been made in re-opening agencies which were closed during the Japanese occupation, and there now only remain Kobe and Yokohama, for which we are unable to include up-to-date figures. We have, as you will see, opened an agency at Tokyo, from which centre our representatives are supervising all Japanese business, pending re-opening at Kobe and Yokohama. Whilst we have not yet re-opened for business in Canton, we have been able to obtain details of our commitments at that port.

THE BALANCE SHEET

Once again I am able to report record figures in our balance sheet, the total of £126,413,799 showing an increase of £8,238,929 over the 1946 figures. On the liabilities side, this increase is almost wholly due to the increases in current and other accounts and fixed deposits of £3,926,842 and £2,442,215 respectively. Smaller increases occur in the totals of notes in circulation of £1,070,957 and loans payable of £667,500. Movements on the assets side show wider divergencies, but cash in hand and at bankers at £23,110,595, shows an increase of £3,387,352, representing 22.4 per cent. of our call liabilities. Government and other securities, apart from those lodged against our note issue, have been reduced by £4,134,355, and this reduction is reflected in the increased cash position.

In accordance with our Charter, our increased note issue has required the deposit of further securities with the authorities to the extent of £848,197. Bills of Exchange, including Foreign Treasury Bills at £4,754,675, show an increase of £1,618,340, and advances to customers at £36,997,025, an increase of £7,490,264, both of which are eloquent testimony of the increased participation of the Bank in financing world trade and the greater requirements of our customers, due, largely, to higher prices of commodities. The only other major change is a decrease of £843,104 in the balance of remittances, drafts, etc., in transit between head office, branches and agencies, which is regarded as a satisfactory feature.

PROFIT AND LOSS ACCOUNT

The profits for the year, after providing for bad and doubtful debts, contingencies and taxation upon the current year's profits, are £448,058 3s. 11d., an increase of £69,426 over those of last year. Our working costs everywhere have again risen, but the increase in our business has more than offset these increased costs.

In October last we paid an interim dividend of 5 per cent., absorbing £82,500, and we propose that, out of the balance available for distribution this year, a final dividend of 7 per cent., less income tax, be paid, costing £115,500. In view of the further progress that we have been able to make in the re-opening of branches that were closed, and the clearer vision we now have regarding war-time liabilities, for which we had already made provision, but for which the necessary legislation to enable us to finalise the position has not yet been passed, and the opening of new branches, we feel that we are justified in raising the basis of our annual distribution to 12 per cent.

We therefore propose that, out of the balance available, after providing for the

dividend, £100,000 be added to the Officers' Pension Fund, £10,000 to the Widows' and Orphans' Fund, and £125,000 be written off bank premises, leaving £402,326 9s. 3d. to be carried forward to the current year.

CONDITIONS OVERSEAS

The year 1947 has been a momentous one in the history of many of the countries in which the Bank operates, and in considering as a whole the position in the various countries in which the Bank is established, and which came under Japanese domination, the most striking feature common to the majority is the shortage of food grains and mainly of rice. With the exception of the three rice-growing countries of Burma, Siam and Indo-China, all are affected by lack of food supplies, and this factor, more than any other, perhaps, is holding up the speed of recovery, certainly in some areas. It is a notable fact that, although considerable progress has been made in Burma and Siam in re-establishing themselves as exporters of rice, their exportable surpluses this year, although greatly in excess of the amounts available last year, are not expected in either case to be more than about 50 per cent. of pre-war, in spite of the encouragement offered by the high prices which the commodity now commands. There are few other parallels to be drawn, but it may be said that, of the countries which were occupied by the Japanese, the Philippine Republic, aided by generous aid from the United States, Hongkong, Singapore, the Federation of Malaya, Siam and Burma, are now making steady progress, while Indo-China and Indonesia still lag behind. It is hoped, however, now that agreement has been reached between the Dutch and the Indonesians, that progress in Indonesia might soon parallel that being made in Malaya.

BRITAIN'S MONETARY STABILITY

I refrain from comment upon affairs in Great Britain, which are constantly under review, except to say that, from experience gained through wide contact with the outside world exchange markets, it is impossible to stress too strongly the importance of re-creating confidence in Britain's monetary stability. Britain's position as banker to more than half the world has been endangered through the threat to monetary stability of the very large adverse balances of trade and payments which are proving so difficult to reduce and bring within control. It is not that the world can afford to dispense with Britain's services as a banker, but that it can and does refrain from buying sterling until the last possible moment while selling it at the first opportunity whenever monetary stability is thought to be in danger, and there are many other devices, quite legitimate, but outside the power of the Exchange Control to check, which can have the effect of increasing imports and holding up exports.

All this adds up to saying that, if full confidence in our monetary stability can be restored, there is likely to be a substantial return of sterling into this country with a consequent easing of the position, and, provided the country stands together and works all out to increase production for export, while conserving internal expenditure and consumption, we can hope that, aided by the Dominions and Colonies, British sterling will regain its stability even if the country cannot aspire to be the world's greatest creditor nation.

It will be clear to the stockholders that we, as a bank, have not been without our own problems, but the strength of the balance sheet is sufficient evidence of the fact that our staff has proved more than equal to the many difficulties which they have had to face.

THE STANDARD LIFE ASSURANCE COMPANY

LARGE INCREASE IN NEW BUSINESS

Mr J. H. RICHARDSON'S REVIEW

The one hundred and twenty-second annual general meeting of The Standard Life Assurance Company was held in Edinburgh on 16th instant with Mr J. H. Richardson in the chair.

The manager and actuary having read the auditor's report, the chairman said:—

My Lord and Gentlemen,—May I take it to be your wish that the directors' report which is in your hands be held as read?

ALTERATIONS ON THE BOARD

In the first place, it gives me much pleasure to welcome two new members to the board, Mr T. G. Waterlow and Mr Ian R. Pitman. Mr Waterlow, who has important commercial interests, joined the board on May 27, 1947, and Mr Pitman, whose family has had a long connection with the Standard and who is a member of the firm of Messrs J. and F. Anderson, W.S., joined the board on August 5, 1947. Since they joined the board, both have been of great assistance to us and we count ourselves fortunate in having secured their services. Their names will be submitted to you at a later stage of this meeting for re-election in the usual way.

There have also been changes in our West Indies board during the year. Major G. H. Simpson has retired from active business in Trinidad to settle down in this country so that his services in the West Indies are no longer available and the Hon. Gerald Wight found that the increasing responsibilities of political work rendered it necessary for him to resign his seat on the board. To fill the vacancies caused by these resignations the Board has appointed as directors, Mr Charles Pereira and Mr S. H. Banning. We extend our gratitude to the retiring directors for their services to the company and a warm welcome to those who have just taken up office. It was in 1847 that the Standard first commenced operations in the West Indies and the company held appropriate celebrations in the Islands last year to mark the occasion of the centenary. It showed great vision to introduce the benefits of life assurance into the West Indies one hundred years ago when the Islands were relatively undeveloped and conditions of life were so utterly different from what they are today; but the present flourishing condition of our business there affords yet another example of the success which has rewarded the courage and unfettered enterprise of the early administrators of our company.

It is with regret that I have to report that Mr T. H. Ritchie, our accountant at head office, retired yesterday on pension, after having served the company for the long span of 48 years. During the difficult war period and the time of rapid expansion which came afterwards, he was in charge of our accounts and carried out his duties with the utmost acceptance to the directors. We shall miss him, and I should like on behalf of us all to wish him every happiness and contentment in his retirement.

INCREASE IN PREMIUM INCOME

Turning to the report and the accounts, I think we may say that they present an encouraging picture. The figure representing our new life assurance business for the year, namely £16,445,000, including £6,818,000 of group life assurance, is unprecedented for the Standard. Our pension business also increased and we are proud of the work done by our outside staff during the past year and very satisfied indeed with its results. Our premium income is shown in the revenue account at £5,907,000, and this shows the

substantial increase over last year of £1,493,000; the expense ratio of 11.2 per cent. is only fractionally greater than last year's figure of 11.1 per cent. This small increase is less than might have been expected when we bear in mind the heavy initial expense of putting the very large amount of new business on to the books. The net rate of interest at £3 16s. 1d. per cent. shows a reduction on the figure of last year. This is an inevitable result of the large increase in our funds which has necessitated investment at the current comparatively low rates of interest. Members should not, however, regard these new investments or the great accession to our funds with anything other than satisfaction, because the terms upon which we carry out our new business are naturally fixed in accordance with the terms upon which we can now invest our money. The balance sheet assets during the past year have increased by £6,239,000 and now stand at the total of £54,603,000.

ENCOURAGEMENT OF SAVING

As regards the large increase in our funds we can feel, I think, that we are doing much for the nation in the present emergency by assisting, and in fact encouraging, the public to save through the medium of life assurance policies, pension and similar schemes, which offer a practical method of responding to the repeated national appeals for increased savings. I am not sure that the life companies of this country have received all the credit that is due to them for the work they have done in this respect. The large accessions to our funds, of course, place upon us the responsibility of adding substantially to our investment portfolio, and this requires a high degree of selection at the present time, when the outlook is so uncertain. It is our duty to do our best with the money entrusted to us by members, and in this connection I may say that the assets exceeded the value shown in the balance sheet by a large margin. The field of investment is narrowing, however, on account of continual changes in the structure of the nation's finances brought about by the nationalisation schemes upon which the present Government seems to set such store. Nationalisation naturally creates many problems for us. These arise both from the investment point of view and from the point of view of our business generally; but up to date it is in the field of investment that nationalisation has chiefly hampered us. In making an investment we must continually consider the possibility of nationalisation and the effect which it might have upon the security we are purchasing. This may be considered to be only a minor problem, but it is, I think, symptomatic of what must be a very real handicap to the nation as a whole at this time of crisis. Quite apart from the inherent merits or demerits of the ideological moves being made, the present does not seem the time to make them; they cannot but upset and distract the nation generally from the main task which is before us all—the task of trying to bring back prosperity to our country.

HOUSE PURCHASE

There is one item in the balance sheet to which I should like to draw particular attention, namely loans to the Heritable Securities & Mortgage Investment Association, Limited. It will be seen that this figure now stands at £1,254,000—as compared with only £524,000 a year ago. The increase represents money

which we have advanced to our associated company to enable it to expand and develop the service which it renders to the community in making loans on property. By far the greater part of the advances which it has made during the past year has been to private individuals in order to assist them to purchase houses for their own occupation and I should like to remind members of this service which is available to them. In most cases where a loan is advanced by the Heritable Securities Association a policy is effected with this company. In this way arrangements can be made for the automatic repayment of the loan at the end of a certain period of years and at the same time the proceeds of the policy are available to extinguish the loan should death occur whilst it is outstanding; the element of security for dependents thus afforded is proving increasingly popular in these days of uncertainty.

TRIBUTE TO STAFF

The great increase in our business during the past year has meant that the pressure of work on our staff has been very heavy. Your directors have been struck by the cheerful manner in which this extra work has been accepted—an instance of what is essential if this country is once more to take its proper place in world affairs. So far as our business is concerned there is no question of cutting down hours of work—indeed the normal office hours are at present in excess of what they were before the war and there is no immediate prospect of a reduction—and our thanks are due to the members of our staff for the loyal and energetic manner in which they are responding to the extra calls made upon them.

Perhaps I may be permitted to close on a personal note. After this meeting, my time as chairman comes to an end. The three years during which I have had the honour and privilege of occupying the chair have covered great changes in our country's affairs and in those of the Standard. In 1945 we were still at war and we had before us all the problems of readjustment which were bound to follow years of war. The first and most important was the return of our staff, each case involving its own problem. I can say without hesitation that this was accomplished without any friction. For that our thanks are due not only to the men and women who readjusted themselves so admirably, but also to our manager and the other members of the staff, without whose care and thoughtfulness this would have been infinitely more difficult. Apart from this, we have been faced—and are still faced—with serious economic difficulties as a nation. It has been a period during which particularly anxious thought had to be given to every action. We have, too, been seriously handicapped through lack of space owing to our not being allowed to proceed with our new building at head office. In spite of all these things, our new life business figures have steadily improved—£4,000,000 in 1945, £8,700,000 in 1946, and now over £16,400,000.

I would like you to know how much we all owe to our manager, our secretary and the other principal officers of the Standard. Their leadership and example have been beyond all praise. For a chairman it is essential to have a complete and happy understanding with the manager, and I would like to thank Mr Davidson for the great help and consideration which he has given me during my years of office. The Standard has always had the reputation of being a happy family, and I can assure you that that spirit is as strong as ever. While it lasts, we shall continue to flourish.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Mr A. D. B. Pearson in seconding this motion said:—

"I have listened with great interest to the chairman's remarks and I must congratulate him and the company on the excellent results which are shown by the accounts. During

the past year the Standard wrote a record amount of business and, whilst this is most gratifying to us as members it is even more a source of quiet satisfaction that, as our chairman remarked, it is making a real contribution to the strength of the nation in connection with the Savings Campaign. Of all forms of saving surely Life Assurance must rank very high, for it involves the careful provision of a definite sum each year and may require a considerable measure of unselfishness if a man is to face his responsibilities.

"I think the Standard and, if I may say so, the other Life Offices, are greatly to be congratulated on the work which they are doing to cultivate and encourage this most admirable practice.

"From the accounts, I am convinced that our company, although it has grown tremendously in the last decade, still retains its inherent strength and soundness and I am sure that we can say today, as our chairmen were able to say before the war, that, as far as we know, there is no Life Assurance Company in a stronger position than the Standard.

"The chairman introduced a personal note towards the close of his speech and I feel sure that his tribute to the manager and the whole staff will be most sincerely echoed by all members of this great company, but he had nothing to say about himself. So much we would have expected, but perhaps I too may be permitted to close on a personal note. I have known Mr Richardson for some years now as a man of careful speech but I think that to have described the New Life business of the last three years as steady improvement is slightly to understate the position. In fact, during his chairmanship, these figures have quadrupled.

"We are very grateful to you, Sir, and to all who have contributed to such a magnificent record.

"I have pleasure in seconding the adoption of the report and accounts for the past year."

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

INCREASED REVENUE

The fifty-second ordinary general meeting of The Consolidated Mines Selection Company, Limited, will be held on 23rd instant in London.

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

The balance-sheet shows that at December 31, 1947, there was a surplus of current assets over current liabilities and provisions of £17,202. The quoted investments stand at cost, less amounts written off, but in no case above market value at the balance-sheet date. On this basis, their book value is £1,178,173, compared with a market value of £2,981,028.

In the profit and loss account the revenue from dividends and interest shows a gratifying increase from £66,821 in 1946 to £92,790 for the year under review.

The company's substantial holding of ordinary shares in the Anglo American Corporation of South Africa, Limited, was increased during the year. On March 5, 1948, the corporation declared a dividend of 3s. and a bonus of 2s. making a total of 5s. per share in respect of the year 1947, which are the same as for the preceding year.

The Consolidated Mines Selection Company, has important holdings in Orange Free State Investment Trust, Limited, and South African Mines Selection, Limited.

Orange Free State Investment Trust and South African Mines Selection have recently acquired an interest in the mineral rights of the Farm Harmony 222, in the Sand River area, on which encouraging borehole results have been obtained.

Your company retains its holding of stock in Rhodesian Anglo American, Limited.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

ANOTHER EXCELLENT YEAR

The annual meeting of The Scottish Life Assurance Company, Limited, was held in Edinburgh on the 17th instant. Sir Iain Colquhoun, Bart. of Luss, K.T., D.S.O., chairman of the board of directors, presided. In moving the adoption of the annual report and accounts he said:—

Today we hold our third annual meeting since hostilities came to an end. With the commencement of peace our hopes were naturally high, and the economic difficulties which have since beset the United Kingdom and the rest of Europe were anticipated by few. The present position of this country is one of extreme gravity and there is general agreement that the utmost exertions of the whole nation are necessary if we are to pull through without having to accept a standard of life lower by far than anything we have yet known.

The Chancellor of the Exchequer has laid great stress on the vital need for saving at this time. May I point out the value of the Life Offices' contribution to this all-important aim? Once a life policy is taken out, the renewal premiums fall due year by year and have to be paid like any other account, thus becoming an almost automatic method of saving, and we can justly claim credit for our contribution to the savings campaign. The net new sums assured during 1947 again show a considerable increase, to £3,885,000 as compared with £3,027,000 in 1946, which is a new record for the company. This reflects the greatest credit on our outside staff and agents. It is not always realised by the general public that life assurance is a commodity which has to be sold in competition with consumer goods. Very seldom indeed does the initiative come from the proposer, and new life assurance business depends almost entirely on the skill and energy of the outside staffs of the Life Offices.

RECORD RENEWALS

We have had another excellent year. The premium income has shown an even greater increase than last year and net renewal premiums have actually gone up by 17 per cent., which is easily a record for the company. Interest has been well maintained, the gross earned rate being the same as the previous year at £4 10s. 10d. per cent. and the net rate after income tax having increased by 2s. 10d. per cent. to £3 13s. per cent. Claims by death were very light during 1947, the actual death strain representing 66 per cent. of that anticipated according to the table of mortality; this is, however, exceptional and we cannot expect so low a figure to recur. The increase in commissions and expenses of management will be noted. This feature is in large degree due to the rapid increase in new business; the expense of writing new business falls almost entirely on the first year's premium and as within two years the company's new business has increased from £800,000 to nearly £4,000,000 a sharp rise in the ratio of total costs to total premiums must be expected. When proper adjustment has been made, the true ratios of expense to new and renewal premiums show only a very moderate increase. During 1947, and even more so since the end of that year, there has been a general fall in market values, but even so, the market values of our Assets are still substantially in excess of the values at which they stand in our books.

The Company's Memorandum and Articles of Association are now somewhat out of date and the directors have been considering the position in view of the passing of the Companies Act, 1947. They have decided to delay action until the Consolidation Bill, which has just been introduced into Parliament, be-

comes law. As soon as this has happened, the matter will be taken up with a view to submitting to the shareholders in due course proposals for the revision of the Memorandum and Articles. As last year, the directors recommend a final dividend of 3s. per share, less income tax, making 6s. for 1947, and an interim dividend on account of 1948 of 3s. per share, less tax, payable on September 1, 1948.

The motion having been seconded by Mr J. H. Gu'd, W.S., the report and accounts were adopted.

FOY MORGAN AND COMPANY, LIMITED

SUBSTANTIAL INCREASE IN BUSINESS

SIR GERALD LENANTON ON THE OUTLOOK

The thirteenth annual general meeting of Foy Morgan and Company, Limited, was held, on the 16th instant, at the company's offices, 16, Eastcheap, London, E.C., Sir Gerald Lenanton (chairman of the company) presiding.

The Secretary (Mr E. A. Cremer, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the Chairman's statement which had been circulated to the shareholders with the report and accounts for the year ended December 31, 1947:—

The total quantity of timber of all kinds imported into the U.K. during 1947 was a little over half that of prewar years. The import during 1948 depends greatly upon the operation of E.R.P. On the assumption that no arrangement is made before the autumn for the purchase of all or part of the quantities set out in the technical report of the Committee of European Economic Co-operation (July-September, 1947) the total quantity to be imported during 1948 is unlikely to exceed two-thirds of that imported during 1947.

The profit and loss account for the year 1947 reflects the substantial increase of your company's business foreshadowed in my remarks last year; but conditions of trading are so unsettled that it would be unwise to base an estimate of future long-term earning capacity on these results.

REVENUE EARNED IN HARD CURRENCY COUNTRIES

It should be remembered that a great proportion of your company's income is derived from commissions earned abroad, largely in hard currency countries. There has been a substantial increase in commission earned on contracts made between timber-producing countries and importing countries other than the U.K. All of these amounts have been returned to this country and converted to sterling.

Certain trading contingencies have, in the opinion of your directors, been adequately covered in the accounts.

The capital of your company and its subsidiaries and of their customers has been the subject of careful consideration in the light of prospective turnover. Until, however, future prices and import quantities can be more closely estimated and the credit risks thereon more nearly assessed it is premature to make suggestions for altering the capital structure of your company. Accordingly your directors recommend that £63,393 shall be carried forward to next year's accounts, without special allocation.

Dividends for the year to December 31, 1947, on the three classes of shares, as set out in the accounts, have already been paid.

The report and accounts were unanimously adopted.

The auditors, Messrs Hope Agar and Co., having been reappointed, the proceedings terminated with a vote of thanks to the chairman.

HARRODS, LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

SIR RICHARD BURBIDGE'S STATEMENT

The fifty-eighth annual general meeting of Harrods, Limited, will be held at the Assembly Room on the company's premises, Brompton Road, London, S.W.1, on the 24th instant.

The following is the statement by the chairman (Sir Richard Burbidge, Bart., C.B.E.) which has been circulated with the report and accounts:—

I am again circulating my review of the year's working, as I am sure this method meets with your approval.

The net profit for the year amounted to £1,175,260, an increase of £45,132. This profit has been arrived at after making further additions to the provision for contingencies, including repairs and renewals and possible stock losses. This provision now amounts to nearly £800,000 and should be sufficient for such purposes.

The directors recommend that a final dividend of 10 per cent. and a bonus dividend of 5 per cent. be paid on the ordinary stock, making a total of 20 per cent. for the year, the same as for the previous year.

Provision for taxation requires £705,000, an increase of £59,000, due to the increased profits tax. An amount of £50,000 has been provided as an addition to freehold buildings reserve, and the carry forward is increased by £11,588 to £280,500. You will notice that taxation now absorbs 60 per cent. of the total profits.

TRADE

During the year the turnover of Harrods, in London and Manchester, and of all the subsidiaries, has exceeded all previous figures. This is partly due to rising prices, including increased purchase tax, but also to larger supplies of some types of merchandise, particularly household goods and toys.

GROSS PROFIT

The rate of gross profit is falling rapidly and especially in our fashion departments is approaching a dangerously low level at which we can only trade profitably if turnover continues to increase quite considerably.

EXPENSES

Expenses have risen, and will continue to rise. This is a problem that causes us great concern, as there are few directions in which we can make any saving. More than half of the total expenses is in respect of salaries, wages and pensions, a total of £1,313,350, and there is not much likelihood of any saving in this direction.

Rates, etc., amount to £253,169, against £220,282. This heading, in addition to rates, which have increased during the year owing to the withdrawal of certain reliefs that were allowed during the war, also includes the cost of heating and lighting, which, owing to the fuel restrictions, are at an absolute minimum.

Printing, etc., and departmental expenses reflect increased costs plus the purchase tax on stationery and packing materials.

The increase in transport expenses is due to increased wages and extra vans owing to the reopening of more rounds, although we are even now making do with only half the number of vans operating in 1938-9.

Provision for repairs and renewals and depreciations are both items that are not likely to fall when we are able to replace fixtures or make alterations.

The above items account for most of our expenses, and you will appreciate it would be

difficult to save on any of them without adversely affecting the essential distribution of merchandise to so many homes in London, its suburbs and the provinces.

KENDAL MILNE AND COMPANY

Both the trade and profit of Kendal Milne and Company last year were a record.

The new building is now being used in its entirety, although not quite complete so far as lighting and modern shopfittings on the third and fourth floors are concerned, and with these reservations I think it is the most up-to-date store in the country, designed for the merchandise and service which Kendal Milne's customers expect.

The transfer of departments from the old building to the new, commenced in 1946, has been completed this year. Women's fashions, drapery, men's and boys' departments and the restaurant are now established in their new surroundings, and the furnishing sections, carpets and everything for the home are now housed in the old building. It has been proved this year that the public appreciate the new conditions and the extra facilities provided, and I feel we may well look forward to increasing results from this business.

TRADE INVESTMENTS

Dickins and Jones, Limited. We now hold all the ordinary stock of this business, as we have made a further purchase since the end of the year. Dickins and Jones have replaced from their own resources their issue of £850,000 4½ per cent. debenture stock by an issue of £500,000 3½ per cent. stock. This will result in a net annual saving of £10,260, and will help towards the resumption of dividends on the ordinary stock. I consider their prospects very bright.

D. H. Evans have had another satisfactory year and we are very pleased with the continued progress of this subsidiary.

John Walsh, Limited, Sheffield, experienced a most successful year's trading and have again declared a dividend on the preference stock in respect of the year under review. We are conserving their resources in view of the considerable expenditure with which this business will be faced some day for re-building. Negotiations have practically been concluded with the Sheffield Corporation regarding the bombed site, and we shall soon be in a position to apply for licences to start building the basement and ground floor.

Wm. Holt and Sons, Limited. We purchased this business to obtain the stock of good quality pre-utility towels, etc., that they held.

Stock-in-trade stands at £2,229,087 and shows an increase of £629,515. We are happy to have this stock, but the figure, of course, reflects increased prices, including purchase tax. The volume of stock is actually less than our prewar stock, which totalled £776,000, and this is an indication of the extra working capital we need to employ in the business.

Debtors at £1,741,594 show an increase of £362,105. This is partly due to the increased trade at Christmas, but also to delay in rendering our accounts, due to shortage of experienced staff. The increase in stock and debtors and the purchase of Wm. Holt and Sons is reflected in a drop in Government securities and cash of £585,890.

Fixtures, etc., at £190,958 represents fixtures and plant in the new building at Manchester, as all fixtures, plant and rolling stock employed in the London business and all rolling stock at Manchester have now been written off.

That completes my review of the year's trading, which I am sure you will agree has been very satisfactory.

STAFF

These results could not have been obtained without the loyal and whole-hearted co-operation of our staff. I know that a very large proportion of our stockholders are also customers of our stores, and I feel sure that they will agree with me that we have a courteous and willing staff who do their utmost to make shopping at Harrods a real pleasure, and that we are making good progress in bringing our service back to its pre-war standard.

Our trade needs good staff—anything less than the best available is uneconomic. But I must point out that in building up a staff of the excellence we need and our customers expect, we have received a set-back by reason of the Control of Engagement Order recently introduced. I appreciate the need to man the export and the basic industries, but the most practical method of conserving manpower in the retail trade is to recognise that skilled staff are always the most economical.

We have always believed in the personal touch between management and staff; we like to know our staff individually and we like them to feel free to express their opinions and point of view. We have two excellent institutions which have existed for very many years—the buyers council and the staff council—both of which contribute to the smooth running of the business by their constructive criticism of the current affairs of the store.

MARGINS

I am of necessity preparing this statement while discussions concerning prices and profits are taking place. I do not know what the result of these discussions will be, but I do know that all stockholders, and in particular ordinary stockholders are fully prepared to bear their full share of any further sacrifices that must be made in the present emergency. At the same time, as there is a great deal of misconception as to the profits that are made by businesses such as this, I should like to emphasise one or two points.

EFFECT OF PURCHASE TAX

In the first place the price of, and profit on, practically all the goods we sell is already subject to control. The increase in the rate of the Purchase Tax has been chiefly responsible for recent rises in prices, and on this Purchase Tax we do not make any profit. In fact it is a source of expense to us as we finance the tax, paying it when goods come in but not recouping ourselves until the goods are sold, and as our purchases during the year involved us in the payment of £1,750,000 in respect of Purchase Tax you will appreciate that the expense is quite considerable.

Secondly the dividend of 20 per cent. paid to the ordinary stockholders would represent less than five per cent. if related to the present day value of their proportion of the net assets employed in the business. To consider this matter in another way—the reward of the employee, the state and the stockholder—here is the division in your businesses:—

	1947/48.	1938/39.
Wages (excluding factories), pensions, etc.	1,942,816	1,338,808
Taxations on Profits	912,102	234,414
Stockholders (net) ...	422,833	493,131

It is to be noted that the number of staff in 1947-48 is considerably less than in 1938-39.

When considering margins and price levels the interdependence of the home trade and the export trade must be borne in mind. If price levels are fixed too low there is a grave

danger that quality will suffer, and that the production of new types of goods will not be undertaken. It is essential that the quality of goods for export should be maintained, that their price should be right and that they should be up to date with or ahead of any fashion trend. These things do not "just happen," they are the result of experience and experiment on the home market, and no trader, be he manufacturer, wholesaler or retailer, can be right every time. Mistakes and losses will be made and margins must be sufficient to take care of them. This problem is becoming more and more acute, as until recently all goods were in short supply, types of merchandise were stable and there were no "bad stocks," either for home or export trade. Now, as more merchandise is available, as more types and qualities of an article come on the market, a certain amount of old stock becomes unsaleable at the original price. In particular this applies to merchandise subject to the dictates of fashion. You all have heard of the "New Look," well this is just a typical example of what is happening. The introduction of a new style means a necessary reduction in the price of and consequent loss on quantities of merchandise that are already in stock.

TWO UNFAIR RESTRICTIONS

There is no doubt that in the long run these three factors, price, quality and fashion are best controlled by customer resistance and by competition: in fact these influences are already beginning to be felt at home and abroad. But as long as controls are necessary they must be such as will enable a trader to merchant his stock in a proper and orderly fashion. At present, in addition to price control, he is hampered by two unfair restrictions. In the first place he is not allowed to reduce the number of coupons he is compelled to collect for any article unless the goods are practically given away or at any rate sold at a price that does not even represent the Purchase Tax paid to the Government. Secondly the method of charging the Purchase Tax on the cost of goods from the manufacturer or wholesaler does not allow a retailer any redress in cases where any subsequent reduction of tax is made or when goods have to be sold by a retailer at reduced prices. The Government must make an allowance for such reductions, otherwise businesses for carrying large stocks will be heavily hit, as they will certainly not be able to provide against such losses out of the present profit margin.

PROSPECTS

It is impossible for me to forecast with any degree of accuracy the result of the trading for the year ahead. This depends primarily on our total trade which of course is controlled by the volume of goods that the Government allow to be produced for home consumption and the prospect here in many directions is not too bright. The other major factor that controls our profit is the gross margin which I have discussed at some length. Expenses we shall continue to control in detail to the utmost, but the total is bound to increase. On the face of it all this can be summed up in one word "difficult."

But there is another side to the picture. Notwithstanding the general problems confronting the country and our own special problems, I have every confidence in our future. I have seen most of the big stores in America during the year. I learned a lot; I saw a lot of merchandise I should like to be able to sell here, but apart from this I was satisfied that in the circumstances we compared very favourably with similar organisations in the States. In fact I returned here more convinced than ever that "There is only one Harrods." We are sound financially, the internal strength of all our businesses has increased considerably during the last few years, and I am sure we can face our difficulties with confidence.

THE EASTERN BANK, LIMITED

IMPROVED TRADE

The thirty-eighth annual general meeting of The Eastern Bank, Limited, will be held in London on the 31st instant.

The following is an extract from the statement by the chairman (Sir Thomas J. Strangman, K.C.), circulated with the accounts:—

The accounts show a net profit for the year of £119,357, being an increase of more than £8,000 over the profit of the previous year. Our investments in Government and other securities are down by nearly £2,000,000, whilst our cash and bills receivable are up by about £1,500,000 and £550,000 respectively. Advances are greater by about £650,000 and acceptances show an increase of over £130,000. The figures for bills receivable and advances are indicative of improved trade with the East and the normal functions of the Bank in financing that trade. The profit enables us to provide for an appropriation of £50,000 to the published reserve, making £900,000 in all and to increase the carry forward by over £9,000.

The total dividend for the year which we recommend is the same as that in the previous year.

CONDITIONS IN INDIA, PAKISTAN, ETC.

India and Pakistan.—The establishment of the two Dominions of India and Pakistan has caused less dislocation of trade than might have been expected, having regard to the administrative difficulties with which the new Governments were faced. Whilst Karachi, the capital of Pakistan, has suffered serious inconvenience from the migration to the other Dominion of many of the Hindus, who were prominent in the grain and cotton trades and who staffed the banking and commercial houses, and the loss of experienced men has for the time being increased the responsibility of our European staff, our working, both in Pakistan and India, has otherwise been quite normal. I have every hope that such matters as require adjustment between the Dominions will be settled before very long.

Ceylon.—We join in wishing all good fortune to this new Dominion which starts its career in happy auspices. Although for the year 1947 there was an unfavourable trade balance of between £5,000,000 and £6,000,000, there remains an accumulated favourable balance of sterling exchange said to amount to £53 million. The public debt is not excessive, being about £40 million, payment of some £7,000,000 of which is guaranteed to the Ceylon Government by the British Government, and there is a budget surplus. The new taxation is not for the purpose of balancing the present budget—there is sufficient revenue from existing taxation for that purpose—but to provide funds which might be necessary to balance budgets in years to come. This new taxation will involve the Bank in an extra charge for which no relief can be claimed from the tax authorities here.

Iraq.—With other countries, Iraq is in need of capital goods and of consumer goods also. We should not be unduly discouraged by the anti-British feeling evinced after the signing of the Portsmouth Treaty. The demonstrations took place at a time when there were hardships of a local character, amongst them a shortage of bread and of housing accommodation.

Bahrain.—Oil resources continue to be developed rapidly on the mainland.

Far East.—Business continues to expand, and the results of the year's working have been gratifying. New branches have been opened, in Penang on December 1st, and in Kuala Lumpur on January 12th of this year.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundredth and eighteenth annual meeting of the National Mutual Life Assurance Society was held, on the 17th instant, in London.

Mr Kenneth A. E. Moore, F.C.A., presided and referred to the abnormal problems of investment faced by the board during 1947. He said: The rise in the so-called "risk free" rate of interest from 2½ per cent. to 3 per cent. caused a decline of nearly 20 per cent. in the market value of 2½ per cent. Consols and 2½ per cent. Treasury Stock, and to a lesser degree, a decline in debentures and preference shares. Moreover, ordinary shares fluctuated violently. Largely as a result of judicious switching from long- to short-term Government securities and by a major reduction in ordinary shares the depreciation in the Society's investments amounted to no more than 5 per cent. of the total assets.

It has always been the Society's practice to carry Stock Exchange securities in the balance sheet at their middle market values and the depreciation in 1947 of some £500,000 has been written off the reserve fund—a fund which represents the accumulated net profit and appreciation on investments over many years.

Generally speaking, the policy of the board in relation to investment matters has been to seek to maintain capital values at the cost of some temporary loss of income representing, in effect, the insurance premium against possible heavy depreciation. Members can regard, with satisfaction, the maintenance of a substantially unaltered net rate of interest earned.

DEMAND FOR ANNUITIES

The Society has once again transacted a record amount of new life assurance business. There has been also a great increase in the demand for those annuities whereby the risk of premature death of the annuitant is covered and the maximum measure of taxation relief is attained. The Society is handling an increasing amount of staff pension fund business of various kinds and a special department has been formed to handle this type of business.

A good augury for the valuation and distribution of surplus which it is intended to make at the end of 1948 was shown by an internal actuarial valuation—the trading profits for 1947 comfortably exceeded, in terms of the rate of bonus earned, those of the previous valuation period.

Now that the Government Economic Survey for 1948 has been published it is, in a way, a relief to know that the worst, which has been well recognised in informed circles for a long time past, is being brought home to every man and woman throughout the country. Not until then will the disagreeable steps which are necessary to rectify the country's economic plight be understood and supported by the general public. As to the nature of these disagreeable steps, there is, of course, a divergence of opinion and some of those recently taken, particularly those referred to by *The Economist* and others as "Operation Canute," are open to objection in that they appear to be an attempt to legislate against the natural laws of supply and demand in their broadest interpretation.

Fortunately the Society's functions as a life assurance office are entirely in harmony with the needs of the moment because additional savings are essential to recovery and life assurance is one of the most important and desirable ways to achieve real personal savings.

The report was adopted.

CABLE AND WIRELESS (HOLDING), LIMITED

ARBITRATION AWAITED

The nineteenth ordinary general meeting of Cable and Wireless (Holding), Limited, was held, on the 12th instant, in London.

Sir Edward Wilshaw, K.C.M.G., (the Governor) said that following unsuccessful attempts to reach agreement regarding the price to be paid by the Government for the shares in Cable and Wireless, Limited (the Operating company) it had been agreed that the matter should be referred to an arbitration tribunal in accordance with the Cable and Wireless Act. He hoped that the tribunal would sit before the long vacation which commenced on August 1st. In those circumstances the directors felt that the presentation of the accounts to December 31, 1947, and the payment of dividends should not be withheld owing to that delay and had, therefore, convened the meeting as soon as possible after the termination of 1947, leaving consideration of any matters which might arise from the findings of the arbitration tribunal to a later meeting of stockholders.

When the tribunal had fixed the sum to be paid they would then also receive interest retrospective as from January 1st, 1947, but as neither the award nor the interest was assessable until after the arbitration and the income therefore not yet available for dividend purposes, the directors had decided that the normal dividends should be paid now. For that purpose they were transferring from the principal underlying companies appropriate amounts from the reserves of previously undistributed profits.

THE YEAR'S REVENUE

The main source of income was dividends from subsidiary companies amounting to £1,107,239. Those dividends had been maintained at the 1946 level by passing up sums equivalent to £863,000 gross (net £475,000) from undistributed profits of earlier years held in the reserves of those subsidiary companies. In addition they had received a dividend of £50,000 from Cables Investment Trust and interest on other investments of £181,000. Other receipts, which amounted to £15,000, made a total of £1,353,000.

The valuation of shareholdings in the three subsidiary companies, the Eastern, the Eastern Extension and the Western Telegraph Companies, was subject to the compensation to be received by those companies from H.M. Treasury in respect of their former holdings in Cable and Wireless, Limited. Investments in securities, stocks and shares stood at £10,286,081 against £2,185,544 last year, an increase of £8,100,537.

In the consolidated balance-sheet the book value of the securities at £13,351,096 showed an increase of £3,377,000 over the previous year. The market value of the securities of the group showed an appreciation of £927,019 over book cost.

A SUCCESSFUL RESULT

In spite of the uncertain conditions which had prevailed during 1947, he thought they might congratulate themselves upon the successful results of the year's working which had resulted in further profits on realisations of £249,352; increased book value of investments of £3,377,000 and increased value of those investments over book value of £927,019.

In conclusion, he did not think he could do better than repeat substantially what he had said at the last general meeting, that so soon as the amount of compensation they were to receive was known, they would be able to consider the best course to suggest in the stockholders' interests and to repeat the assurance that he then gave that the stockholders would be consulted before any decisive step was taken.

The report was adopted.

THE NORTHMET POWER COMPANY

LORD ASHFIELD'S SPEECH AT FINAL MEETING

At the annual general meeting of The Northmet Power Company held in London on Wednesday, 17th instant, the Rt. Hon. Lord Ashfield, P.C., chairman and managing director said: Fourteen days from now this company will cease to exist and therefore I have today, no doubt in common with you all, a feeling of sadness mingling with the pride we all so rightly have in the achievements of the company when for the last time I address you as its chairman. It will be my purpose in the course of my remarks to review in retrospect what has been achieved by the company over a long life, not in any narrow parochial sense but from the stand-point of service to the community.

THE ELECTRICITY ACT

On April 1, 1948, your directors will go out of office; as your company will, by virtue of the Electricity Act, 1947, be automatically dissolved and its undertaking vested in the Eastern Electricity Board of the British Electricity Authority. The Act provides for the appointment of a stockholders' representative whose principal duties will be to represent the interests of all holders of securities in connection with the determination of the amount of compensation to be met by the issue of British Electricity Stock and ascertaining the net revenue for the three months ending March 31, 1948, out of which interest and dividends up to the permitted maximum may be paid.

The terms and conditions on which the British Electricity Stock will be issued are not yet known because in estimating the value of that stock regard is to be had to the market value of government securities on April 1, 1948.

Interest and dividends on the existing debenture and preference stocks at the fixed rates may be paid in respect of the period from January 1 to March 31, 1948, but the dividend on the ordinary stock for that period may only be met out of the net revenue for the period or out of funds which may be so applied in accordance with normal practice in past years for maintaining interest payments and equalising rates of dividend but at a rate not higher than that of the dividend paid for the year 1946.

I am sure we are all very grateful to Sir Reginald Blair for accepting appointment as stockholders' representative following upon the unanimous vote of the stockholders at their special meeting held on December 3rd last. It is indeed a matter of congratulation that Sir Reginald, whose services as a Director have been so valuable, will continue to watch over the interests of the stockholders.

FINANCIAL RESULTS

Notwithstanding, the number of units sold has increased by three per cent. to over 1,250 million with a consequential increase in the revenue of the company of roundly £97,000 and that there has been an increase of some £150,000 in the revenue derived from the wiring of consumers premises and the sale of fittings, the balance from working fell by some £318,000. This decrease is, of course, due to increased working expenses. Coal, the raw material of electrical generation, has increased in price from 26s. 7d. per ton in 1938 to 56s. 4d. per ton in 1947, an increase of over 100 per cent. In addition, the quality of the coal has deteriorated and this factor still further increases the cost of generation. Similarly salaries, wages and materials all show very substantial increases.

To the balance from working, there is to be added the interest and dividends received during the year and the profit on the sale of investments giving a total of roundly £512,000 to meet the payment of mortgage,

debenture stock and other interest and the provisions for redemption funds and Depreciation.

After providing for these items there remains a small balance of £1,916. Fortunately there are certain sums to be added. Firstly there is the balance brought forward from 1946 of roundly £125,000. Then owing to the reduction of taxable profits and to the deduction by the company of income tax from the payment of mortgage and debenture interest there remains a credit balance from the income tax provision of approximately £142,000. The aggregate of these balances is just over £269,000. Your directors recommend the payment of dividends less tax on the 6 per cent. and 4 per cent. cumulative preference stocks and a dividend of 9 per cent. less tax on the ordinary stock of which 3 per cent. has already been paid. These dividends require a total of £232,976, leaving a balance of £36,758 to be carried forward.

In reviewing the year's working it is clear that the small balance of some £1,900 which remains after meeting all interest charges and making proper provision for depreciation and redemption must be regarded as very disappointing. In these circumstances the question of some adjustment to the scale of charges will require very careful consideration. Our consumers will not, I am sure, expect to continue to be supplied with electricity on an uneconomic basis.

GENERATING STATIONS

The work of constructing the buildings of the new generating station at Rye House is in hand but in view of the present shortage of labour and materials progress must necessarily be rather slow.

Directions have been received from the Central Electricity Board for extensions of plant at this station and also at Brimsdown "B" generating station.

ACHIEVEMENTS OF NORTHMET COMPANY

Over the years the company has achieved and maintained a reputation for affording a dependable supply of electricity at a low cost to the consumer. The reputation we enjoy today has not been lightly achieved nor would we have gained it but for the keenness and efficiency of our officers and staff.

That we merit the reputation we have achieved can be briefly illustrated by my reminding you that starting in our early years the number of units sold was in the region of 50,000 and from this small beginning we have expanded until today we are supplying annually some 1,250 million units.

I would leave it to an outside voice from an unprejudiced source to sum up in one short sentence what has been achieved by your company. I refer to a tribute made by Mr. Mellings, the chairman of the Eastern Electricity Board, at a recent meeting when he said—"In its operation and consumer service the Northmet has been one of the most successful company undertakings in the whole country."

Finally, may I be allowed to say how greatly I have enjoyed my association with our companies. It has been in every way a very agreeable experience. Much as I regret this severance I am comforted with the thought that the initiative and efficiency which our staff have shown over the years will assist the new authority to make that contribution which is more than ever today so vital to the national need.

The necessary resolutions were unanimously adopted and the meeting terminated with a vote of thanks to Lord Ashfield.

LEWIS'S, LIMITED

FINANCIAL STRENGTH OF THE ORGANISATION

The thirty-ninth annual ordinary general meeting of Lewis's, Limited, was held, on the 16th instant, at Liverpool, L.

The Rt. Hon. Lord Woolton, P.C., C.H., D.L., LL.D. (chairman and senior managing director), in the course of his speech said:—

The year we are now reviewing has been one of the most puzzling in my experience. To begin with we anticipated a serious shortage of supplies. Those shortages did not in fact materialise to the extent officially prophesied, or at any rate the efforts of our buyers ensured that they were at no time seriously reflected in our stocks. Over large areas of our stock, profit margins were at first reduced and subsequently restored to their original level. With few exceptions all items of trading expenses increased and in the case of salaries and wages this increase was substantial. As a result the tendency in recent years for the gap between realised gross profit and expenses to narrow was still further accentuated.

The rates of purchase tax on much of the merchandise we sell fluctuated during the year in the most erratic fashion, and this in turn had its effect not only on our gross profit, but also in other directions, to which I will refer later. The dates when releases of clothing coupons were made to the public were altered so that they did not conform to the clothing trade's natural rhythm of seasonal production and distribution. Finally, turnover, although in the end it registered a substantial increase over the previous year, was abnormally erratic in its peaks and valleys during the year.

It was unusually difficult to forecast to what extent increase in turnover was going to be translated into net profit. In the event the increased turnover slightly more than counter-balanced the reduction in percentage gross profit realised and you will see if you look at the first item in the profit and loss account that our trading profit before depreciation and taxation amounted to £1,664,933 or £91,461 more than our peak last year.

SOME MISCONCEPTIONS

There is much misconception, both about profits and dividends. The making of profit is a sign of efficiency, and the intelligent use and pursuit of profit is one of the factors in the reduction of cost. Those of us who, over a period approaching a century, have been responsible for building up this business have worked on the old-fashioned basis of small profits and quick returns. We sell for cash; we lend money to nobody, and when we were allowed the free use of our skill we balanced losses against profits by a very active system of merchandising of goods. Always we sought to give the public the best obtainable value for their money. We have made large profits, and year by year we have distributed but a modest portion of those profits to the shareholders. We have been indeed fortunate in having the bulk of the shareholding in the hands of people who were able and willing to "plough back" the profits into the business for its greater strength and stability.

This brings me to the misconception that arises on the question of dividends. These are calculated on the nominal share capital of the business, but they are earned on the whole of the capital, including the profits that have been ploughed back into the business. Any calculation of dividends on the basis of the percentage of dividend to subscribed capital is likely to be misleading, for the more skilful the management of the finances of the business, the lower will be the percentage of subscribed capital to turnover. The correct estimate of profit is profit on turnover.

If you will refer now to the profit and loss account you will see that our total revenue

of £1,914,274 is not more than £73,169 over last year and the reduction as compared with the increase in the trading profit is largely accounted for, as explained in the directors' report, by the smaller dividend we have received from Lewis's Bank.

INEQUITABLE PROFITS TAX

From our total revenue of £1,914,274 we have to make various deductions, which amount in all to £1,340,591. Of this total by far the largest proportion is accounted for by the provision for taxation of £1,216,147, and in this connection I want to draw your attention to the inequitable operation of profits tax at the increased rate of 25 per cent. on distributed profits, in the case of those companies which have a capital structure similar to our own. You will observe that of our total issued capital of £3,311,500 no less than £3,174,000 is accounted for by preference capital. The payment of the preferential dividends on that class of capital, assuming that the profits have been earned, is a matter which is quite outside the control or choice of the directors, and yet those dividends are mulcted to profits tax at the higher rate of 25 per cent. applicable to distributed profits. The intention of raising the rate of this tax was understood to have been to prevent the inflationary pressure which any increase in ordinary dividends might have created. But as the dividends on our preference capital would have been paid in any case no increase or decrease in the inflationary pressure can arise, and it seems obviously unjust that such dividends should continue to pay profits tax at the 25 per cent. rate. Our taxation provision this year is in excess of our strict legal liability, in that we have now succeeded in setting aside a sum which when added to the provisions we have made in previous years will cover our Schedule D income tax liability not merely on the profits of the previous year, but on those of the year ended February 1, 1948, as well.

BALANCE SHEET STRENGTH

If you will turn now to the balance sheet you will note the features that add considerably to the financial strength of our group. For the first time our reserves and surplus exceed £2,500,000, and included in this figure is an amount of £100,717 which we have received by way of E.P.T. refund and which now appears in the capital reserve of £310,849.

A feature of the balance sheet which is worthy of note is the reduction of our total current liabilities to £2,169,512. This compares with the total of our current assets of £3,321,991. The excess of our current assets over liabilities is, therefore, now £1,152,479, which compares with the corresponding figure of £758,691 last year and only £365,207 two years ago. In other words, there has been a steady and marked improvement in our liquid position.

I am satisfied that manufacturers and retailers are ready and more than willing to play their part in reducing prices and the evidence of their joint enterprise in the past is the high standard of living enjoyed by this country before the war. But what incentive is there now for the manufacturer to reduce his cost price by harder work, better management and more skilful organisation when in many cases the Government take in purchase tax and uplift more than the manufacturers' cost of production and profit combined? And what inducement is there to the big distributor to reduce prices by buying in bulk direct from the manufacturer when his enterprise is nullified by the iniquitous system of purchase tax uplift which reduces competition and discourages efficiency?

The report was adopted.

BRITISH ASSETS TRUST, LIMITED

STRONG POSITION

MR W. H. FRASER'S SPEECH

The fiftieth annual general meeting of British Assets Trust, Limited, was held at Edinburgh on the 18th instant, Mr W. H. Fraser, chairman of the company, presiding.

In moving the adoption of the report and accounts, the chairman said: On January 15th last this company attained its jubilee, and in the circumstances a few figures showing the company's growth during the past fifty years may be of interest.

GROWTH OF THE COMPANY DURING FIFTY YEARS

The company was formed in 1898, with a capital of £15,000, by the late Mr James Ivory, who guided its fortunes until his death in 1939. He is now represented by his two sons, one of whom is a director and the other manager and secretary. Before the issue of the first annual report the capital had increased to £50,000, at which figure it remained until 1906. By the issue from time to time of debenture, preference and ordinary stocks the capital had increased to £1,000,000 by 1915 and to £2,000,000 by 1926. From then onwards, as further issues of capital were made, substantial growth was shown, and the balance sheet before you shows that at January 15th last the total terminable debentures and deposits and debenture, preference and ordinary stocks amounted to £5,456,522, of which the ordinary stock represented only £468,562. Based on these figures, the ordinary stock would appear to be very highly geared, but it is actually not so highly geared as would appear. It will be observed from the balance sheet that the actual value of our investments at January 15th last amounted to £10,412,425 as compared with a book value of £6,732,171, and, after deducting all prior charges, the amount available for the ordinary stock was £5,213,826, which gave the stock a break-up value of 1112.7 per cent. But for the restrictions and penalties imposed on the issue of so-called bonus shares steps would have been taken before now to bring the ordinary share capital of the company more closely into line with the assets representing it.

During the fifty years of its existence the company has experienced in turn good and bad times but only once—in 1935—has it failed to pay some dividend on its ordinary stock. Since then the directors have taken advantage of improving conditions to strengthen the company by distributing its available profits on a conservative basis. The result is that the company is now in a very strong position, stronger indeed than it has ever been.

Various minor alterations have been made in the accounts and balance sheet to bring them into line with the requirements of the new Companies Act which will shortly become obligatory. The changes mainly concern the setting out of the gross income and taxation figures; net income is not affected. In the balance sheet you will see that the item "Tax reserve and contingent fund" is now shown separately in place of being deducted from the book cost of investments. Figures for the previous year have been adjusted for comparison.

PROFIT AND DIVIDEND

The accounts show that the income for the past year amounted to £507,161 compared with the previous year's figure of £456,394. After providing for taxation, management expenses, interest and preference stock dividends, the amount available for the ordinary stockholders was £133,837, or 51.9 per cent. gross on the ordinary stock, compared with £108,062, or 41.8 per cent. a year ago. The

directors have added £25,000 to general reserve fund and £25,000 to income reserve fund, and now recommend a final dividend of 17½ per cent., which, with the interim dividend of 7½ per cent., will make the total 25 per cent., the same as last year. To mark the company's jubilee they also recommend a special jubilee dividend amounting to 10 per cent., less tax. These appropriations will reduce the carry-forward from £56,163 to £49,802. While I do not look for any substantial change in income in the current year, there may be some moderate fall in income if for no other reason because during the year under review the company received a final dividend on the holding of ordinary shares of Second British Assets Trust which it disposed of later in the year, while at the same time it has in some cases received a full year's dividend from the invested proceeds of sale. The shares, as the stockholders know, were offered to the holders at the time of this company's ordinary stock in proportion to their holdings at £2 a share, and as the directors of Second British Assets Trust have recently recommended a dividend of 15 per cent. for the past year those stockholders who took up the shares have made a very satisfactory purchase.

In the absence of any material adverse circumstances it is the intention of the directors to reduce the present disparity between the interim and final dividends and to pay in due course in respect of the current year an interim dividend of 10 per cent.

FUTURE PROSPECTS

In these uncertain times it would be unwise to attempt to prophesy the future course of events. I have already indicated that it does not appear likely that our income for the current year will show any substantial change on that of the year under review, and I am hopeful that we shall be able when we next meet to submit a satisfactory report.

The report and accounts were unanimously adopted.

GENERAL INVESTORS AND TRUSTEES, LIMITED

STRONG POSITION

The forty-first annual general meeting of General Investors and Trustees, Limited, was held, on the 17th instant, in London, Mr. SIDNEY S. LAMERT (the chairman) presiding.

The following is an extract from his circulated statement:—

Revenue again shows an increase (£135,637 compared with £122,298 a year ago) and our closing valuation an excess of £744,571 over the net cost of our investments, that is to say a further appreciation of £13,368 over the 1947 figure. We recommend that the same dividend and bonus be paid as last year, and that £12,056 be added to general reserve, bringing this account to a round figure of £350,000.

Here, to all outward seeming, is a cheerful picture of prosperity and progress. But is the picture really as cheerful as it appears? Any feeling of satisfaction which a stockholder may feel with the results achieved by an individual company must surely be tempered by reflection on the grave peril which presently threatens the country and may ultimately engulf our whole industrial activity. Let us face the facts. To-day our national economy is on the very brink of disaster.

The inflationary menace, which not so many months ago Mr. Dalton assured us had been laid, is once again the urgent problem of the hour. It would I think be prudent to budget for some normal contraction of our revenue in the next year or two. We shall definitely obtain a smaller yield from the "compensation" we shall receive from stocks in nationalised industries.

We are in a strong position to meet setback, if setback comes, owing to our prudent and conservative policy in the past.

The report was adopted.

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

PASSING OF A GREAT UNDERTAKING

SIR ROBERT RENWICK'S FAREWELL ADDRESS

The fifty-fourth ordinary general meeting of this company, was held, on the 16th instant in London.

Sir Robert Renwick, Bt., K.B.E., the chairman, in the course of his speech, said: On April 1st next this company will cease to exist, and this will be, therefore, the last occasion on which I shall have the honour of addressing you.

The whole of our great industry passes over, and is to be apportioned between the new British Electricity Authority and its fourteen Area Boards. While we learn from the public Press that many of the undertakings of our local authority friends are not in too healthy a state—in fact, a number of them are reported to be insolvent—I am proud to say we are passing over an undertaking virile and strong and with a potential ready to materialise as soon as the existing restrictions are lifted.

THE COMPANY'S POTENTIAL

Let me explain what I mean by the company's potential. We estimate that if all restrictions were removed the output of the company would, within twelve months, go up by some 200 million units, thereafter reverting to an increase of 100 to 150 million units per annum, an estimate which is on the conservative side.

In addition, we are passing over some £5 million of liquid assets, money which was awaiting the greater expansion of our business when we became freed from the present controls and restrictions.

It has been said in official quarters that prices charged for electricity throughout the country must soon be raised. No doubt there are undertakings where this may be necessary, but in our undertaking, with its inherent strength, potential and performance, it is premature to talk of raising charges to our domestic consumers. I think that it should be known that this company, and indeed the whole of our organisation, including our associated companies, have been and will be directed and managed till the last moment on sound business lines.

BARKING POWER STATION

One of the great milestones in the history was in the year 1913 when the company obtained the Romford order giving us a new area of supply over a large part of Essex. But, more important still, this order gave us authority to erect our Barking generating station. Many obstacles, legal and otherwise, had to be overcome, and it was ten years before we were able to commence erecting the station which turned out to be, and still is, the cornerstone of the great edifice which has since been built up.

In 1925 the future looked secure; capital expenditure by the end of that year had risen to over £7 million, of which nearly £4 million had been spent on Barking and the necessary feeders out of the station. From then onwards until the outbreak of the second World War it was a story of great development and the justification of Barking. Indeed, since the passing of the 1926 Act, by owning this station, instead of having to purchase the bulk of requirements from the Central Electricity Board, we have been able to obtain these supplies at the cost of production of this major power station, so effecting a saving of hundreds of thousands of pounds per annum, and also enabling us to make reductions in the rates for supply to consumers.

THE NEW STOCK

The vesting date has been fixed for April 1st of this year. The last payment

to ordinary stockholders will be made tomorrow for the year ending December 31, 1947, and, therefore, a further three months' dividend will be due to them. The holders of the two preference stocks will also be entitled to three months' accrued dividends, and the debenture stockholders will be entitled to four months' accrued interest, the last payment having been made to them on December 1st last. Your representative will make these payments to you as soon after April 1st as is possible. The terms of issue and the rate of interest of the British Electricity stock which you will receive in exchange for your holdings in this company will be announced after Stock Exchange closing hours on April 1st.

At our last annual general meeting I said that the new stock will probably yield 2½ per cent. It must now be of the order of 3 per cent., owing to the fall in gilt-edged securities which has taken place since that date. Even so, I am afraid the ordinary stockholders will still have to face a reduction in income of some 26 per cent.

Last year I told you that I did not consider it prudent to publish our idea of the value of our undertaking. I assess the value of our assets in the group at round about £50 million, for which you are receiving just over £37 million. You can well understand that my views on this expropriation of our business remain unchanged and why I have lost no opportunity in denouncing in the strongest terms possible this unjust measure.

PRUDENT POLICY PENALISED

The policy of your board of directors has been over a long period of years to endeavour to maintain a fair balance between the interests of the shareholders and those of the consumers. With that end always in view, your directors have from time to time prudently set aside adequate reserves, and have either made progressive reductions in rates for supply to consumers or made available to them additional facilities.

It is obvious that in taking the basis of Stock Exchange values of the parent company's stocks for purposes of compensation, these substantial free reserves, involving as they do the realisable value of your holdings in the subsidiary companies, have to all intents and purposes been ignored. In my opinion, if a policy had been adopted of distributing to the ordinary stockholders of the County Company large blocks of the holdings in the subsidiary companies, the County Company's strength would still have permitted the maintenance of a 10 per cent. dividend. Still, I think you will agree that the policy adopted by your directors of building up the inherent strength of our group organisation was the right one—the honest one. Where we erred was that we could not anticipate that any British Government, renowned throughout the centuries for honesty and fair-play, should have penalised prudence by introducing such a confiscatory measure.

Referring to the Bill to nationalise the gas industry, he said: It is not proposed to transfer to the Gas Council any gas assets or give it any responsibilities of producing or transmitting gas analogous to the responsibilities of the British Electricity Authority. I do most earnestly hope for the sake of the country that the powers of the Minister and the British Electricity Authority will so be exercised as to prevent over-centralisation happening in the electricity industry.

The report was adopted.

BRITISH POWER AND LIGHT CORPORATION, LIMITED

INCREASED REVENUE

AIR COMMODORE C. E. BENSON'S SPEECH

THE LAST ANNUAL MEETING

The 19th ordinary general meeting of the British Power and Light Corporation, Ltd., was held on the 18th instant at Winchester House, Old Broad Street, London, E.C., Air-Commodore C. E. Benson, C.B.E., D.S.O. (chairman of the company), presiding.

The secretary (Mr James Rankin, F.C.I.S.), having read the notice convening the meeting and the report of the auditors,

The chairman said: The consolidated profit and loss account and balance sheet show a complete picture of the operations of the Corporation and its subsidiary companies during the past year and the position as at 31st December. In spite of the restrictions imposed on the consumption of electricity during the early part of the year and of certain reductions which we have made in our tariffs, to which I shall refer later, revenue from sale of energy increased by approximately £78,700 and for the first time exceeded £2,500,000. Due mainly, however, to the continued upward trend in the cost of coal and to the reduction in tariffs, our cost of energy increased to an even greater extent with the result the gross profit was less than that for the previous year by about £76,000.

INCREASED OPERATING EXPENSES

Operating and management expenses are higher by just over £55,000, due almost entirely to increases in the cost of repairs and maintenance, local rates and salaries and wages. Interest and other receipts and reserves for depreciation are both slightly up and our trading profit is down by about £133,000 at £386,309.

Debenture and other interest shows a small decrease due to the normal annual debenture redemption, and the reserve for taxation is down from £254,884 to £146,206, due partly to the reduction in trading profit and partly to the repeal of excess profits tax. The result is that after providing for preference dividends there remains a balance of £160,313 compared with £181,275 for the previous year.

CONSOLIDATED BALANCE SHEET

The Consolidated Balance-sheet shows the Capital Expenditure during the year amounted to approximately £165,000. In addition, stock and work-in-progress are higher by about £266,000. These figures reflect the somewhat more plentiful supplies of certain materials which were available during the year. Sundry debtors and payments in advance and sundry creditors are down by approximately £72,000 and £88,000 respectively. In spite of the reduction in trading profit, provision for future taxation is higher by nearly £33,000. This owing to the fact that, excess profits tax having been repealed, income tax has been provided on the whole of the profit for the year and has been shown as provision for future taxation.

With regard to the Corporation's own

accounts, interest, dividends and sundry receipts are less than in the previous year by £12,637 and the profit for the year is £338,276 compared with £349,611. After providing for taxation, preference dividends, and the interim ordinary dividend paid on October 1st, 1947, there remains a balance of £104,931. It is proposed to pay a final dividend on the ordinary stock of 5 per cent, maintaining the total dividend at 8 per cent, leaving £49,106 to be added to the amount carried forward.

REVISION OF TARIFFS

Ever since the inception of your company your board has consistently endeavoured to reduce the cost of electricity and from time to time substantial reductions have been made. During the war period such reductions had to be held in abeyance, but during the year under review we have completed our postwar revision of tariffs on our subsidiary companies and have been able in some cases to make material reductions. Further, we have discontinued the charging of meter-rentals in all our areas. It is to be hoped that this policy of continually attempting to bring down the cost of electricity to the public will be continued under the new nationalisation policy and that the record of your company, which has never once put up its prices, will not be broken.

Stockholders will remember that at a meeting on November 27th last, Mr R. Ashton Hamlyn, of Messrs. Binder, Hamlyn and Co., the Corporation's auditors, was appointed stockholders' representative for the purposes of Section 21 of the Electricity Act, 1947. An order has now been made by the Ministry of Fuel and Power prescribing April 1st as the vesting date under the Act, with the result that as from that date Mr Hamlyn will take the place of the directors as representative of the interests of stockholders.

THANKS TO EXECUTIVE AND EMPLOYEES

This is the last time that we shall hold an annual general meeting and I know that shareholders will not want me to finish without thanking all the executive staff and employees from top to bottom, who have throughout the history of the Corporation worked so loyally and efficiently. We have indeed been lucky in having such a good team, and I know that you would like me to wish them the very best of luck, prosperity and happiness under their new regime.

I now move:—"That the report and accounts, as audited by the Corporation's auditors, now before the meeting showing the position of the Corporation's affairs as at December 31, 1947, be approved and adopted."

Mr. G. Wansbrough, Comp.I.E.E., seconded the resolution and it was carried unanimously.

The dividends as recommended were approved; the retiring directors, Mr R. Nelson, M.I.M.E., M.I.E.E., and Mr G. Wansbrough, Comp.I.E.E., were re-elected, and the auditors, Messrs. Binder, Hamlyn and Co., having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors, executives and staff.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and seventeenth meeting was held, in Edinburgh, on the 18th instant, and in the absence of the president, the Right Honourable the Earl of Stair, K.T., D.S.O., the chair was taken by Mr Ranald K. Cuthbertson, W.S., chairman of the board of directors.

Mr Cuthbertson said: Today I have a two-fold duty, because in addition to the year's accounts we have before us the report on the quinquennial investigation as at December 31st last.

NEW BUSINESS

Dealing first with the year 1947, life assurance policies were issued for a net total of more than £3,000,000, being nearly 50 per cent. in excess of our previous record. Annuity business (mainly under the Society's scheme of guaranteed annuities) was maintained about the same level as 1946. £644,033 was received in purchase money in respect of annual payments of £50,385. On the subject of new business, I think you will be interested to know that we have made arrangements to commence at an early date the transaction of group insurance.

REVENUE ACCOUNT

The net rate of interest calculated on the life assurance fund, excluding the reserve fund and carry forward, is £3 15s. 3d. per cent. Claims by death were £324,134, while claims by survivorship under endowment assurances amounted to £549,530. Our large new business is reflected in the substantial sum paid in commission to agents. The item expenses of management has increased, but the figure is believed to be a reasonable one in relation to the size and scope of our operations. There was an increase in the funds amounting to £716,000, to which annuities again contributed substantially.

BALANCE SHEET

Turning to the balance sheet, British Government securities are reduced by £1,280,000, loans to the Standard Property Investment Company Limited, are increased by £400,000 and mortgages by £114,000, while debentures, preference stocks and equities show increases of £220,000, £532,000 and £771,000 respectively.

As a result of the general fall in Stock Exchange values since the last report the favourable margin between the balance sheet values and the market values of our Stock Exchange securities has diminished. The reduced margin is still, however, a very substantial one.

BONUS DECLARATION

I have been brief in my references to the year's accounts, because the operations and figures of the year are, of course, included with those of the four previous years in the actuarial investigation, and to this subject I shall now address myself.

The actuary's valuation of the life assurance contracts was made at the previous investigation at the end of 1942 at a net rate of interest of 2½ per cent. This valuation basis was strengthened by an additional reserve of £150,000. On this occasion the rate of 2½ per cent. has been used again, but the £150,000 has been increased to £230,000, which sum is sufficient to reduce the rate of interest by ¼ per cent. The valuation interest basis for assurances at December 31, 1947, is thus the equivalent of 2½ per cent. The rate used in valuing the annuities is 2½ per cent.

Deducting the resulting total of the liabilities from the amount of the fund at Decem-

ber 31st last, there emerges a surplus of £1,056,770. The directors have decided to declare bonuses on ordinary participating policies at the rate of 36s. per cent. per annum (or £9 per cent. for the quinquennium), calculated on sums assured and existing bonuses, and corresponding rates on the new very small "immediate bonus" and "minimum rates" classes. These allocations cost in all £893,413, leaving £163,357 to be carried forward.

INTERMEDIATE BONUS

We enter the new quinquennium in a position of considerable financial strength, which is the starting point for consideration of the intermediate bonus which falls to be approved by this meeting. Intermediate bonus is bonus to be allowed meantime in respect of premiums payable after December 31, 1947, on policies becoming claims in the new quinquennium.

The board devoted most careful attention to this question of intermediate bonus, and decided to recommend a rate of 30s. per cent. per annum compound on ordinary participating policies becoming claims by death or survivorship, and 26s. per cent. for those in the small "minimum rates" class becoming claims by survivorship. These rates of bonus may be reviewed at any annual general meeting during the quinquennium, and it will be even more necessary than in the past to watch to what extent changing circumstances and conditions may indicate the desirability of reconsidering them.

I am sure it will be agreed that these results show not only a very strong position as regards reserves, but indicates substantial earning power in spite of the handicaps of high taxation and increasing costs and in spite of the well-known investment difficulties of the present time.

The report and accounts were adopted unanimously.

TEMPERANCE PERMANENT BUILDING SOCIETY

MR CYRIL W. BLACK ON SOCIETY'S PROGRESS

The ninety-fourth annual meeting of the Temperance Permanent Building Society was held, on the 11th instant, at the Caxton Hall, London.

Mr Cyril W. Black, J.P., F.R.I.C.S., F.A.I., chairman of the society, in the course of his speech, said: The year which has recently ended has been one of steady progress in all departments of the society's business.

INCREASE IN BUSINESS

The total assets have risen during the year by £3,190,935 to a record figure of

£20,748,243. On the other side of the balance sheet the amounts due to shareholders and depositors have increased by £2,984,881 to £19,108,124.

Mortgage advances made during the year total £6,694,030, a figure which marks a further record in the history of the society. It should be emphasised that the large volume of mortgage business transacted has not been secured at the cost of the relaxation in the slightest degree of those rigid standards of prudence which it has ever been our custom to observe.

I have made reference in former years to the importance attached by the board, particularly at a period such as this, of having our mortgage securities widely distributed so that any depression affecting part of the country or any widespread removal of industry and population from one district to another would have only a minimum effect upon our business. The extent to which we have been successful in securing a wide dispersal of our mortgage securities is demonstrated by the following table:—

Area	Money advanced on Mortgage during 1947	Total Mortgage Asset on the 31/12/47
Greater London Area	£2,371,690	£8,428,845
Remainder of England and Wales	£3,194,890	£6,282,477
Scotland and Nthn. Ireland	£1,127,450	£2,089,943

The reserve and contingency funds and balance of profit carried forward amount to £1,342,242, a figure higher than ever before, representing over 7 per cent. of the aggregate share and deposit capital. A satisfactory degree of liquidity has also been maintained.

CRIPPLING TAXATION

Turning now to the profit and loss account, there are two matters only on which I think it is necessary for me to comment. Our ratio of management expenses to mortgage asset shows a considerable reduction compared with the previous year. In these days of rapidly rising costs, your Board has considered it more than usually important to concentrate upon maintaining the expenses of the society at the lowest possible level consistent with efficiency. The second matter to which I would direct your attention relates to the crippling taxation to which the society is subject, and, in particular, the increase in the amount payable in profits tax (£39,427) compared with the amount previously payable in National Defence Contribution (£6,965). The reasons advanced by Government spokesmen in favour of the special con-

cession to co-operative societies would all appear to me to apply with at least equal force in the case of building societies. The Government, however, was not inclined, for reasons which have never been made clear, to extend the same concession to building societies, and one is left with the impression that the concession to co-operative societies was made rather for political considerations than on the merits of the case.

I am pleased to be able to assume you that our borrowing members continue to honour their obligations in a satisfactory manner.

I cannot pass from my review of the work of the past year without voicing our sense of gratitude to those who, in a very difficult period, have made possible the satisfactory results now under review. The outstanding services of our managing director, Mr Ronald Bell, have played a large part in raising the society to the position it at present enjoys; to him, to his executive colleagues and to all members of the staff, I wish to express our appreciation and sincere thanks.

THE OUTLOOK FOR BUILDING SOCIETIES

As far as the future is concerned, it is more than usually difficult to speak with any sense of assurance. As far as our society is concerned we foresee the immediate future as a period of consolidation.

The total volume of mortgage business throughout the country in the near future will probably be less than during the past few years. The building of houses for sale will not be on a sufficiently large scale to add to the volume of mortgage securities available, and, while during the past two or three years there have been great transfers of population throughout the country as a result of the resettlement of families after the war, this process is now probably drawing to a close.

Today the proposition that it is socially and politically beneficial for as many citizens as possible to become the owners of their own homes is being challenged and assailed as never before, but in spite of every onslaught its truth remains. The creation of a property-owning democracy has ever been the ideal and objective of the building society movement, and the principles of thrift and personal endeavour on which the success of the movement has been built up will assuredly come into their own again. Without them the rebuilding of the prosperity of our country is impossible. We accordingly face the future conscious of the difficulties which impend, but confident of our ability to continue to make our contribution to the welfare and prosperity of the community.

The report and statement of accounts were adopted.

AIR MINISTRY

Vacancies exist in the Air Ministry for the following Statistical posts.

1. *Statistician* (Order No. A92/48/A). Salary £800 rising by annual increments of £25 to a maximum of £965 a year. The duties involve responsibility for the collection and presentation of various statistical data connected with the organisation of the Royal Air Force. It is essential that candidates should have an Honours degree, or equivalent qualification, in mathematical statistics. They must be highly skilled statisticians with considerable experience and possess good personality with a talent for administration.
2. *Statistical Officer* (Order No. A461/47/A). Salary £650, rising by annual increments of £25 to a maximum of £750 a year. The duties involve the provision, collection, analysis and interpretation of all statistical information concerning the serviceability, repairs and defects of aircraft, mechanical transport, marine craft and ground equipment in the Royal Air Force. Candidates must have a degree, or equivalent qualification, in mathematical statistics and a knowledge of engineering with, if possible, some administrative experience.

Write, quoting relevant order number, to Ministry of Labour and National Service, Technical and Scientific Register, Room 669, York House, Kingsway, W.C.2, for application form, which must be returned completed by 31 March, 1948.

HOLIDAY PLANS? If you want good suggestions for a holiday "off the beaten track," independently or with a party of professional people, contact Erna Low, 9, Reece Mews, S.W.7. KEN. 0911.

WANTED.—Runs of *Economist* before 1936.—Box 691.

Statistical Summary

GOVERNMENT RETURNS

For the week ended March 13, 1948, total ordinary revenue was £105,776,000 against ordinary expenditure of £60,131,000 and issues to sinking funds £120,000. Thus, including sinking fund allocations of £16,742,000 the surplus accrued since April 1st is £795,302,000 against a deficit of £433,662,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	April 1 to Mar. 15, 1947	April 1 to Mar. 15, 1948	Week ended Mar. 15, 1947	Week ended Mar. 15, 1948
ORDINARY REVENUE					
Income Tax	108,600	108,387	113,176	28,680	28,025
Surtax	80,000	69,342	84,055	3,350	4,300
Estate, etc., Duties	155,000	142,174	163,079	4,100	4,000
Stamps	57,000	35,099	52,980	520	1,500
N.D.C.	206,000	31,107	33,770	630	1,350
E.P.T.	1,000	316,061	245,468	7,050	6,400
Other Inland Rev.		579	715	110	...
Total Inland Rev.	158,500	167,825	171,185	44,440	45,575
Customs	742,460	586,655	756,749	14,820	16,097
Excise	668,540	548,200	606,100	8,200	3,600
Total Customs & Excise	1,411,000	1,134,855	1,362,849	17,620	19,697
Motor Duties	50,000	49,123	48,763	311	235
Surplus War Stores	95,000	135,084	193,382	1,660	25,960
Post Office (Net Receipts)		3,150	4,080	Dr 500	1,100
Wireless Licences	11,000	9,110	10,240	...	...
Crown Lands	1,000	870	950	...	...
Receipts from Sundry Loans	21,000	23,625	23,022	45	31
Miscell. Receipts	270,000	55,235	229,891	7,040	13,178
Total Ord. Rev.	3,499,000	3,129,287	3,676,291	70,615	105,776
SELF-BALANCING					
Post Office	144,230	123,600	134,400	2,000	2,150
Income Tax on E.P.T. Refunds	49,000	148,380	21,835	691	184
Total	3,692,230	3,401,267	3,832,526	73,306	108,110

Expenditure	Estimate, 1947-48	April 1 to Mar. 15, 1947	April 1 to Mar. 15, 1948	Week ended Mar. 15, 1947	Week ended Mar. 15, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	493,794	496,591	4,505	3,289
Payments to N. Ireland	23,000	18,021	21,766	...	...
Issue to Nat. Land Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	7,080	7,087	5	95
Total	556,000	568,896	525,443	4,511	3,384
Supply Services	263,514	297,715	233,805	10,204	56,747
Total Ord. Exp.	3,191,114	3,546,046	2,854,248	106,515	60,131
SELF-BALANCING					
Post Office	144,230	123,600	134,400	2,000	2,150
Income Tax on E.P.T. Refunds	49,000	148,380	21,835	691	184
Total	3,383,344	3,818,026	3,020,483	109,206	62,465

After increasing Exchequer balances by £44,760 to £3,159,826, the other operations for the week decreased the gross National Debt by £34,217,539 to £25,744 million.

NET RECEIPTS (£ thousand)	8
Land Settlement (Facilities) Acts, 1919 and 1921..	...
NET ISSUES (£ thousand)	550
P.O. and Telegraph	226
E.P.T. Refunds	10
Overseas Trade Guarantees Act, 1939, sec. 4 (1)...	5,000
Local Authorities Loans Act, 1945, sec. 3 (1)...	25
Overseas Resources Development Act, 1948, sec. 17 (1)...	5,000
War Damage: War Damage Commission	460
Finance Acts, 1946 and 1947, Post-war Credits...	11,271

CHANGES IN DEBT (£ thousand)			
NET RECEIPTS		NET REPAYMENTS	
Treasury Bills	24,635	3% Def. Bonds	*2,798
Nat. Savings	1,600	3% Conv. Loan,	1,972
2½% Def. Bonds	978	1948-53	1,643
Other Debt:—		3% Ter. Annuities	13,365
Internal	11	Tax Reserve Certs.	23,610
External	1,946	Ways & Means Advances	20,000
		Treasury Deposits by Banks	63,388
	29,170		

* Including £2,212,000 paid off on maturity.

* Including £2,212,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
Mar. 15	2185.0	2628.0	582.2	...	1435.0	6830.7
Nov. 29	2250.0	2561.0	338.6	...	1337.5	6487.1
Dec. 6	2250.0	2582.2	340.3	...	1372.5	6545.0
" 13	2250.0	2569.5	325.1	...	1367.5	6512.1
" 20	2250.0	2605.4	306.6	6.3	1377.0	6545.2
" 31	2250.0	2550.7	305.6	...	1402.5	6508.8
1948						
Jan. 10	2220.0	2516.3	317.2	...	1574.0	6427.5
" 17	2210.0	2474.3	373.7	...	1335.5	6393.5
" 24	2200.0	2426.6	341.1	...	1330.0	6297.7
" 31	2190.0	2357.3	371.3	...	1329.5	6248.1
Feb. 7	2170.0	2351.5	301.6	...	1329.5	6152.6
" 14	2160.0	2307.4	368.4	...	1274.5	6108.3
" 21	2160.0	2346.8	447.6	...	1236.5	6190.9
" 28	2160.0	2342.4	492.7	2.5	1201.0	6198.6
Mar. 6	2160.0	2667.5	446.3	...	1259.5	6533.3
" 13	2160.0	2692.2	416.7	6.5	1239.5	6514.4

TREASURY BILLS (£ million)

		(₹ million)				
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1947						
Mar. 14	170.0	273.9	170.0	10 1.59	51	
Dec. 12	170.0	289.8	170.0	10 2.66	45	
" 19	170.0	274.7	170.0	10 2.89	50	
" 24	170.0	288.1	170.0	10 2.73	43	
1948						
Jan. 2	170.0	274.2	170.0	10 2.99	52	
" 9	170.0	285.2	170.0	10 2.63	45	
" 16	170.0	251.2	170.0	10 3.41	57	
" 23	170.0	269.1	160.0	10 2.97	46	
" 30	160.0	282.7	160.0	10 11.56	36	
Feb. 6	150.0	276.5	150.0	9 11.89	42	
" 13	160.0	240.2	160.0	9 9.92	67	
" 20	170.0	266.0	170.0	10 0.16	52	
" 27	170.0	236.8	170.0	10 2.41	68	
Mar. 5	170.0	227.7	170.0	10 1.11	40	
" 12	170.0	286.3	170.0	10 1.48	45	

On March 12th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted at about 45 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. (£170 million (maximum) of Treasury Bills are being offered for March 19th. For the week ended March 20th the Banks will be asked for Treasury deposits to an amount of £100 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended Mar. 8, 1947	Mar. 8, 1948	Totals Mar. 31 to Mar. 6, 1948
Savings Certificates:—			
Receipts	6,700	3,850	211,300
Repayments	4,400	2,650	126,750
Net Savings	2,300	1,200	84,550
Defence Bonds:—			
Receipts	2,983	1,025	65,370
Repayments	967	1,153	38,347
Net Savings	2,016	Dr 128	27,023
P.O. and Trustee Savings Banks:—			
Receipts	14,593	15,134	655,872
Repayments	11,619	11,836	579,547
Net Savings	2,974	3,298	76,325
Total Net Savings	7,290	4,370	187,898
Interest on certificates repaid	792	477	23,815
Interest accrued on savings remaining invested	2,351	2,349	106,693

BANK OF ENGLAND RETURNS

MARCH 17, 1948

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	11,015,100
In Circulation	1233,599,150	Other Govt. Securities...	1288,245,250
In Bank. Department	66,648,683	Other Secs. other than Gold...	729,792
		Issue of Gold...	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)....	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

Capital	£14,553,000	Govt. Secs.	326,679,291
Reserves	3,948,244	Other Secs.	13,442,997
Public Depts.	11,974,284	Discounts and Advances	21,777,614
		Securities	34,620,611
Other Depts.	305,129,181	Notes	66,648,683
Bankers	92,799,067	Coin	455,191
Other Accts.	397,928,248		428,403,776
	428,403,776		

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

COMPARATIVE ANALYSIS (£ million)

	1947	1948
	Mar. 19	Mar. 3
Issue Dept.:		
Notes in circulation	1386.8	1236.5
Notes in banking department	63.4	63.7
Government debt and securities*	1449.4	1299.3
Other securities	0.6	0.6
Gold	0.2	0.2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.:		
Deposits:		
Public	10.2	18.5
Bankers	307.7	293.5
Others	91.4	93.4
Total	409.3	406.1
Securities:		
Government	333.5	327.6
Discounts, etc.	11.4	10.5
Other	18.7	20.7
Total	363.6	358.8
Banking dept. res.	64.1	63.9
" Proportion "	15.6	15.8

* Government debt is £11,015,100, capital £14,553,000. Fid

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UNIVERSITY OF LONDON.—The Senate invite applications for the Chair of Statistics tenable at the London School of Economics and Political Science (salary £1,500).—Applications must be received not later than 31 May, 1948, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Chair of Public Law tenable at the London School of Economics and Political Science (salary £1,500).—Applications must be received not later than 19 May, 1948, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Political Science tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200).—Applications must be received not later than 20 May, 1948, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

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NOTICE IS HEREBY GIVEN that the seventieth ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's offices, 61, Avenue Fouad Ier, Alexandria, on Thursday the 8th April, 1948, at half past four in the afternoon for the transaction of the ordinary business of the Company, pursuant to Act of Parliament. Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before the 25th March, 1948, or in Alexandria before the 5th April, 1948, until after the Meeting, at the National Bank of Egypt, 6, King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

DATED, Alexandria, Egypt, the 12th February, 1948.

By Order of the Board,

ROBERT WALTON, Manager.

NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of the Shareholders will be held in the Bank's Premises at 21, Bishopsgate, London, E.C.2, on Tuesday, 30th March at Twelve o'clock noon precisely, to receive the Accounts to 31st December last, with the relative report by the Directors, to declare a Dividend, to elect Directors, to appoint Auditors, and for general purposes.

An Extraordinary General Meeting, notice of which was sent to the Shareholders on 5th instant, will be held immediately following the Ordinary General Meeting in connection with a Special Resolution for the alteration of the Bank's Memorandum of Association.

By Order of the Board,

N. W. CHISHOLM, London Manager.

26, Bishopsgate, London, E.C.2. 9th March, 1948.

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March 27, 1948

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Realities in Palestine

SLOWLY but inexorably the facts about Palestine are exerting their pressure in Washington. The fact that partition can be imposed only by force has been fought against for many wasted months, but it is now accepted. So, at last, is the fact that Britain will not obligingly supply the force. If, therefore, partition is to go through, either the United States must itself provide the troops, or else it must face all the problems of creating an international army, which might have a Russian component and would certainly contain many Communists. Neither alternative is acceptable. The United States has therefore abandoned partition and proposes instead that the United Nations should undertake a trusteeship for Palestine when Britain lays down the existing mandate, and maintain it until such time as the Arabs and Jews find a solution upon which they can agree.

The abandonment of partition represents an American concession to reality. The same can hardly be said of the proposal that the United Nations should take over the mandatory's task. The imposition of Trusteeship is now as unacceptable to Arab and Jew as the imposition of partition. The Jews have prepared their plans for announcing the creation of a Jewish state on May 16th—the day after Britain formally abandons the mandate—and the Arabs will continue to attack the state, whether or not a perplexed and helpless United Nations Commissioner sits in some heavily defended corner of the King David Hotel. The only condition in which a trusteeship could now be maintained would be a readiness of the British Government to keep their troops in Palestine and maintain internal security after May 15th. There is no time to do anything else—so that new Trusteeship is merely old Mandate writ large. But Mr Creech Jones has left the world in no doubt about Britain's determination to abandon sole responsibility for Palestine in May, whatever plan—partition, continued mandate, federation—is proposed to fill the vacuum.

It is time surely to look at the situation in Palestine squarely, without reference to settlements by agreement, the extension of United Nations authority, the maintenance of the mandate or any other form of words designed to mask the ugly reality. There can now be no settlement in Palestine of any kind except by force. When the British withdraw, the Arabs and Jews will fight it out. The only way of preventing a murderous war is to use external force to hold the combatants from each other's throats. That is the reality of Palestine—there is no other. And at the moment the likelihood of external force coming in to prevent the struggle is so remote that a fight to a standstill between Arabs and Jews in the Holy Land is the tragic prospect of 1948.

Some observers are not too perturbed at this. They argue that the only way in which Arab and Jew can ever approach a settlement is for each side to be compelled, by the irrefutable evidence of war, to abandon its extremer claims. They believe that prolonged fighting will leave the Jews with a small area along the coast where their sovereignty will be unchallenged, while the Arabs will be in control everywhere else. This situation will compel the Jews to abandon their claim to control all

Palestine (and even more), while the Arabs may be persuaded to accept a partition they know they cannot overthrow by force. At that point, therefore, a settlement might be reached.

Anglo-American opinion is not likely to accept easily the cold-blooded realism of this approach. What has already happened in Palestine is proof enough of how pitiless and horrible the war between Arab and Jew would be, and anyone with a spark of humanity left in him will recoil horrified from the possibility that the Jewish people, already decimated by the Nazis and loaded with the persecution of centuries, should now, in the land they hoped to make their own, be exposed to new violence in a war they cannot win. This purely disinterested and humane reaction is reinforced in the case of Britain and America by the realisation that Palestine lies dangerously near the front line between Russian and Western interests in the Middle East and that nothing renders intervention so inviting or so possible as the existence of a bitter civil war. If there were any feasible alternative to accepting the arbitrament of war in Palestine, the Americans and the British would have the most compelling reasons for adopting it and carrying it out.

Is there such an alternative? In the past the difficulty has lain not only in the division of opinion between Arab and Jew, but in the inability of the British and American Governments to agree even in principle. President Truman's retreat from partition suggests that he has now abandoned the attempt to conduct American policy as though Palestine were a Zionist ward attached to New York State. But it gives no hint whether he has also abandoned the adjunct of partition—unlimited immigration for the Jews. Insistence upon immigration and, in particular, upon the immediate admission of 100,000 Jews into Palestine, has proved a permanent obstacle to Anglo-American agreement even in principle. It may still remain. If, however, the President is ready to accept the reality of Arab opposition not only to partition but to mass Jewish immigration as well, it is possible to believe that the British and American Governments together in an earnest effort to reach agreement could evolve a joint policy, at least on paper. It might take the form of creating a separate Jewish canton or state in a federal Palestine, in an area smaller than that proposed by the United Nations Commission, but larger than the area the Jews would be likely to retain after an Arab-Jewish

war. It might also be possible to lessen the opposition of both sides by offering the Jews alternative possibilities of immigration for their unhappy displaced persons in Europe (the passage of the Stratton Bill would be a helpful American contribution) and by assuring the Arabs of economic assistance in developing the Middle East. Some such scheme is conceivable, now that the Americans are no longer committed to the full Zionist case. The difficulty lies in its implementation.

Any scheme must be initiated before the British leave Palestine. Otherwise the situation will be out of hand before the alternative to Arab-Jewish war has fairly been launched. But the British will not carry through any scheme single-handed. Nine months ago they still might have done so, but the murder of the two young sergeants brought about one of those rare shifts in British public opinion which, once they have occurred, are irrevocable and which no statesman will challenge. There is only one conceivable condition under which the British could be persuaded to stay in Palestine and to help carry through an agreed Anglo-American policy, and that is if the Americans were prepared to carry at least half the direct military burden and the lion's share of the economic cost. If the British Government knew that British forces in Palestine would be reinforced by American troops, that the heavy financial burden of restoring internal security in Palestine would pass in the main to America's broader shoulders, and that America's full participation would be maintained for as long as was necessary to reconcile Jew and Arab to a solution they both dislike, it is conceivable that the present British policy of withdrawal and *après nous, le déluge* might be reversed.

To say so much is simply to underline the extreme improbability of such a solution. In abstract terms, it may be a better solution than any other. It may more fully meet the realities of Anglo-American strategic needs in the Middle East. It may give more hope in the long run to the tragic remnants of European Jewry. It may offer the Arabs a better chance of improving their economic and social conditions and of avoiding internal collapse and revolution. But all these possibilities splinter on the single fact that America will not send troops to Palestine and the British are no longer prepared to do so. No phrase-making about the United Nations or mandates or trusteeships or sacred trusts to humanity will cover up the stark reality. And since neither Britain nor America will enforce a settlement, the Arabs and Jews will, by bloody war, enforce their own.

Civil Defence

THE state of a nation's precautions against attack by aircraft or projectiles is in these days the measure of its expectation of war. Nothing can make convincing the suggestion that the Great Powers intend aggressive or preventive war with the latest weapons so long as civil defence in America, Russia and Britain is virtually non-existent. So vast and complex is the reorganisation of home and industrial life, the location and protection of national resources demanded by any efficient scheme of defence, that no Government will seriously attempt it unless its military advisers offer unanimous advice or incontestable intelligence that war is probable. Yet that is no reason why the basic ideas, the framework of direction and the nature of the training that civil defence demands should not be thought about and planned as carefully as the future of armies and air forces. What was said on behalf of the Government in last Monday's debate in the House of Commons was in this respect far from satisfactory.

For practical purposes civil defence is almost back where it was in 1937. The Civil Defence Department of the Home Office is exiled from Whitehall to the museum district of

Kensington; its staff is reduced to a faithful few with whom reposes the military, administrative and human experience collected during the air attacks of four years; the Home Office officials who dismantled the wartime organisation with such exemplary speed are examining plans for a new structure with no less exemplary caution. Yet, if White Papers mean what they say, "the security of the United Kingdom" is "our first long-term defence commitment." And the Home Secretary said as long ago as November 5, 1945, that the Government regarded as essential its duty

to make adequate arrangements for the protection and rescue of the population, for the mitigation of the effects of air attack and for the restoration of industries and services after attack.

The two years that have passed since that statement have been used by the faithful few to think out a new doctrine of civil defence. Except for some progress in research, little else has happened.

Part of the new doctrine—the tactical part—is set out in the "Memorandum on the Reorganisation of Civil Defence Services" which was circulated in December among the repre-

sentative associations of local authorities. Its main features are four: a new and decisive role for the Army; mobility of large portions of all the necessary services; division of the country into target areas each covering several local authorities; concentration of commands. All these fall into the class of remedial measures. Preventive measures, so far as they are not covered by active military defence, fall under the main heading of "dispersal"—of which more will be said later.

There can be no quibbling with the proposal to draw from the Army the main force and reserves of mobile columns for rescue and restoration duties. By the beginning of next year training in civil defence will be universal in the Army. There will grow gradually out of the ranks of conscripts and Territorials a cadre of specialists that can be quickly mobilised to cover the slower deployment of civilian services. In case of heavy air attacks, the transport and communications of the Army would be normally better defended and more quickly reinforced than those of local authorities and civilian columns. The present intention is that military columns would work under the direction of civil defence area commanders; there is apparently to be no GHQ Home Forces.

Next in the hierarchy come "local mobile services," possibly based in peace-time on the police and the fire services; civilian volunteers would give part-time service in peace and provide a large whole-time element in war. Recruitment and administration in peace would be local, and training would be provided in rescue work, first-aid, direction of the homeless, emergency repairs, and measures against gas and biological warfare. Behind these local forces come the "static forces," organised and administered by the police. Whether they will emerge as a combination of the old wardens' and fireguard services, or whether they will consist of able-bodied civilians organised for self-help is not yet decided. For them too voluntary peace-time training is prescribed. In line with this national wide force come an emergency medical service, civil defence units in factories, transport and business premises, and a special full-time force for the work of restoration after attacks.

*

So far so good. Civil defence has a sensible tactical doctrine which local authorities are now examining. They will doubtless accept it and concentrate their comments on the question of who pays the bill. They will probably begin a tug-of-war with Whitehall—like that of 1937-38—which will delay by months the most tentative advance towards organisation and training. But the delay in this quarter is likely to be far less serious than that which can be foreseen in the top levels of the civil defence hierarchy. Mr Younger, when stating the case for the Home Office in the debate on civil defence, glided swiftly over this very slippery ground.

The present intention is that the Ministry of Defence should have nothing to do with civil defence. No one knows why. To make matters worse, the Minister in charge of civil defence—

the Home Secretary—is not a member of the defence committee of the Cabinet, in spite of the fact that there is scarcely a subject discussed by that body which has not some bearing on his task. The new Civil Defence Committee of all departments, on which one would expect Ministers to sit, in fact consists of Permanent Under-Secretaries. Beneath this body, responsible to nothing more exalted than a department of the Home Office, is the newly formed Civil Defence Joint Planning Staff, which has yet to meet. With such a chain of command it will be surprising if either speedy or authoritative action is taken; it is clearly the creation of minds more interested in maintaining the authority of the Home Office than in relating civil defence to the plans and work of the Fighting Services.

This confusion is, of course, only one result of the proliferation of committees which has occurred in Whitehall since the wartime defence organisation under the Cabinet was transformed into a system in which military experts are carefully subordinated to civil servants and "channels" are more important than ideas. Only such an environment could nourish the idea that the Home Secretary should be responsible for matters which lie at the very root of national defence—matters which in the United States are to be entrusted to the Department of Defence. It would perhaps be reasonable to rely on time to prove the weakness of the organisation, if it were not quite clear that its persistence will delay still further the working out of the strategy of civil defence.

Without such a strategy no amount of sensible thinking and administrative changes will answer the puzzled, indignant questions that will be heard when the demands for action filter through layer after layer of county, town hall and parish representatives to the full-time and part-time volunteers of the local "mobile" and "static forces." What is the good—they say—of trying to do anything against atomic bombs? How can a single soul work or move or live in an area where radiation is still active (as it still is at Bikini months after the explosion of the atomic bomb under water)? How can any force, however well trained and equipped, cope with the destruction that would face it after a raid on a great industrial area? Or with a determined attempt to neutralise key areas of the country by chemical or bacteriological warfare?

These questions are already being asked, and Sir John Anderson made on Monday a sensible and well-informed attempt to show that they can be answered. He realised that it is not enough to answer them with the reminder that people must be rescued and tended after attack, that transport and communication must be restored, that civilised life collapses if certain public services cease for more than a few days. Something more has to be done and said to overcome the feeling of complete helplessness that is bred by the intelligence and imagination of people who think aloud about the prospects of atomic warfare. That something positive can be done has been proved by the small team of lecturers and demonstrators sent by the Home Office's



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Civil Defence Department to audiences all over the country. They have discussed and shown official reports and pictures of what happened at Hiroshima and Bikini, in the Hamburg "fire-storm raid," and the Tokyo incendiary attack. They have passed on what expert views there are about the lessons for the future. They have discussed candidly with their audiences the problem presented by a Portsmouth or a Liverpool sprayed with radio-active water by the explosion of an atomic bomb in the port. The response has been a readiness to volunteer for peace-time training which can be measured not in thousands but in hundreds of thousands; apathy gives way to interest as soon as men and women in the old civil defence clubs up and down the country are convinced that the appalling gravity of the problem is understood by the men from Whitehall.

At the present rate of progress, the planners' constructive and practical suggestions will not be offered for a long time to come. How—to start with an elementary problem—are the trainers and leaders of the public to be trained? Is there to be a civil defence staff college? Will the appropriate Ministers insist on the more careful siting of new power stations, or the more solid construction of new factories? Is a new gas mask being designed for mass production? Are the lessons of Hiroshima and Bikini to be available in simple, sober form for public discussion?

It can of course be argued that to take and discuss such measures publicly is to take war for granted. Several slightly hysterical voices said so during last Monday's debate; they might have said the same with equal cogency in the debates on the Services Estimates a fortnight before. And the idea has to be overcome that measures for civil defence are in some way more immoral, more irrevocable, more fatalistic than the maintenance of a Navy or an Air Force. For they need longer and more careful preparation than fleets or squadrons, and failure to take them in time is likely to offer more temptation to future aggressors than any other weakness in the British defence system. To make this long preparation possible there should be a set of clear ideas about what measures are scientifically, industrially and medically possible. When these are achieved they should be disseminated and carried out by an organisation which is an integral part of the machinery which would come into action in wartime.

For the first time in history, the means exist to destroy in a day or two the chief productive centres of a great Power—if they are unprotected and unorganised. Great harbours can

be denied to fleets; large stretches of town and country can be rendered uninhabitable; the whole industrial system which pumped power into the British and American forces from this island in 1943 and 1944 could be quickly wrecked and dislocated. The problem of meeting the menace cannot just be handed over to the regular sailors, soldiers and airmen. It is their task to engage the enemy, not to look after the civilians. It is for them to stop missiles or microbes arriving, not to restrict the damage they may do. But they have a much more urgent and direct interest in that damage than they used to have: some of them learnt this when the V2s were falling on Antwerp in 1945, threatening to deprive the docks of their Belgian labour and the Army of the Rhine of its food and ammunition. So one would have expected from the Services a demand that civil defence should be taken seriously, that Ministers should prepare answers to the question whether the British Isles, with their present concentration of population and industry, can be held and defended as a base against the forms of warfare that might be directed against them.

The question was being asked before the end of the last war, when it was thought that the Germans might get the atomic bomb first. Some experts are prepared to answer Yes—provided the defence of Britain is regarded as only one aspect of the defence of the Commonwealth. They argue that Britain would be neither so tempting, nor so vulnerable as a target, if there were distributed in the Dominions and Colonies six or seven alternative centres of British industrial strength and striking power. They ask for planned dispersal of population within the Commonwealth; for a gradual sharing out of skilled workmen and key machinery; for deliberate encouragement of heavy and light industries in the Dominions; for dispersal of fuel, raw material and munition stocks.

Such proposals—first presented in full-dress papers at the meetings of Commonwealth Prime Ministers in London nearly two years ago—open up a vast debate. They are mentioned here, not to have judgment passed upon them, but to show the kind of thinking which has to be done before civil defence can be said to have anything more than a tactical doctrine—the doctrine of the memorandum to local authorities. Without that kind of thinking there can be no civil defence strategy; and such thinking will not be stimulated and pursued into action until civil defence has its own planning staff, its staff college, its parity with the fighting Services, and its full and qualified representation in Whitehall.

Warning from Italy

THE impending Italian general elections have taken on the air of a by-election in a far greater contest, the contest which will help to determine the balance of power between the gigantic coalitions of the world powers. The local politicians, Alcide de Gasperi, Palmiro Togliatti, Pietro Nenni, Giuseppe Saragat and the rest, are doing the rounds of North, Central and Southern Italy. But even in the remote villages and country towns, other and larger figures loom as the protagonists of the struggle in its world aspect. Truman, Marshall, Bevin, Stalin, the Pope, are watching Italy for a "straw vote" to show which way the world is going. And like good party managers helping their local Tammany, they throw out tidbits from the platters of international politics, or issue dire warnings on the results of local victory.

Before the new Western policy for Trieste was launched at Turin by M. Bidault, the Western Powers had already done some fairly sustained wooing. Without any repetition of the tale of American economic support from 1943 onwards, whereby

over \$2 billion have been pumped into Italy, a long enough story could be told of the encouragements of a more political nature tendered by the Western Powers to Italy in the last six months—the invitation to the Conference of the Sixteen Nations, the holding of the first meetings on Manpower in Rome, the British and American renunciation of Italian ships due under the Peace Treaty—reparations had already been abandoned—the readmission of Italy to the international administration of Tangier. It is true that, from the joint view of Italian diplomacy and "bourgeois" public opinion, these caresses left the major grievances unhealed. The Italian colonies remain under British Administration and the Adriatic frontier is still fixed by the *Diktat* of 1946—a description of the Peace Treaty now unblushingly adopted by the Press of the Extreme Right. The fact that France and America have proposed the return of the colonies to Italian trusteeship and the excellent record of Allied Military Government in Trieste have not mollified Italian opinion on these points.

Even so, the balance of aid has been heavily on the Allied side, since the approaches of the East towards Italy have been much less concrete and cordial. Something, however, appeared to be brewing in this period immediately preceding the elections. Negotiations for a trade treaty between Italy and the Soviet Union have reached an advanced stage. Their conclusion has been held up only by the Soviet demand that reparations from Italy should be speeded up. The treaty lays down a payment of \$100 million over six years, to start two years after its coming into force. There is room here for bargaining and it has been widely expected that the Soviets would come out with an offer, in time to produce an effect in the elections, which would combine the promise of supplies with some new arrangements for the payment of reparations.

But above all, it has been expected that a new offer would be forthcoming from the Soviet-Jugoslav side on the future of Trieste. At one point—in 1946—conversations between Marshal Tito and Signor Togliatti produced the suggestion that the City of Trieste should pass back into Italian hands in exchange for the cession to Yugoslavia of the city of Gorizia—a proposal at once rejected on the Italian side for both strategic and sentimental reasons. But there was reason to suppose the offer would be repeated. It therefore seems that the new Western proposal that Trieste should revert unconditionally to the Italians has, by very nice timing, anticipated an offer which would have come from the East.

Given this contrast between the scale and effectiveness of Eastern and Western support, one might expect the result—as far as the local elections are concerned—to be a foregone conclusion. The party which can point to its world backers and say, "There is the source of your bread and your livelihood. There are the sponsors of your diplomatic resurgence. There are your friends" ought, surely, to be able to pull off a comfortable majority in the Italian "by-election." The paradox which the Western Allies would do well to consider carefully is that the Italian Government and its supporters expect to do no more than squeeze home and that the Popular Front of Opposition has not been simply whistling in the dark in its assertions that it will emerge as the largest party. In spite of Russian coldness, in spite of Soviet backing for Yugoslavia, in spite of Russia's insistence upon reparations, the Communists and the Nenni Socialists still have grounds for hoping that they will get over 40 per cent of the votes. In spite of having, practically speaking, fed and clothed the Italian people for the last two years, the Western Allies have to admit that the Christian Democrats and their supporters are hard pressed. Something has gone badly wrong, and since the diplomatic duel between East and West is likely to dominate Europe for some time to come, the Western Powers could do worse than make a stock-take now, before they play their trump card—the European Recovery Programme. Italy has, after all, received over \$2 billion all told in the last two years. Not much more will be forthcoming during the four years of ERP. If no greater political results are to be achieved than those which are apparent on the eve of the elections, will there really be stability and revival by 1951? The Western Powers are about to play their highest stakes. But are they certain of the game?

One reason for the unpopularity of both the Western Allies and of the Italian Government is quite simply that both have had a hand in the direct administration of Italy. Memories of the Allied occupation are fading now, but they leave a backwash of bitterness. The Prime Minister, Signor de Gasperi, is inevitably the target for every criticism and discontent by the mere fact of having managed to last for two years and of having shouldered sole responsibility for the last difficult nine months. But this is not a sufficient explanation. The Allies are unpopular not only because they were for a time

actively responsible for Italy, but because there has proved to be so great a gap between their wartime promises of liberation and the dreary performance of co-belligerency. Nor is the Italian Government simply guilty of having governed. It has governed badly. Two examples of this will suffice. The voting strength which may just possibly tip the election scales in favour of the Popular Front lies with the peasants, and one factor which, more than any other, has upset the traditional pattern of voting has been the gains secured by the Communists among the share-croppers in Southern Italy and Sicily. The landless peasant is always radical until he receives his land, and land reform is written into the programme of the Christian Democrats. A few radical moves to end the intolerable feudal organisation of the South would have given them the peasant vote. But they have done nothing, and thus it is their own timidity and conservatism that has handed the advantage to the Communists.

The other issue is that of economic and financial policy. Admitted, Italy had not and has not the machinery to plan a whole economy. Nothing is in more need of radical overhaul than the entire civil service. But it is hard to believe that the degree of incompetence achieved was in fact inevitable. The deflationary policy initiated last year was carried much too far and applied far too rigidly. After forcing prices to fall briefly, it is now reaping the whirlwind in growing unemployment, the collapse and disappearance of many small businesses, the near-bankruptcy of some big firms and the re-emergence of inflation and rising prices, thanks to the Government's expenditure on the unemployed. The resulting sense of confusion and hopelessness is leading even business men to talk of voting for the Popular Front, since "at least it might provide a competent administration."

These economic failures are reinforced by the unfortunate political background of the regime. There are few cities in Europe where the contrast between irresponsible wealth and utter destitution is as marked as in Rome. Anti-clericalism, which the great part played by the Catholics in the Resistance damped down, has reappeared in part at least as a result of Christian Democrat ineptitude and intervention in the field of education. Above all, any genuine Democrat must be worried by the ease with which a genuine Fascist movement, the *Movimento Sociale Italiano*, has been allowed to grow up in the last year and might become, in the event of a large Popular Front vote, an essential part of a Christian Democrat majority in the Chamber.

All these factors not only explain the strength of the Communist opposition in Italy—in spite of all Russia has done to make Signor Togliatti's task impossible. They are also a sharp reminder that dollars alone will not carry through a European Recovery Programme. There has been much talk—rightly—of the necessity of avoiding political and economic conditions and of abandoning any attempt to link American aid with concessions from the receiving nations. But some conditions must be imposed by the nations themselves and must be overseen by the Continuing Organisation and by the Americans, if ERP is to succeed at all. Equitable distribution of supplies, the full use of all local production, the reform of taxation and the creation of financial stability, social measures designed to bring all classes within the benefits of the scheme, honesty of administration and, if possible, higher standards of efficiency—all these are as vital to the success of ERP as the actual voting of dollars in Congress. The Italian situation is a warning and a portent. A whole country may be placed in jeopardy, in spite of the outlay of vast sums of money and the offering of every diplomatic support, simply because internal conditions are chaotic and anti-social. Even with an ERP of treble the size, the fight for Western Europe might still be lost if internal reconstruction did not march external aid.

Scottish Home Rule

THERE is a good deal of disappointment in both Scotland and Wales that the Labour Government has not done more to give those countries direct local control over their own affairs—very little more than the Conservative Governments of the past. Despite the rather rash promises made at the General Election by the Labour candidates on the spot, who flirted freely with Gaelic and Celtic nationalism, only minor concessions have been made; and the recent White Paper on Scottish Affairs [Cmd. 7308] asserts in effect that the question of Scottish self-government is so controversial, and arouses such fierce passions, that an official inquiry into it would be unprofitable and unproductive. What holds of Scotland holds *a fortiori* of Wales. This attempt to close an issue before it has been properly ventilated will do the Government nothing but harm. To many Scotsmen and Welshmen it signifies just another betrayal, and even to the English it denotes a defeatist attitude towards the very real problem of over-centralisation, which this Government has done its level best to exacerbate.

Owing in large part to the extension of socialism, there are in fact two issues involved. The first concerns the general case for decentralisation and devolution, which is applicable to the whole realm, to Cornwall or Yorkshire as much as to Wales or Scotland. As state control over economic affairs extends and widens, the executive becomes more irresponsible and Parliamentary supervision gets harder and less effective. Provincial affairs are increasingly coming under the control of regional officers of Government departments and the regional boards of nationalised industries, whose accountability to the citizens in their own area, being a matter of remote control *via* Whitehall and Westminster, is virtually non-existent. Moreover, all the controls of the expanding administrative machine are wielded from London; and Parliament has its work cut out to keep track of the operations of this machine at its centre, let alone at its periphery.

There is, therefore, a strong case for establishing new representative institutions at a provincial level, for democratising the regional organs of state control, and for relieving Westminster of part of its load and Whitehall of part of its power. But this general case applies with special force to Wales and Scotland, particularly to the latter, where it becomes mixed up with the much older issue of political separatism and of racial and cultural self-determination. Extreme nationalism—the sort which demands Dominion status, or even complete severance from “English domination”—is not a serious force in either Wales or Scotland. At the last General Election, the Welsh Nationalists mustered only 14,750 votes, and the Scottish Nationalists only 30,600. Nevertheless, these movements should not be dismissed as mere moonshine. The fact that at election time the Scots and Welsh have sense enough to be more interested in fighting Socialism or Conservatism (as the case may be), rather than in pursuing a traditional feud with the English, does not mean that they are satisfied with the present position. They are not. The liveliness of Scottish and Welsh patriotism is shown by the promises which have been exacted, albeit to little effect, from the main political parties. The Liberals have always stood for granting home rule to both Scotland and Wales, and have polled much better in those places than elsewhere in consequence; at the last election, Labour candidates on the spot played the old trick of catching the Whigs bathing; while even the Conservatives in Edinburgh, traditionally anti-separatist, are now toying cautiously with schemes of Scottish independence, partly—it must be said—in the hope of confining schemes of industrial nationalisation to the southern side of the Border.

Claims of racial self-determination, as applied to Britain,

are difficult to take very seriously if pushed at all far. Any examination into them, supposing there to be an inquirer unemotional and thick-skinned enough for the task, must founder on the more or less unanswerable question of what constitutes a race for the purposes of self-government. What must be conceded to both Scotland and Wales, however, is a historical and a cultural tradition that is undeniably unique and distinctive from that of England. Cultural assimilation may have proceeded a long way, but it is not—nor will it be or should it be—anything like complete. The insufficient recognition of this fact, as applied to wireless broadcasting for instance, is a source of irritation in both countries. It is in the main a whole series of irritations over examples of what is regarded as London misrule—over Prestwick and the Forth Bridge in Scotland, over broadcasting and the Welsh ports in Wales—that has given much of the impetus to separatist schemes. Exactly what it is they want neither the Scots nor the Welsh really know—nor probably do they want the same thing. But in both cases a majority is probably agreed in wanting a greater say in its country's affairs coupled with less control from London.

Some administrative concessions have of course already been made. The renewed capacity of the United Kingdom for constitutional improvisation is shown within its own borders by the differing status possessed by Wales, Scotland, and Northern Ireland, which enjoy in ascending order a number of the attributes of domestic autonomy. Wales, at the bottom of the scale, has no more than a co-ordinating committee of senior civil servants plus an annual progress report in the form of a White Paper, and a special division at the Ministry of Education. The former is a recent concession. It is not much, but at least it is more recognition than is given for instance to Yorkshire, which has a much bigger population and no mean local patriotism. The Government also does its best, despite inconveniences in doing so, to keep Wales intact for purposes of regional administration.

Scotland has far more than Wales. Edinburgh houses four autonomous departments of State—those of Health, Education, Agriculture, and Home Affairs—which are responsible direct to the Secretary of State for Scotland in London, a Minister of Cabinet rank. Northern Ireland has more or less complete home rule. Its Parliament—a Commons of 52 members and a Senate of 26 members—can legislate on all domestic affairs except a few reserved matters such as the Post Office. Foreign relations, defence and all associated matters are explicitly reserved to the United Kingdom Parliament, to which Northern Ireland sends thirteen members. The main taxes—income tax and surtax, customs and excise—are also levied from London at the same rate as elsewhere, an agreed portion of the proceeds being retained as contribution to imperial services and the remainder being handed over to the Northern Ireland Government to use as it sees fit.

Taken together, these three countries have only the population of Greater London. Northern Ireland has little more than 1,250,000 residents, Wales 2,500,000, Scotland 5,000,000. It is historical circumstances that account for their special and varying treatment. Ulster was given autonomy in domestic matters as part of the general scheme for the pacification of Ireland, and for dealing with a deep internal cleavage in religion and politics. It is thus a special case. Again, Scotland has a better claim than Wales, both historically and pragmatically, to a measure of independence. England never absorbed Scotland by force of conquest, and the relations

between the two countries are still theoretically governed by the Act of Union of 1707. Scotland has its own system of law and of local government, necessitating separate legislation on many matters, which causes considerable choking of Parliamentary business. The Government's recent innovation, which permits all stages of a Scottish Bill up to the report stage to be handled by the Scottish Grand Committee, still cannot prevent an appreciable slice of Parliamentary time being spent on sketchy and ill-attended debates on Scottish Bills and Estimates. Again, Scotland is a compact and convenient unit of administration, which Wales emphatically is not. Finally, much of

Electoral Reform

Though Opposition charges of gerrymandering need not in this case be taken too seriously, it is certainly unfortunate that the Government should have chosen this particular moment to bring forward amendments to the Representation of the People Bill which depart from the recommendations laid down by the Boundary Commission. For whatever their merits, it will be difficult, after the obvious party bias shown in the abolition of the University seats and the representation of the City of London, to convince the public that they have been inspired by purely disinterested considerations. The effect of the amendments is to divide the eight constituencies with electorates exceeding 80,000 and to increase the representation of the large urban centres, Liverpool, Birmingham, Manchester, Sheffield, Leeds, Bradford and Bristol, thus enlarging the membership of the House originally proposed in the Bill by seventeen. The object of these changes, which were asked for by Mr Dalton in his speech on the second reading, is to close the gap between the size of the large and small constituencies and to give greater weight to the large industrial areas, which tend to have larger constituencies than the more sparsely populated rural districts.

It is difficult to quarrel seriously with the substance of these amendments—80,000 is quite as large as a constituency ought to be—it is the method and the timing of their introduction which is objectionable. If the findings of the Boundary Commission are to be amended arbitrarily by unilateral one-party action, and at a stage too late for any reference back to the Commission, the traditional method of arriving at constitutional changes where possible by agreement, which was so grossly violated by the abolition of the University seats, is once more seriously compromised. That fact does not make it easier to believe that it is a mere casual coincidence that the boroughs to be divided are today nearly all represented by Labour members, and that in all the large cities whose representation is to be enlarged by the amendments, Labour members are in a big majority.

Distribution by Persuasion

The more strident notes of party controversy were happily absent from the debate on manpower in the House of Commons last week, though it can scarcely be said to have contributed very greatly to the enlightenment of the public. The distribution of labour formed the main topic, the inspiration for which came from the Economic Survey, which compares actual manpower changes in 1947 with the estimates made in last year's survey and provides its own targets for 1948. The difference between production and accomplishment provided a natural talking point for the Opposition, which was pressed to its full value by Sir David Maxwell Fyfe, and the reply of the Minister of Labour was not very illuminating, though he made out as good a case as he could for the technique of persuasion, as opposed to direction, which he has abstemiously followed up till now.

The actual manpower changes during last year deserve some attention. Owing to the diminution of the numbers absorbed by the Services, the increase in civilian employment amounted to 611,000 as compared with an estimate of 278,000, but unfortunately the essential industries suffering the most conspicuous labour shortages did not profit by this increase. Agriculture, coal and textiles fell badly short of their targets by over 50,000, while other manufactures, distribution and consumers' services showed a large surplus on last year's estimates amounting to 123,000. Transport and shipping instead of being 3,000 lower were 54,000

Scotland is very remote from England, and the country's economy and communications focus naturally on Edinburgh and Glasgow. This is not true of Wales, which has not even a handy centre to act as capital.

Scotland, some way along the road to self-government already, occupies a key place in the general progress of political and administrative devolution in Great Britain. A further article will consider the Scottish problem in more detail. The answer to this problem, if there be one, may contain some lesson for Wales—and even for Yorkshire.

(To be concluded)

NOTES OF THE WEEK

higher, and employment in civilian government services, national and local, which was expected to show a decline of 80,000, actually showed an increase of 14,000. With these figures in mind, it is difficult to regard the manpower targets set for 1948 without a certain degree of scepticism, especially with regard to textiles, for which an increase of 108,000 is budgeted, and coal, which is put down for an increase of 32,000. Nor will the decrease of over 160,000 in building and civil engineering and 31,000 in distribution be altogether easy to accomplish. It is easy to understand why the Government are reluctant to use their powers of direction—and to applaud their reluctance. But the fact remains that unless much more vigorous steps are taken to reduce inflation, the time will come when it will be forced to choose between vigorous and unpopular direction and the abandonment of its manpower targets.

Co-operative Price-cutting

Nothing could be more symptomatic of the strange state of mind into which British business has fallen, over the last twenty years or so, with regard to prices, than the cries of dismayed accusation with which the retail trade has greeted the Co-operative movement's decision to put in force an all-round price reduction. This decision, according to the critics, is part of a deep-laid plot to impose on the country a state monopoly of retail trade (the minor differences between state and co-operative trading do not count). Alternatively, it is an attempt to bilk co-op members out of their dividend, and as such ranks virtually as fraud. (Touching solicitude!) Finally, it is a barefaced exploitation of the unfair advantage held by the Co-ops in virtue of their privileged tax status. On this last point, rational dissent is indeed possible. To its members the Co-op is no more a profit-producing institution than is the sharing of a taxi by two travellers or the joint purchase of a garden-roller by several neighbours; it is merely a means of sharing in the advantages of wholesale purchase. But to its competitors it is, quite genuinely and obviously, a trading firm like any other trading firm; and if the definition of profits, for tax purposes, is so drawn as to give the Co-ops, not merely in its membership but in its commercial activities, a differential advantage, then their sense of grievance is understandable.

The first two counts of the indictment, however, only make one wonder what are, after all, supposed to be the advantages of private enterprise. If it is more efficient, it should be able to cut prices with less discomfort than its lumbering and amateurish competitor. How loud would have been the sounds of triumph had private traders cut their prices, and the Co-ops declared themselves unable to do so. Its ability to give better value for money than any other system is, indeed, its one unanswerable justification and *raison d'être*. If the despised Co-op can not only give a dividend on purchases, but actually undersell the private shop as well, then private retailing is certainly in a bad way. Actually, there seems no particular reason to suppose that, where the Co-op leads, private trade cannot follow without catastrophe; the retailers' indignation is rather akin to that of the good unionist against the pacemaker, or of the properly and traditionally insubordinate classroom against the notorious teacher's pet—natural, but not to be taken very seriously as an indication of injuries received.

Which Capital for Germany?

Somewhere in the Russian Foreign Office there must be a department of choreography. In it are planned and rehearsed the gestures with which Sokolovsky, Gromyko and Vishinsky enter-

tain a diplomatic audience ranging from the ripe and unruffled Sir Alexander Cadogan to the younger and tougher General Clay. Last Saturday the Allied Control Council in Berlin were treated to a special performance of Marshal Sokolovsky's angry soldier act, his first set piece since the diatribe which preceded the meeting of the Foreign Ministers in December—a performance of which at the time he looked honourably ashamed.

The Marshal complained firstly of recent happenings in western Germany, on behalf of the Foreign Ministers of Poland, Czechoslovakia and Jugoslavia; and then he accused Britain, America and France of keeping secret the "decisions" taken at the "conference" which was held in London recently at ambassadorial level. The suitable retort was obvious: that there had been no conference, but only talks intended to produce recommendations and that many things had also been done unilaterally in the Russian zone about which the Control Council should have been told. At this point the Marshal in the chair declared the meeting adjourned, walked out of the room and left his western colleagues to look vainly for the vodka and caviare which it was his turn to provide.

The incident may or may not be significant. The Control Council is already moribund; it does everything but govern Germany; it is part of the fantastic circus which now represents the life of Berlin. Yet the Russians have again and again betrayed anxiety to keep it in being. Had they wished the opposite it would long ago have been easy for them, with their control of all the communications and approaches to Berlin, to make life there intolerable for their Allies.

As the western and eastern zones develop on the divergent lines which are now quite clearly marked, the British, Americans and French will have to decide how important it is for them to stay in Berlin. The question is not as easily answered as, for example, General Clay and Lord Pakenham seem to think. Both have said their troops will stay. But, in fact, without food, electricity, mails and means of movement to their own zones, neither troops nor office staffs would find it easy to stay. At what point then are the western representatives to defy the Russians to turn them out?

Already any movement of Germans out of the city is checked with the help of a "people's police." Traffic by lorry and cart is a fifth of what it was. Black market food, according to the correspondent of the *Manchester Guardian*, has never before been so scarce. The Berliners already believe that the Russian sector of the city will be absorbed into the Russian zone. It may become impossible for the three western sectors to work and live.

The reasons usually given for British and American determination to stay are three: prestige, the need to protect the free and flourishing political life of the western sectors, and the importance of keeping direct contact with the Russians. Yet there is something paradoxical in their determination to maintain the prestige of eastern Berlin while a new capital is being established in western Frankfurt. So long as the Control Council functions there, the eyes of all Germans are turned at regular intervals towards the Prussian capital. Is it the intention of Mr Bevin that this should continue indefinitely? One would like to think that he intended to guard a small island of freedom in Eastern Germany, while making every effort to create in the West the nucleus of a United Germany.

* * *

Good News from Frankfurt

Against the uncertainties of Berlin have to be set three recent pieces of good news. Firstly, British expenditure in Bizonia will fall this year by £54 million. As a result of the financial agreement reached in December with the Americans, the British share in the cost of importing food and goods drops from nearly £65 million to only £20½ million. Secondly, the weighted average of the ration for adults in the Ruhr and Hamburg is to be raised in April to 1,560 calories, or 1,460 for the normal consumer. Increased supplies are being imported and it should be possible to distribute the ration, which has been only about 1,300 calories for the normal consumer in industrial areas. Thirdly, there has been the decision to include German expert advisers—but no representatives—in the work of the Committee of European Economic Co-operation and its continuing organisation. This step forward in western neighbourliness is most welcome, because it will bring Germans into contact with the outside world, of which they are so ignorant, and relieve their growing sense of frustration and resentment.

But there is still urgent and fundamental work to be done on the problem of keeping Germany fed, if the roots of any plan for increasing industrial production are not to be choked. The black side of the German food picture is that improve-

ments have been at the expense of the "normal consumer." There has been some thinning of the unhappy ranks in this category, which consists of about one-third of the total rationed population, excluding the farmers. Those that remain—about 12 million souls—are even nearer starvation level than before, particularly in the industrial areas. Gross inequality in the standards of eating has been apparent in Germany at all times since the end of the war; it is now worse. The increased ration for April is a timely move towards redressing the balance, and will bring a little variety into German food. At present, with practically no fats, meat or fish, the wretched housewife has to try to cook a meal out of almost nothing but flour, potatoes and sugar.

This cause of grievance is largely due to the system whereby food imports are placed in a separate category from imports of goods for priming industry; eighty per cent of food imports, mostly high-calorie flour, is bought in America—in the Americans' own currency—with the proceeds of grants from Congress made "to prevent disease and unrest." Britain pays only for the imports from the sterling area. The proceeds of German exports are devoted to payment for imports of industry's raw materials, and no amount of arguing has yet induced the occupation authorities to allow any part of these earnings to be used for securing small quantities of butter which could be picked up in the Netherlands, Denmark or Sweden. The resentment of Germans is largely based on conviction that their food imports are in any case piling up a debt which they will have to pay, and that the Americans are trying to find a market for their own farmers' surpluses. There are, in fact, sound reasons for the Anglo-American policy—which is now chiefly the responsibility of the Americans—and a change would not do much to help the general food supply; but it is shortsighted to disregard the psychological fillip which the Germans would get from being allowed to shop abroad for themselves.

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Alarums in the Baltic

In a few days there should be evidence of Russia's purpose in forcing on Finland a defence treaty which the military position of Finland does not require. Last Monday the Finnish delegation arrived in Moscow. On Russian insistence it has now been joined by the sick Premier, its original leader. Negotiations have started, and they should show whether the Russians are content to formalise their present relationship with appropriate ceremony, or whether they are bent on exacting such terms that all vestiges of Finland's limited independence must eventually disappear.

There is already striking evidence of the effect on Finland's neighbours, and further afield, of Mr Stalin's invitation to the Finns to become his allies. In his speech proposing conscription, Mr Truman referred specifically to Finland. This has been interpreted as a warning to the Russians that the limits beyond which they would not be permitted to step had been reached. But when military and geographical factors are considered, it seems likely to have been no more than a graphic illustration of the kind of event against which Americans must prepare.

The most remarkable hardening of opinion has occurred among Finland's closest neighbours. In Sweden the Foreign Minister has become less cautious and less ambiguous. His Premier, Mr Erlander, has declared war on the Communists at home. Every effort is to be made to oust them from their public offices and positions of authority: already they have lost control of the trade unions in the Lulea region, which has long been their stronghold. The Defence Minister is revising his estimates upwards—as are the Norwegians, who last week voted an extra 100 million kroner for defence.

The Norwegians, too, are intensifying the attack on their own Communists, whose leadership is splitting and whose membership is falling. But even so their power for harm should not be underestimated. Strikes and agitation are likely to increase here and throughout Scandinavia as a result of the Communist Party meeting in Oslo at the end of February.

Meanwhile, rumours of Russian pressure and Communist threats persist. One of the most damaging and mischievous—that Russia had demanded a military alliance with Norway—not only originated in London, but is being given authority by irresponsible repetition. The net result of all this is to be seen in the firm front and bold words of the Premiers of Denmark, Norway and Sweden when they met in Stockholm last week. It is difficult to believe that Russia could not foresee that the result of its actions would be to stiffen the Scandinavian states and to turn them westward.

The Cost of Sickness

While the doctors mark time belligerently on the roof of their citadel, and rumours abound about how Mr Bevan is wrestling with the problem of luring them out without signalling surrender, the civil estimates of expenditure for the coming financial year are based on the assumption that the National Health Service will come into operation promptly and on the full scale. There is cause for grave concern over the very sharp increase in the estimated cost of the service above the estimates originally given in the Financial Memorandum attached to the National Health Service Bill in March, 1946.

At that time it was reckoned that the total annual cost of the scheme falling on the Exchequer and the local authorities together for England and Wales would be £152 million, of which the two main items were £87 million for the hospital and specialist services and £45 million for the general practitioner services, including dentists and opticians. The new estimates, which are based on more realistic figures, are calculated only for the nine months from July, 1948, to March, 1949. Recalculated on a twelve-months' basis, they reveal that the cost of hospital and specialist services has now increased by 54 per cent from £87 million to £134 million, and that the cost of the general practitioner services has increased by 25 per cent from £45 million to £60 million, the total for the whole service being now about £218 million as against the earlier calculation of £154 million. These variations conceal some minor differences of calculation; for example, the cost of the local authority services was calculated at £12 million in the original 1946 estimate and appear at £4,000,000 now, but they give the rough order of magnitude of the change in costs which has taken place, and it is very large.

Until Mr Bevan comes to terms with the doctors, the actual salary bill will not be known, and the details of the agreement may well make the final sum even larger than the estimate. It is no use having a discontented service for the benefit of saving an extra hundred a year per doctor. But the very size of the bill may perhaps be an argument for moderation.

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The Stokers' Minimum

An interesting and possibly portentous aspect of the now happily suspended strike of Ministry of Works boilermen is the choice of reasons to justify their claim to an extra 22s. a week. Partly, that claim rests on the familiar foundation of rising prices; £4 17s. a week is not regarded as a living wage. Whether the national economy can really support a national minimum—as this claim implies—of over £5 a week and at the same time provide over and above that minimum, the necessary incentive-producing differentials, is extremely questionable. In no other country in the world has the effective equalisation of earnings been pushed so far, and while it may still be possible to balance additions to some anomalously small incomes by subtractions from some anomalously large ones, this latter source is running dry far too soon for a general—or for that matter piecemeal—hoisting of minimum standards to be practicable.

But the rise in the cost of living is not the whole story. The really sinister item in the strikers' case was the impending burden to be laid on their incomes by the coming into force of the National Health Act. So far are they from regarding that service as "something for nothing"—or even as ninepence for fourpence—that the weekly contributions are simply looked upon as a net deduction from earnings, unmatched by any gain whatever, and calling therefore for a countervailing increase in wage rates. There could be no clearer illustration of the argument that high taxation has an essentially inflationary tendency. Given firmness on the part of the Ministry of Works, one may hope for an equally clear demonstration that tendencies are one thing and accomplished facts quite another.

There should be found in this affair, too, a moral for Mr Bevan. He has signally failed to sell one of his Acts to the doctors; it looks—if the boilermen's attitude is anything to go by—as if the general public, the supposed beneficiaries of another Act, also had the gravest doubts about the value offered. On the whole, however, it is less likely to be those specific values than the whole principle of payment for mutual benefits which is causing trouble. Security, it seems, is all very well; it is something to be voted for every time; but its price in hard cash is something else again. It is precisely on such points as this that the gulf yawns between the responsible and knowledgeable trade union leader—at least in his private thoughts—and the rank and file, who may be neither. There is evidently scope here for a good deal of rather painful popular education.

Contradictions for the Police

Just how does the Home Secretary propose to implement his own objective of increasing the size of the police force? Apparently only by waiting passively until the committee he has promised to set up ultimately reaches its conclusions. It is true that he has now promised to set up this committee as soon as possible, instead of, as originally intended, at the beginning of next year, but this was the limit of any positive action to which he would subscribe in his reply to a debate initiated by Lord Winterton in the House of Commons on Monday. Yet on the Minister's own showing the total police force is at only four-fifths of its required strength, and the deficit is at its worst in the large towns where crime is most prevalent and the profits of crime the most rewarding. And while Mr Ede sits and waits, how many holiday makers will find their empty houses burgled this Easter? The risks are quite great enough to act as a strong deterrent to going away. Can Mr Barnes and Mr Ede be acting in collusion?

Lord Winterton's attack must warm the hearts of all who are not devotees of promotion by seniority. He roundly attacked "the egregious report"* which gave no preference "to youth, brains and personality . . . over proved police ability," and advocated reasonable incentives to help all those who are now struggling to make up the deficiencies of men in police forces all over the country. In answer to this challenge Mr Ede replied that he too needed men with a sense of adventure, young and ambitious; but what young men of any vitality are going to come into a profession which is now comparatively badly paid and then wait years for promotion, because all his seniors must go up first?

The facts speak for themselves. The total establishment for all police forces in the country is 67,000; the present strength is 54,000 and the deficit 13,000. Of this deficit 5,000 is in London alone. These figures are an improvement on 1945, but there can be no doubt that in the Government's own definition the police are "undermanned." There is an obvious reluctance to raise wage rates now even when the present case is so good. But what possible objection can there be to holding the promised inquiry immediately? Mr Ede produced no justification for delay.

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Success at Havana?

Last Wednesday, 57 nations signed the charter for an International Trade Organisation at Havana. Only Argentina, who had objected to 30 of its 100 articles, abstained. The rest, with appropriate speech-making and large gestures of goodwill, heralded the charter as a momentous step towards a saner and healthier world. It may well be such a step, but, until the paper schemes are put to a practical working test, it would be rash to forecast the success or failure of the charter. If it is successful, then it will bring order into the jungle of international trade—and that would indeed be a momentous achievement.

Three years of patient and protracted negotiations have gone into the making of what is in effect a Trade Treaty between 57 different countries with 57 different interests. The last stages during the past four months at Havana often seemed to be near the breaking point, but the will to agree carried the negotiators through. At one stage it was said that the charter contained five articles and fifty-five escape clauses. This is no longer true, and, behind the extraordinary jargon of the charter, the solid and worthy intentions of its framers can be dimly discerned.

The charter has suffered many changes during its gestation, but some articles have survived the endless discussions in more or less their original shape. The general objective of the signatories—to bring order into world trade—has not been altered. Nor have the articles on employment, state trading, cartels, commodities and the technique of working the organisation suffered. But where the nations did disagree—notably on the questions of export subsidies, voting procedure in the Executive Council, non-discrimination, preferential tariffs and protective import quotas—they disagreed violently. Inevitably some peculiar compromises resulted, but the escape clauses which had to be devised were all given definite limits and the aim of ordered, multilateral trade was kept in view.

The charter now goes to each of the governments to be ratified, and the organisation will not be properly constituted until at least half the governments have sent in their "acceptances." Much depends on the United States which, in order to ratify its part, will have to pass new legislation, which, owing to the presidential elections, is unlikely to be completed before June next year. As

* Cmd. 7156. Report of the Commissioner of Police for the Metropolis, 1946. Is. 6d.

many countries will wait for the United States' acceptance, the organisation will probably not begin working until 1949. Meanwhile, an Interim Commission has already been set up and they are to begin work immediately, choosing their staff and a home in which to work. Their first meetings have been in Havana, but they are shortly moving to Geneva where the organisation may eventually be housed.

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British Losses and Gains

From Britain's point of view it is difficult to say yet what has been lost or gained. The Government maintain that they have not had to make any important concessions, and, obviously, as the country with the largest foreign trade in the world, Britain must benefit in the long run from a system which enforces multi-lateral trade. But the prospects for the immediate future are far from clear.

There were five questions in the charter negotiations which directly affected Britain—imperial preference, the voting procedure of the Executive Council, non-discrimination, preferential tariffs in other countries and protective import quotas. Each of these five questions has been covered by complicated and almost unintelligible compromise clauses.

Imperial preferences seem to have been left untouched, but Britain has agreed to reduce their range by negotiation later. On the question of voting procedure, Britain originally sought—as was right—to weigh each country's vote according to the economic importance of that country. Now, Britain has agreed to the principle of one state, one vote, gaining only a decision to have eight permanent members, of whom Britain will almost certainly be one, out of an Executive Council of 18. Non-discrimination has also been accepted, but there, indeed, the escape clauses are so numerous that Britain should not suffer.

On the question of new preferences by other countries, the negotiators compromised by allowing what are called "underdeveloped" countries—notably the Arab states and Latin America—to set up new preferences where this was necessary for internal development. The prior approval of the organisation was required, but, subject to certain rules, this approval was guaranteed. Britain might have suffered considerably under this article, but an "interpretative note" was inserted which said that the definition of an underdeveloped economic region did not mean that the areas concerned had to be contiguous, if there was a sufficient degree of economic integration. This can mean, in effect, that Britain and its West African colonies could be regarded as an "underdeveloped economic region." Similar safeguards and compromises were devised for protective import quotas which, on the whole, show no great disadvantage to Britain.

Generally, then, signing the charter should not harm—may even benefit—Britain during the first few years. But schemes or treaties are useless unless the individuals concerned are willing to make them work. A charter as complex as the International Trade Organisation could easily be wrecked by evasion. It remains to be seen whether this one will go the way of other charters, or whether it will be, in the words of the American delegate, Mr Clayton: "the greatest step in history . . . towards a great expansion in the production, distribution and consumption of goods in the world."

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Right and Wrong About Czechoslovakia

Mr Trygve Lie must often regret the zeal and irresponsibility of some of his minor masters. Chile's decision to ask for an inquiry into Russia's part in the Czech *coup d'état* is a notable example of the misuse of international machinery. To judge by evidence given so far, such an inquiry will establish nothing, and it will make the major Powers look silly. Moreover, it will encourage the already widespread tendency to miss the whole point of the fifth-column technique, which is that the part played in it by a great Power can be and is covert. So long as it remains covert, this form of attack can be challenged and met by other Powers only with the greatest difficulty. The answer to it is to trick or force the offender into the open, where he can be dealt with by the new or the traditional diplomatic methods. But this is outside the rules and scope of Uno.

A month after the Gottwald revolution it is encouraging to see with what unanimity the western nations have formed their estimate of how and why it was achieved. And now is perhaps the right moment to say a word in defence of the correspondents who covered the events in Prague. During the first few days of the crisis, and for a time after it was over, there was some disposition to question their accuracy and their judgment. Minds which should have recognised evil when they saw it wobbled sadly; the

old plea was heard that in a revolutionary situation much must be forgiven. In other words, there were some who wanted to disbelieve what the correspondents of the French, Swiss, Scandinavian, American and British press agreed to be the accurate general picture of the Gottwald revolution. Visits have since been made to check this picture; impressions formed in a few days have been compared with those formed over months and years by journalists who reported the Spanish civil war, the Nazi revolution, the world war, and the events of the last two years in eastern Europe. There are few things more humiliating to the resident correspondent than the hasty check-up by visitors who "look in"; and it is time that some of these visitors specifically said or wrote that the judgment of experienced resident correspondents had been confirmed and vindicated.

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Soviet Socialist Rumania

Since last autumn Rumania has in fact been ruled by a Communist dictatorship, but it is only in this month that the regime has passed formally to what the Communists call the "monolithic" stage. The government coalition has now been renamed "People's Democratic Front," and is a single monopoly organisation, with a single programme and a centralised well-disciplined hierarchy. Within it three groups nominally still exist—Workers' Unity Party, Ploughmen's Front and National Popular Party. The first is by far the most important. Like the party with a similar name in the Soviet zone of Germany, it is a Communist party which has taken over the local organisations of the Socialist Party, and given a few "reliable" Socialist leaders some purely decorative positions in its central committee. The Ploughmen's Front and the National Popular Front have long been no more than rural and urban camouflage organisations for "mobilising the peasant and progressive petty bourgeois masses" behind the leadership of the "revolutionary vanguard."

The Front is firmly controlled by the Communists, and within the Communist Party control by Moscow-trained personnel has lately been tightened up. Patrascanu, who represented the Communist Party in the first postwar cabinets, and has for three years held the Ministry of Justice, has recently had to resign, as he has been found guilty of "bourgeois deviations." The truth is that he is a man of intellectual integrity who has never lived in the Soviet Union, has thoroughly studied Rumania's past and present social problems, and fought and suffered all his life for Communism because it meant to him the social rebirth of his own country, not the geographical extension of Russian imperialism. There is no room for such people in the "People's Republic" of Anna Pauker and Emil Bodmarash.

Russian domination is well illustrated by the draft Constitution published last week in Bucharest, which is a close copy of the Soviet Constitution. As Rumania is not a "federal" state there is not, as in the USSR, a second chamber representing the nationalities. Otherwise the institutions—Assembly, Presidium, pyramid of "Councils" (Soviets), Public Prosecutor, etc.—are a mechanical imitation of those of Russia. When the time comes to move one stage further, and to give satisfaction to the spontaneous desire of the broad popular masses for incorporation in the fatherland of Socialism, the task of modifying Rumania's institutions will not be heavy.

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Socinform at Last?

International Socialism took two decisive steps at the conferences last weekend in London and Surrey. The first was to recognise the reality of divided Europe by expelling the Czech Socialists from the Socialist fold and by placing the Polish and Italian Nenni-Socialists "on probation."

For some time past the Socialist parties in Western Europe, especially in Holland and France, have been urging the Labour Party to take a clear stand against Mr Zhdanov's Cominform and openly to declare the impossibility of Socialist-Communist co-operation. The British Socialists held back until the Communist coup in Prague, for they continued to hope that some sort of working arrangement between East and West might still be maintained. Now, however, they have overcome their hesitation and last weekend they went along with the other Western Socialists in virtually excommunicating any Socialist Party that seeks to work with the Communists. The Nenni-Socialists responded to this sentence by marching out of the meeting. The Poles and the Czechs would no doubt have responded in the same way, had they been present to do so. Unfortunately for Britain's good name, owing to the unwillingness of British security officials to grant them visas in time, they could not attend to hear their case decided.

The other decision follows logically from the first. If East and West are divided, it is all the more necessary to consolidate what is left of free Europe. The Socialist parties have therefore decided to place themselves in the vanguard of the movement for Union in the West and the French Socialists have agreed to call a conference in Paris on April 25th to discuss the contribution European Socialism can make to European unity. Individual Socialists are free to attend other conferences on the same subject—for instance, Mr Churchill's conference at the Hague—but officially, European Socialism will not be represented.

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Farm Prices—No Change

The Ministry of Agriculture and the National Farmers' Union have played a drawn game in the annual review of agricultural prices which has just been completed. The Government has confirmed the increased scale of guaranteed prices for crops from this year's and next year's harvest, and for livestock products for the period up to March 31, 1949, which it introduced in August of last year. No prices are to be raised and none lowered. A further review of suspected anomalies in milk and potato prices is to take place, but it is not to result in increased payments for these commodities.

This result is hardly surprising. After raising prices of guaranteed commodities by an average of about 15 per cent last year, and after urging strongly this year that the general price level should be stabilised and where possible reduced, the Government would put itself in an absurd position if it now proceeded to pay the farmers any more. As it is, there is the nasty problem of making the consumer pay a further £75 million a year for home-produced food without thereby adding to inflationary trends.

Equally, however, it would be very difficult, and would lay the Government open to charges of bad faith, to reduce the prices this year. Voluntarily and of set purpose, the Government permitted a large price increase last August with the intention of imparting confidence and stimulating output. It may now be regretting that it instituted, in the case of agriculture, a policy which appears to run counter to its more recent, and much better, concept of economic planning. But it is useless to repine. Having expressly linked the new price schedule with the four-year agricultural expansion programme, the Government could not drop the one without ruining the other.

The test of Government policy will come in subsequent years. It is only gradually, in the case of agriculture, that the Cripps era can rectify the mistakes of the Dalton era.

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Government and Party

In some ways it is a pity that East Lewisham has decided to withdraw its resolution for the Labour Party conference, urging that party decisions should be binding on the Government. It would certainly have provided a good topic for debate and would have helped to clear the air, although if it were carried, it would naturally cause considerable embarrassment to the party leaders, especially to Mr Herbert Morrison, as Member for the division. The question of the relations between Government and party, however, will certainly come up at the conference. Some local parties are indignant that the conference decisions taken last year on equal pay and the abolition of the tied cottage have not been implemented, and both these subjects are again raised in resolutions.

The issue, however much the party organisations may wish to disguise it, is quite simple. Clearly the Government has got to govern, and while it can work along the lines and towards the aims laid down by the party conference, it would obviously be out of the question for it to be bound by a time-table or a detailed programme of action. The nationalisation of iron and steel is a case in point. While this is one of the major planks in Labour's election programme, the Government, in spite of considerable pressure from the Left, has not allowed itself to be rushed.

Even without the Lewisham resolution, however, there should be plenty of controversy at the Whitsun conference. Unlike former years, criticisms are directed against the Government's economic policy rather than its foreign policy and Mr Bevin, who is supported in a resolution by the miners, should have a comparatively smooth passage. The longest and most detailed criticism of foreign policy emanates, naturally enough, from Gateshead, Mr Zilliacus's constituency. But to judge by the preliminary agenda the opposition to the White Paper on personal incomes will be strong and the demand for stricter control over profits and prices before any wage limitation is sought will be

very insistent. Indeed, if the Budget fails to satisfy Labour opinion that burdens are falling on employers as well as on workers, Sir Stafford Cripps will be faced with combined opposition from constituency parties and from many trade unions. The general line of criticism advanced by parties is that the Government is not moving far enough or fast enough towards Socialism. But with North Croydon in their minds and with the fear of alienating middle-class voters in marginal constituencies, the Labour leaders are hardly likely to alter their course.

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What to Publicise?

It may have been eminently sensible, from the point of view of the Cabinet's internal arrangements, for the Under-Secretary of State for Commonwealth Relations to reply to an adjournment debate on the Government's home publicity, but to the outsider it looks rank crazy. The criss-cross organisation of the Government's publicity organs is already complicated enough: Mr Gordon Walker's admission, however, that Mr Morrison had asked him some months ago to "look into" the Central Office of Information only makes the pattern still more involved. This is no reflection on Mr Gordon Walker nor on the need to look into things. It only serves to accentuate the curiousness of what is happening now.

As things stand, each major department has its own Information or Public Relations Division, which deals directly with the public, the press and the BBC. The Central Office of Information acts as the agent for any of these departments, when it comes to more technical matters involving the production of films, exhibitions, books and posters; it is one of the galaxy of small departments attached to the Lord President's coat-tails, and in this way he may be assumed to have a considerable direct influence on the machinery of publicity. On policy his influence is exercised elsewhere. The Government's public relations are co-ordinated by four committees, two ministerial and two official for home and foreign affairs respectively. The official committees consist entirely of the heads of information departments in the Ministries, with the Director-General of the COI in the chair. Mr Morrison is chairman of the Ministerial Committee for domestic matters; Mr Mayhew regularly deputises for Mr Bevin on the overseas Ministerial Committee. To add to these involutions Mr S. C. Leslie is at the head of the Economic Information Unit and is responsible to Sir Stafford Cripps.

In considering the Government's public relations policy it is useful to have this background, for against it can be set the large increase in expenditure included in the Civil Estimates for 1948-49 for the COI. Next year the COI will be spending £4,500,000 which is some £870,000 more than the estimate for 1947-48 and many times as much as was spent on Government publicity before the war. To the current figure should be added expenditure by individual departments amounting (according to Mr Boyd-Carpenter) to nearly £3,000,000.

Such an obvious target is fair game for the Opposition, and Mr Boyd-Carpenter made much of it in moving the adjournment. There is unfortunately no hard and fast rule about what is information and what is propaganda. On the one hand the Government has been exhorted to tell the public the facts about the economic situation, and this it has recently set about doing in a much more realistic and successful fashion. On the other hand, the Opposition will always criticise the Government for any publication like the technically excellent production of "Something Done," which is an admirable example of "Talk Success" but evades all the awkward questions. Criticism of Government publicity can never be avoided, but it might be a good maxim to leave to Transport House or the Central Offices matters on which more than half the facts have to be suppressed.

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The New Indonesia

On March 9th an "Interim Government" of an Indonesian federation was set up in Batavia with Dr Van Mook as President; of its sixteen members nine are Dutch and the rest Indonesians. Nine *negaras* or autonomous states have been formed with Dutch encouragement in the parts of Indonesia now under Dutch military control. This Government is charged with the task of bringing into existence the United States of Indonesia (USI), which it is hoped to have ready by the beginning of 1949. Outside the federation so far is the Indonesian Republic itself and the parts of Java and Sumatra which its forces still control. The Dutch have invited it to participate in the Interim Government as one of the *negaras* constituting the federation and have reserved four ministries for its representatives, but the Republic has not yet agreed to come in.

The formation of the Interim Government followed the conclusion in January of a new Dutch-Republican military truce under the auspices of the good offices committee of Uno—a body of representatives of the United States, Belgium and of Australia, charged by the Security Council with putting a stop to the fighting in Java. By this truce the Republic agreed to withdraw its forces operating behind the Dutch lines, while the Dutch undertook not to encroach further on Republican-held territory without authorisation from the Security Council. Although the agreement certainly gives the Republic a measure of international protection for the territory which is left to it, it is much more to the advantage of the Dutch, who now have undisputed control of the areas captured in their "police action" last year and can proceed to their economic rehabilitation without interference. The general situation in Indonesia has now indeed turned definitely in favour of the Dutch, who hold in combination with more or less willing local Indonesian political leaders, enough of the archipelago to sustain a large-scale political and economic structure without dependence on the territory remaining under the rule of Jogjakarta.

Encouraging the Tourist

In spite of the difficulty of the times, the President of the Board of Trade is making a valiant effort to dispose, once and for all, of the charge of inhospitality once brought by the poet Horace against the inhabitants of this island. Clothing vouchers and petrol are among the inducements to be offered to the foreign visitor, and the citizen deprived of his basic ration may very well envy the comparative abundance offered to his guests, though in fact the allowance may seem rather a mean affair to the visitor from the western hemisphere. Nor is the Olympic victor (or vanquished) to be confined to the classical wreath of olive leaves, for he, too, is to be given an allowance of clothing coupons.

This policy of relaxing the domestic standards of austerity in favour of the foreign tourist is undoubtedly wise, and the government may be congratulated on their foresight in discounting in advance any grumbles on the part of indignant members of the public which may be evoked by the sight of foreigners enjoying facilities of which they are deprived. After the immense reduction in the nation's income from overseas investment brought about by the war, it is more than ever necessary to build up any item which

will figure as an asset on the invisible section of the balance sheet. Tourism, which in this country has hitherto been rather a neglected industry, affords the readiest opportunity, and it is to be hoped that the facilities just granted to British tourists for visiting Europe will find their counterpart in a welcome stream of visitors to these shores.

The Cosmetics Case

On Monday the Court of Criminal Appeal delivered its judgment in the prosecution that has come to be known as the Cosmetics Case. It allowed the appeal of the remaining defendants (the decision to allow the appeal of Mr Weitzman, M.P., was announced earlier), with the result that the original convictions against all the defendants have now been quashed.

The original case was involved. In substance the prosecution alleged that the defendants, as the men responsible for running a business making toilet preparations, had during the war obtained raw materials and manufacturing licences in excess of their proper quotas by supplying false information to the Board of Trade. The importance of the Appeal Court's decision, in its wider application, is that it is likely to check a practice which had been growing up of late, by which a prosecution in complex criminal cases charges all the defendants with a "criminal conspiracy," as a kind of blanket charge additional to and in support of all the detailed individual offences that are alleged.

It is easy to allege a "criminal conspiracy," and difficult to disprove it for the simple reason that it is difficult to define it. It has always been a principle of English criminal law that a man charged shall be told exactly with what offence he is charged. It may be theft, forgery or obtaining money by false pretences. In each of those offences, it is for the prosecution to say, and prove, what was stolen or forged and when, in detail and with precision. A general charge of criminal conspiracy does not lend itself to precision. It may be a convenient weapon for the prosecution. It can also make it very difficult for an innocent man to defend himself, because he may not be able to tell in advance what evidence he must produce to rebut the allegations made against him. No one can fence with a fog. This principle has wider application than to cases involving toilet preparations. The time for its re-affirmation for the Court of Criminal Appeal could not have been more opportune.

Letters to the Editor

For the Peace of Jerusalem

SIR,—I have just received *The Economist* of February 14th. Having been in Palestine for most of twelve eventful months, and as a subscriber who pays tribute to your high standards of accuracy and realism, it came as a surprise to observe the extent to which the fundamental realities of the situation in Palestine, particularly as it affects Jerusalem, are obscured in this article.

I do not suppose there is any Briton now in Palestine from the High Commissioner downwards, whether a "good Christian" or not, whose greatest concern over the political situation is not a fear lest the Holy City become even more a scene of violence than it has been of recent weeks. I can assure you that amongst British in Palestine the solution advocated—namely, retention of a force of British police after May 15th—has not gone unchallenged. But the question is would this help? The purpose must be one of two alternatives—either to keep peace and order on behalf of the majority of citizens (who undoubtedly desire it), or else to institute a defensive crusade, as it were, on behalf of Christendom.

To take the first of these alternative premises. We must ask ourselves whether an unsupported force of "alien" police could possibly succeed where a combined force, supported by well-equipped armed units of the British Army, has already failed in spite of constant vigilance and the measures taken by the Arab and Jewish communities themselves for their own protection? The answer to this must be self-evident; they could not. If, alternatively, something in the nature of a "crusade" is desired, it must be clear that this would defeat its own purpose by its implied challenge to those of the Moslem and Jewish faiths. Such a concept could lead only to conflict, as much to be avoided as it would be deplored, between representatives of the Christian faith, on the one hand, and Moslems and Jews on the other.

The position is simply, that if Moslems and Jews were able, under the stress of present conditions, to subordinate deep convictions or strong political opinions to their acknowledged zeal for Jerusalem, then there would be no need for a force to keep the peace. This is, indeed, the crux of the whole matter; without Arab and Jewish political agreement to regard Jerusalem as an open city the efforts of others are doomed to failure. All will agree it is a thousand pities that this small measure of agreement can evidently not be obtained.

In conclusion please allow me to draw attention to two inaccuracies in the article in question which are by no means unimportant. In a later part of the article reference is made to a move by the British Mayor of Jerusalem—in reality "Chairman of the Municipal Commission," the Mayoralty having been in abeyance for some years. This gentleman is indeed doing all that a man in his position can to further the cause of peace in Jerusalem, but it is commonly known that organisation of a Municipal Police Force for each community in Jerusalem is but part of a wider scheme which has been set on foot by the Government and fostered in all municipal areas, to be used to the fullest extent that the people themselves are willing and able.

Secondly, credit is given to the Zionists for deciding that the capital of the projected Jewish state should not be in Jerusalem. It should be known as a not unimportant factor in the depth of political feeling on both sides, that at least one responsible Jewish leader has publicly declared (since the UN Assembly decision) that no Jewish state would be worthy of the name unless the capital were in Jerusalem.

Further, in the light of the suggestion that Britain had made a "poor showing" in not taking the lead, let us not forget that we did lay down the mandate for the whole of the Holy Land and that the United Nations General Assembly did, by their Resolution at the end of last year, accept responsibility. That so little progress has been made "for the peace of Jerusalem" is indeed a matter for concern, but scarcely Britain's fault.—Yours faithfully, SISYPHUS

The Doctors Declare War

SIR,—I would be grateful if you would allow me to refute a misrepresentation which appears in your Note of March 20th.

You assert that the doctors have bit by bit "retreated from the proposals put forward by their own Planning Commission in

1942." May I point out that the Medical Planning Commission was established by the British Medical Association with the co-operation of various other bodies, and that the members of the Commission took part in its work as individuals. It issued a Draft Interim Report only for consideration, and it declared in this Draft Report that the bodies appointing to the Commission were in no way committed by this Report.

The recommendations in the Report are governed by a paragraph on page 5 which I quote:—

The suggestions contained in the present report should not, therefore, be regarded as expressing the Commission's conclusions but as recommendations made to it which the Commission as a whole has not yet considered and will not consider until the profession has made known its views through the usual channels.

—Yours faithfully, J. ARTHUR GORSKY,

Representative, Westminster and Holborn Division, BMA
60 Palace Gardens Terrace, London, W.8

Limited Dividends and Nationalisation

SIR,—The Chancellor of the Exchequer on February 12th wrote to the Federation of British Industries, asking them to study ways and means of "obtaining a reduction of prices and to face the consequence of this on the level of profits."

The natural consequences of such measures obviously is to reduce in terms of Stock Exchange values the capitalisation of those companies who accept the exhortation of the Chancellor, since reduction in dividends would affect the equity value of the companies. This week, the ex-Chancellor of the Exchequer, Mr Dalton, said: "The iron and steel industry is too important to national life to leave it in private hands . . . the Government has pledged that nationalisation would be accomplished in the lifetime of this Parliament."

So at a time when the Chancellor of the Exchequer is deliberately depressing market values as a whole, and at the same time asking the nation for unity of effort in face of current difficulties, the ex-Chancellor is reiterating the Government's intention to nationalise an all-important section of industry. As the basis for compensation will presumably be Stock Exchange values, it would seem that the investing public will be placed at a disadvantage as a result of the "patriotic" response the directors of companies have made to Sir Stafford Cripps's appeal. Of course, if there is a gentleman's agreement that the self-denial of shareholders shall be matched by a self-denial of further nationalisation projects by the Government, this situation would not arise, and indeed the appeals for unity would have reality.

On the other hand, shareholders would have very reasonable grounds for resenting any such arrangement without an assurance that an agreement does in fact exist.—Yours faithfully,

32 Davies Street, London, W.1

BERNARD DOCKER

"Can It Happen Here?"

SIR,—Your very sane editorial, "Can it Happen Here?" underlines the fact that the chief enemies of democracy today are not those who attack democracy, but those who take democracy for granted. The spread of Communism cannot be stalled—at any rate for long—by purely defensive measures; it can only be forestalled, by measures that might be called offensive and an infringement of freedom of thought, were it not that freedom of thought and democracy were really inseparable.

One such measure that is long overdue is the introduction, into the curriculum of all our secondary schools, of an elementary course in political theory. "The crude successes of Communist propaganda," as you say, "would not survive a little clear thinking." As a former schoolmaster, I can testify to the fact that clear thinking on political theory is not beyond the capacity of most boys and girls: yet they are seldom stimulated to any; and to the best of my knowledge there does not exist a single textbook on the subject suitable for use with fifteen- and sixteen-year-olds.

It is surely time this gap was filled. Initiation into the "idea" of parliamentary democracy ought, as Rousseau contended, to form the climax of the educational syllabus.—Yours faithfully,

3 Blackstock Road, London, N.4

F. A. LEA

Monthly **The Crown Colonist** Two shillings

FOR ALL CONCERNED IN THE TRADE AND DEVELOPMENT OF THE COLONIES, PROTECTORATES AND TRUST TERRITORIES OF THE BRITISH EMPIRE

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BARBADOS	MAURITIUS	BASUTOLAND	ST. HELENA	LEEWARD IS.
GIBRALTAR	SARAWAK	WEST PACIFIC IS.	ZANZIBAR	HONG KONG
GOLD COAST	JAMAICA	BRITISH HONDURAS	NIGERIA	A-E SUDAN
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33, TOTTENHAM HILL ST., WESTMINSTER, LONDON, S.W.1

No clothes are too old

So desperate is the plight of war-victims in Western Europe that even the oldest footwear and clothing is welcome (moth-free and clean, of course, but not necessarily mended as D.P.'s sadly need work). Also needed are soap; uniforms (which will be dyed), blackouts, bedding, mending materials and scraps of leather, wool, cloth; and sheeting, towelling, etc., for baby napkins (instead of newspapers used in British Zone). Each parcel to "EconRelief," 17 Broad Street, Oxford (stating sender's address) will be acknowledged by Lady Franks.

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Books and Publications

Indictment of Slavery

"Forced Labour in Soviet Russia." By David J. Dallin and Boris I. Nicolaevsky. London, Hollis and Carter. 331 pages. 25s. net.

THE authors of this book, two Russian Menshevik writers, present a well-documented indictment of Stalin's Government on the ground of the vast use which it has been making of forced labour. The book abounds in hair-raising descriptions of Soviet labour camps, drawn from many sources. Private information derived from ex-inmates of these camps suggests that some of the descriptions, which are quoted by the Menshevik authors and emanate from Poles and Balts, are not free from propagandist exaggerations. But if the exaggerations are discounted, the authentic truth about forced labour in Russia and the murderous practices of the GPU is so horrible that it is surpassed only by the sadistic insanity of the Nazi terror. The difference between the Hitlerite and the Stalinist concentration camps is that, whereas in the former, millions of men, women and children were deliberately and scientifically exterminated, in the latter millions of "enemies of the people" have been subject to ruthless economic exploitation under conditions of extreme misery and degradation, which result in a horrifying waste of human life. The authors of the book hold that slave labour has become so important an element in Soviet economy that its abolition can be achieved only by a radical change of the whole political system.

The most interesting chapter of the book is the one in which the authors give a very scholarly and well-written account of the evolution of Soviet legal ideas and practices, from the most humanitarian reforms of the early years of the Soviets to the mammoth concentration camps of the present.

This conflict [say Messrs Dallin and Nicolaevsky] between the lofty ideals and the reality of the post-revolutionary decade marks the ideological evolution of Russian Communism. There is no other domain of political activity in which a retrogressive development—from the highest peak of humanitarian idealism to the lowest methods of coercion—is as clearly discernible as in the field of Russian justice and law, crime and forced labour.

The explanation of this "retrogressive development," which the authors offer, is perhaps not quite satisfactory. As Russian patriots, they are somewhat indignant about the suggestion that the early humanitarian strivings of the old Bolsheviks were defeated by natively Russian custom and tradition. What the authors seem to forget is that forced labour, in the form of serfdom, persisted in Russia, as the basic and common mode of production, until late in the nineteenth century.

In Defence of Laval

"The Unpublished Diary of Pierre Laval." The Falcon Press, 12s. 6d. 217 pages, 1948. "Pourquoi je n'ai pas défendu Pierre Laval." Albert Naud. Librairie Arthème Fayard, 1948. 180 Frs.

THESE two books should be read together: the first is a statement by Laval of his own case, boiling with self-righteousness; the second is an account by the distinguished lawyer instructed to defend him of why the case could never be pleaded.

Laval's book leaves the reader astounded by the curious combination of earthy cunning and ingenuous self-confidence. There is no reason to doubt that Laval sincerely believed that a defeated France could negotiate with a victorious Germany and that he was the man for the job. If one accepts the assumption that negotiations were possible, and recalls Laval's profound pacifism, which he shared with an impressive proportion of his generation of Frenchmen, then the whole course of his career, including his violent death, follows with the logic of a Greek tragedy.

Unlike most of his lamentable predecessors before the High Court of Justice, he makes no pretence of a "double game" or secret understandings with the allies. He recognises no loyalties to Britain and dismisses pleas of revulsion at negotiating with Hitler as irrelevant "ideology." He cannot understand why he has provoked such indignation by what he calls "serving my country by day-to-day negotiations."

Maitre Naud's book is the most formidable indictment yet penned against the French High Court and the travesty of justice by an undisguisedly political tribunal. Maitre Naud shows how every step—the abrupt suspension of the preliminary investigations; the hustled trial; the gruesome execution of the half-dead Laval after Herculean efforts to pump the poison out of him—was

dictated by electoral considerations with their date-line of October 21, 1945.

The story of the Laval trial is certainly among the blackest pages of French judicial history. It would have been too much to expect a jury of politicians, who had fought in the resistance movement and were now vying with each other for the reputation of being "*pur et dur*," to display even an appearance of objectivity. Two incidents stand out in this book, which is both passionate and compelling, but makes no attempt to cover the despicable character of its central figure. The first is the statement made at the opening session by the presiding judge informing the court, that, however long the sessions might be, the trial must end before election day. The second is a remark made by a jurymen to the accused, also on the first day: "In fifteen days from now you'll be less cocky." Twelve days later Laval was dead. The tricotouse tradition lives on.

Dominions and Democracy

"Democracy in the Dominions." By Alexander Brady. Oxford University Press. 439 pages. 21s.

THIS thorough, yet lively, account of the planting and growth of the British type of government in four regions of the earth—Canada, Australia, New Zealand and South Africa—is an important contribution to our knowledge of these Dominions and of the British type of democratic government. Not only do we have outlined for us the history of these Dominions' parliamentary institutions, but also the essential features of the geographical, economic and social framework within which the institutions function. The result is a picture of new countries adopting as the basis of their government the systems which an old mother country has evolved for herself over centuries, and using those systems to answer the problems raised in communities where the dominant influences are those of the frontier, of racial differences, and of social equality.

It is not surprising that there are strong resemblances in the forms of government adopted by each Dominion, since they spring from a common source; and it is no more surprising that there are some important differences in the political philosophies underlying government, for these are strongly swayed by circumstances peculiar to each Dominion. Professor Brady shows this clearly. In Canada the French population influenced the development of federalism in contrast with its development in Australia, where no racial problem existed; but more potent influences on the political philosophies of these two Dominions were the existence of small farms in Canada and large holdings in Australia, and the fact that Canada shares a continent with an extremely important neighbour, while Australia occupies a whole continent in relative isolation. New Zealand democracy closely resembles that of Australia, with its tradition of direct State participation in many spheres which in other countries

From The Economist of 1848

March 25, 1848.

It is plain, then, that capital is necessary; that where capital is to be created and maintained, it must receive a share of the produce of industry; and, further, that its possessors may dispense with physical toil, if they are satisfied with their respective shares, which their possession of it produces. This is not less true with respect to the communist scheme. Let the capital be the property of the community; it must be maintained, nay, increased, if the community increases. The motive for maintaining it, operating on individual members of the community, must be the return they expect from it. To suppose that this motive will operate equally on all, is to suppose, against all experience, that all men are equally disposed, and able, to exercise thrift and forethought. If those, who do exercise these qualities, only share the return of capital equally with those who do not, there will soon be an *uniformity of improvidence*. If, on the other hand, those, who maintain and add to the capital of the community, alone are to share in that portion of the general produce of industry, allotted to capital, there will then be, as now, members of the community who can dispense with physical toil; and, moreover, the most perfect artificial rule of distribution among them, which can now be planned, will only approach to that, which now actually takes effect.

are the province of private enterprise or semi-public corporations. South African democracy appears in sharp contrast with that of the other three Dominions, for among the white population the conflicts of nationality have not yet disappeared, and there is ever present the enormous fact of the social, economic and political differences between the white and coloured races.

One cannot but reflect, after reading this book, that a severe testing time lies ahead, not only for South African democracy, but for British democracy as a whole; and that the question which, Professor Brady suggests, will be easier to answer in twenty-five years' time—whether the Dominions have successfully reconciled parliamentary democracy and modern collectivism—may by then have been overshadowed by more urgent and momentous external questions posed by the inexorable trend of events in the rest of the world.

Ethiopian Survey

"The Government of Ethiopia." By Margery Perham. Faber and Faber. 481 pages. 30s.

THIS is a survey of the history, politics, religion, economics, past and present administration, and future prospects of the country which, until the Emperor decreed official use of the name Ethiopia, was often known as Abyssinia. Early in the war Miss Perham helped to prepare a private report on Ethiopia for Chatham House. Fired by the experience, she claims only that she wrote the present book on the basis of links with her subject for twenty years and the assistance of several distinguished collaborators, notably Mr Frank de Halpert, who was appointed official adviser to the Ethiopian Ministry of the Interior in 1930.

Miss Perham has, however, brought all her own big guns to bear on this work. It carries the vivid and unmistakable mark of the inspired expert. As she writes, a mass of cold fact seems to warm up under the sun of Africa. Reading it is at times like making a journey in childhood to King Solomon's Mines or Buchan's almost mythical realm of Prester John. The Ethiopian monarchy—a "continuous shaft of unity" for 2,000 years—does indeed trace its legendary origins back through the priesthood of the Prester John—Emperor in the Middle Ages—to the line of Solomon and Christ.

Miss Perham is reader in Colonial Administration at Oxford, and, as an outstanding authority on all affairs African, has laid out for inspection the present structure of this still little known country. And while she finds much of it good, some is bad. British political officers stationed there after the liberation, she says, were shocked by the rough and ready methods of local governors. Nor does she create surprise with the information that when the Italians overran Ethiopia they found between 300,000 and 500,000 people still in slavery. Her book ends with some useful documentary appendices, three excellent maps, and a bibliography. In so ably assembling all this material Miss Perham has done a service to all who are concerned with the future of Africa.

British Trade Relations

"Great Britain in the World Economy." By Alfred E. Kahn. Pitman. 299 pages. 15s.

DR KAHN's book does not entirely escape the primal curse laid on all Ph.D. theses; that they shall be (a) out of date, (b) un-

readable. Anyone turning to his pages for an up-to-the-minute, near-journalistic account of the current Battle of the Gap, or for a popular explanation of Britain's role in world trade, will be sorely disappointed. The world economy of his title is that of the period 1914-39, and only a postscript (written before the end of hostilities) glances at the problems of today; and the level of discussion is that of an economic seminar, uncompromising and rarefied.

Those, however, who come to this volume armed with the requisite familiarity with economic concepts, and without misleading expectations, will find it stimulating, illuminating and altogether well worth reading, either from the historical or the analytical point of view. Primal curse or no, this is not the usual academic disinterment of old bones. The particular problems of Great Britain are treated as "a case study of an organic theory"—a theory which minimises the importance of the traditionally emphasised gold standard mechanism and stresses both the mutual adjustment of trade and purchasing power flows and the impediments which may prevent its completion. It lacks the beautiful symmetry and simplicity of older constructions, but certainly gains in realism. The summing up of British economic history between the wars would in itself earn for *Great Britain in the World Economy* a high place in the literature of twentieth century economic problems. Some of the predictions in the final postscript induce wry smiles; but they err only quantitatively, and confirm the impression that Dr Kahn is the possessor of a shrewd judgment as well as of a keen academic mind.

Shorter Notices

"An Economic Policy for a Free Society." By H. Simons.

A review of this book appeared on January 17th. At the time it had only been published in America. We are now informed that stocks are being sent to this country and will be issued by the Cambridge University Press, price probably 21s.

"Petroleum Facts and Figures." 8th Edition, 1947. Price 2 dollars.

HERE in statistics of black and white the roots of the world petroleum shortage are neatly displayed. Charts of scarlet and sky-blue illustrate the 35 per cent rise between 1940 and 1946 in US petroleum consumption, which takes 75 per cent of the total. Crude oil production did not quite succeed in keeping pace, while imports doubled and the number of producing oil wells advanced by a mere 9 per cent. Some information might well have been more up to date: for instance, world prices and consumption figures are not shown for any year later than 1941 and nothing at all relates to 1947. But the American Petroleum Institute is to be congratulated on publishing a handbook which is not too heavy to handle or to read.

"Colonial Annual Reports." Jamaica, 3s. net. Gold Coast, 5s. 6d. net. Turks and Caicos Islands, 1s. net. The Gambia, 2s. net. Aden, 2s. net. British Guiana, 2s. 6d. net. HMSO.

THE Colonial Office has taken the opportunity offered by the resumption of the publication of the colonies' annual reports to make them far more attractive in appearance. They are now illustrated, and both text and tabular matter, which in the reports enumerated above refer to 1946, are clearly set out. They are not likely, even now, to be best sellers, but people who use them for reference will commend the improvement.



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AMERICAN SURVEY

Defence of the West

(From Our US Editorial Staff)

WHEN President Truman delivered his St. Patrick's Day message to the suddenly summoned joint session of Congress, the doorkeepers pushed closed the doors in a masterpiece of human compression. The House looked unusually theatrical. The yellow light poured on the rostrum and its surrounding semi-circle of seats by the floodlights of the television operators was strong enough to make the photographers' photoflashes appear incidental. And Irish patriotism, supplemented by willing florists, had placed green carnations in the buttonholes of President, Cabinet members, and a fair proportion of legislators; as the solemn-faced Cabinet, two by two, went down the centre aisle in the stagey light, the impression alternated between wedding and wake. The spotlight on the supporting cast was symbolic, because Mr Truman was so clearly acting as the transmitter of the combined wisdom of his advisers, military and civilian. The recommendations he made were proposals of the executive branch of government rather than those of the Chief Executive.

The legislative branch had assembled with no great intention of being enthusiastic. Particularly in an election year, the opposition majority normally keeps its hands quietly folded, and the dissensions among the Democrats have created opposition minorities of some size. Further, the President's decision to call the joint session had not been cleared with Congressional leaders in advance. Such is the background against which to measure the applause—there were only three rounds for the entire message—that followed the paragraph:

I am confident that the United States will, by appropriate means, extend to the free nations the support which the situation requires. I am sure that the determination of the free countries of Europe to protect themselves will be matched by an equal determination on our part to help them to do so.

The President's words clearly meant military commitments in Europe, the very antithesis, that is, of America's historic policy. Yet the clapping was spontaneous, diverse in origin, and came from both sides of the aisle.

The speedy conclusion to the debate on the Marshall plan requested by the President had been almost assured before he spoke by a forestalling move of Mr Halleck, the Republican floor-leader in the House, who announced the hope of completing the House Bill by April 1st and thereby allowing time to reconcile the House and Senate versions and present the result to the White House well in advance of the Italian election date. There was a similar responsiveness in respect of the military measures he proposed.

That was Wednesday. Thursday was the morning after. Spring was seductively present. Around the tidal basin the Japanese cherry blossoms were preparing for the Easter parade. At the Mellon Gallery, the Department of the Army was showing masterpieces of European painting that had been found

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

cached in a salt mine; they will be returned to Germany next month. On such a day, wasn't it possible that the crisis was synthetic? At any rate, Congressmen had questions to ask the Administration before voting bills out, particularly on the military side. The morning-after response to the President's speech, however, made some observers wonder whether bipartisan support of foreign policy may not be more difficult to maintain as the season progresses. They point to the Senate vote on the Taft amendment which would have cut funds for Europe from \$5.3 billion to \$4 billion; in this maximum show of opposition strength the Republican division was 24 to 23 as against 32 to 8 among the Democrats.

Certainly the situation with regard to Universal Military Training (UMT) is complex in the House, where the Armed Services Committee's favourable report has been effectively held up since last July by Mr Allen, the Chairman of the Rules Committee; he is said to have found nothing in the speech to alter the situation. Even in the Senate Armed Services Committee where Secretary Marshall's testimony was followed by that of Secretary Forrestal and the service chiefs, Senator Gurney, the Chairman, and a number of his colleagues have indicated that recommendations requiring appropriations would be forthcoming only if convincing answers are given to a number of questions: To what extent is the unification of the armed services, begun last year, an effective reality? Is UMT, with its training of the entire male population as it reaches a certain age, preferable to more intensive training of a smaller group specialising in technical skills? Why, with a current appropriation of \$11 billion, is the US military establishment described by Secretary Marshall as a "hollow shell"? How many men are currently needed, and what administrative structure do the services suggest for obtaining them in case selective service is really necessary? Support for UMT seems to be considerably more widespread than support for conscription.

*

Mr Forrestal's presentation of the services' case is based on the failure of voluntary enlistment to keep military manpower up to the strength authorised by Congress at the close of the war. Present enlistments are about 350,000 below the then authorised number of 1,732,000 for all the services, and the Secretary indicated that the present permissive total of 669,000 for the Army should be raised to 900,000. He called reliance on atomic and other new weapons handled by a small corps of technicians a "seductive appeal," insisting that a "large army of specialists" is required, and that the indiscriminate character of modern war in respect to targets makes essential the integration of civilian defence and the army, through a trained manpower pool. The aim, he said, should be a mobile general reserve, together with some increase in the overseas base system. On the division of responsibilities between the three services, he said that differences between the Joint Chiefs of Staff had been substantially resolved at the recent meeting at Key West.

Beyond their questions on these technical matters, Senators and Representatives are clearly going to press for further definition of exactly what foreign policy is to be backed by this increased military potential. Senator Russell held that the United States should name the countries whose integrity would be supported against Communist advance. Moreover, support for a country, as a year's experience with the Greek-Turkish

programme has begun to make clear, actually means partnership with certain elements in that country. Legislators, uncomfortably aware, this election year, of the protest vote which Mr Wallace may roll up in their constituencies, are unhappy about some of the foreign governments and groups which American policy is being forced to support. The land reforms promised by the Communists in Italy and in other countries now become satellites, are typical of progressive measures never encouraged by some of the elements, temporal and spiritual, on which the United States now leans. In the jittery week that preceded the President's speech the projected inclusion of Franco among the Western freedom-lovers, and the suggested acceptability, in case of war with Russia, of German and Japanese volunteers in a sort of EERP—ex-enemy recovery programme—caused some to swallow hard. Even among those who see no fault at all in a position a little right of right in the industrialised countries, concern is felt for possible damage to the American reputation for forward-looking disinterestedness built up through the last generation and a half in the Orient.

Yet the realism with which Congress is viewing events is perhaps the most significant of all facts pertaining to the present situation. Within the last year, at least every other man in both Houses has had a look for himself overseas. During the last weeks, Congress, in its concern over international events, has been ahead of the country, and at least abreast of the executive. Its current attitude offers a striking contrast with the record in 1914-17 and 1939-41.

American Notes

Latin America and the Marshall Plan

"The success of the European Recovery Programme depends in part," says the Herter Committee of Congress, "upon successful mobilisation of Latin America's capacity to produce and export increased quantities of foodstuffs and raw materials." It is possible that \$1.5 billion of ERP funds will be spent in Latin America during the first fifteen months of the programme. The Committee proposes that purchases for ERP should be co-ordinated, in order to lessen their inflationary effect on the Latin American economy, and it also proposes that the United States should assure foreign exchange for Latin America's essential imports and should make supplies of these available, as was done during the war.

But this is hardly enough to allay the disquiet in Latin America about the effect of the Marshall plan upon the long-deferred schemes for industrial development, which have become the chief objective of national policy in all these countries. They claim that their needs are as urgent, if not as striking, as those of Europe: the already distorted pattern of their economies, dislocated by unbalanced wartime expansion and by the loss of European markets, is now further distorted by severe inflation. ERP will mean a renewed demand for increased output of raw materials and foodstuffs and will give Europe priority in the allocation of supplies of United States coal, steel and machinery: it will thus mean additional delay in industrialisation. Economic strength and stability are the essential basis of the plans for hemisphere defence which were drawn up at Rio last year. This argument gains force as the European situation deteriorates, and so does the final one—the opportunity offered to Communist elements in the Western hemisphere by present economic difficulties.

The Herter Committee believes that the recovery of Europe is a first essential for the recovery of Latin America. ERP will not only revive markets for Latin American goods and provide Latin America with much-needed dollars, but it will enable Latin America to buy the capital goods which it wants from Europe. It has also been pointed out that, without European

recovery, Latin America will become entirely dependent economically on the United States. However, very little attempt appears to have been made to explain this point of view to the Latin American countries or to enlist their co-operation in the Marshall plan, although it is hoped that they will make concrete offers of help in carrying out the programme, offers which have not yet materialised.

* * *

The United States at Bogotá

The ninth International Conference of American States, which opens at Bogotá on March 30th, will give the United States an opportunity of explaining its position, but it will also give the Latin Americans an opportunity to express the dissatisfaction which they have already shown at Havana—and possibly to express it in more than words. At a height of 7,500 feet, the atmosphere will already be rather chilly, and it will not be warmed by the inevitable discussion of the Antarctic and Honduras disputes. Other matters which are due to come up are the formation of a permanent inter-American military defence council and the reorganisation of the inter-American system into a kind of "regional United Nations." But the main purpose of the conference is to consider the draft agreement, drawn up by the Pan American Union, which is to govern long-term economic relations between the American Republics.

The United States has entered a number of reservations to this draft agreement, particularly with respect to assurances and safeguards for private American enterprises in Latin America. The Government believes that Latin American development is properly a field for private capital, but realises that past expropriations and present discrimination against foreign capital in many Latin American countries do not provide a favourable climate for such investment. Mr Norman Armour, Assistant Secretary of State, has suggested that an Inter-American Corporation might be established, with \$50-\$100 million of mixed United States-Latin American funds, to make loans or guarantees for the realisation of specially desirable projects for which other financing is unobtainable. It seems possible that this Corporation may be the reward which the United States is prepared to pay for satisfactory assurances with regard to Latin American treatment of private capital. Congress is also to be asked to increase by \$500 million the authority of the Export-Import Bank to lend to Latin America. It is doubtful if this will be enough to satisfy the Latin American countries, whose most specific proposal is for a Latin American Development Council, accompanied by a Development Corporation, with a capital of possibly \$5 billion, most of which would inevitably have to come from the United States. Mr Marshall's diplomatic ability will be tested to the utmost at Bogotá if he is to restore a firm outline to the somewhat faded picture of Uncle Sam as a good neighbour, which was so carefully drawn by Mr Roosevelt and Mr Sumner Welles.

* * *

The Wallace Peace Party

A roar of applause greeted Mr Truman in New York when he made his fighting digression against Mr Wallace:

If joining Henry Wallace and his Communists or permitting them to join me is the price of victory, I recommend defeat. These are days of high prices for everything, but any price for Wallace and his Communists is too much for me to pay.

From an audience so largely Catholic, enthusiasm was inevitable. But Mr Truman's final break with Mr Wallace will be cheered even by many former admirers of the hero of the common man, who have watched with amazement Mr Wallace not so much following as writing the "party line" on Czechoslovakia. His accusations that the Czech Communists acted to forestall a "rightist coup" by the American Ambassador, and that the Administration, by fanning war hysteria, is attempting to block the peoples of the world "now on the march" in China, Czechoslovakia, Greece and Italy, have torn away the last shreds of camouflage. Mr Wallace, intoxicated by opposition, is now plainly the prisoner of the Communists and his own egotism.

Mr Truman gauged very neatly the moment when it became possible to turn the Wallace opposition into something of an asset. But this is only making the best of an ill-wind; the Administration has no illusions about the wrecking possibilities of the third party. Mr Farley, for public consumption, estimated the Wallace popular vote at 5 million, that is, about what Senator La Follette rolled up in 1924, and more than Theodore Roosevelt

THE ECONOMIST BY AIR

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polled in 1912. The total electorate in those years was, of course, much smaller. The Wallace forces are now organised in 26 states. In California, where 200,000 signatures are necessary to get on the ballot, they have collected nearly 300,000.

Peace is the programme; and peace, in the Wallace book, means opposition to Greek-Turkish aid, the Marshall Plan (unless rewritten to include Russia), military training and the draft. Domestic liberalism comes a poor second; progressives of the staunchest kind will find themselves opposed in their home districts in November by "peace candidates" if they voted wrong on Greek aid and the Marshall Plan. Past polls have showed that of 100 Wallace supporters, only six voted Republican in 1944, 62 voted for Roosevelt and 30 did not vote, in many cases because they were too young. Mr Wallace's chief threat remains to the Democrats. But if American mothers and isolationists come to believe that only a vote for Wallace is a vote for peace, these figures may somewhat underestimate the inroads he may make on Republican votes in the Middle West.

Mr Wallace is now the Messiah of what in America is unkindly known as the lunatic fringe. A march past of his supporters would include pacifists, Jews, negroes, isolationists, Irish, Italians, Communists and near Communists. His meetings have the air of religious revivals, and "Gideon's Army" is marshalled with all the techniques of Billy Sunday. But a protest vote of such diversity is far less stable than the major third party revolts of the past which were fired by a deep sense of common injury.

* * *

Defence and Taxes

Pressure for tax reduction in Congress has grown steadily in recent weeks. Apart from the obvious attractions of such a programme in an election year, there are many Congressmen who believe, quite sincerely, that the Treasury's estimates for 1948-49 seriously under-estimate the probable revenue over that period. Many more believe that taxation is steadily undermining the foundations of the US economy, and many cling to the simple faith that tax reduction is, *per se*, deflationary.

The path has been well prepared. Budget committees have cut \$2.5 billion from the President's expenditure total of \$39.7 billion. The Senate has adopted an ingenious procedure whereby \$3 billion of the cost of the European Recovery Programme, though spent in 1948-49, will be debited to 1947-48. By this device, which would not affect actual cash transactions, but would reduce a heavy 1947-48 Budget surplus to the benefit of next year's accounting, Republican tax crusaders overcame the objections of many Democratic Party rebels, who were persuaded last year, only with great difficulty, to support the Presidential vetoes on tax relief.

As Congress now considers the fiscal prospect for 1948-49, a Budget surplus of something like \$10 billion is in prospect, the expenditure reduction already noted being coupled with a revision of the revenue estimate, from \$44.5 billion to rather more than \$47 billion.

Wall Street, and commodity markets have made a striking response to these moves, coupled with the suggestion that rearmament expenditures will shortly become the dominant feature in the economy. In a few days, the Dow Jones Industrial stock average regained more than half of the setback from the 1948 "high" of 181, and there has been a sharp rally in selected commodities, such as grain and cotton. The assumption seems to be that with a probable Republican Administration in 1949, and a steadily-swelling defence programme, industry will enjoy a further sustained period of prosperity, and a Federal government so far removed from "New Deal excesses," that taxation will, in fact, be reduced rather than raised.

Defence expenditures seem bound to rise, in any event, and Wall Street prices are now so low, relative to earnings, that some sort of a rally, which could well be sharp, may seem to be wholly justifiable. But from this distance, it seems as though Wall Street would be taking a great deal for granted, if it assumes for long that a really impressive pace of rearmament can go hand in hand with lower taxes. It has been suggested that arms expenditures might rise by \$6 billion or \$7 billion in 1948-49, to about \$17 billion or \$18 billion, and this would certainly mean solid support in aircraft stocks, for example, and a "floor" for non-ferrous metals and other war supplies. But in relation to the recent pace of private capital expenditures, and consumer purchases these amounts are still relatively modest. For the moment, however, Congress cannot see beyond lower taxes. The Senate vote this week, of 78 to 11, for tax cuts of \$4.8 billion, shows that a Presidential veto could now be overthrown in both Houses.

Direct Election of the President

The political tug-of-war from which the Democratic Party is suffering this year may provide the motive power for eventual revision of the Electoral College, that device which the Founding Fathers fondly hoped would stand as a barrier between the Presidency and the passions of the mob. Representative Gossett (Texas) has sponsored, and the House Judiciary Committee has approved, a constitutional amendment which, while preserving the present electoral votes of the states, would divide each state's vote between the parties according to the popular vote. The present system gives all the electoral votes of each state to whatever party wins a majority or a plurality of the popular vote in that state. Just over a thousand votes in New York made Cleveland, rather than Blaine, President in 1884; a few thousand votes in California gave Wilson his second term.

Originally it was intended that the members of the Electoral College should use their own judgment, and not be bound by the popular vote; in practice they have become so. But the Virginia plan for putting the state's electoral votes, not automatically behind the official candidate nominated nationally by the party, but at the disposal of the state machine, has shown how undemocratic a rigid revival of the plain meaning of the Constitution would be. At the same time, the exaggerated weight which the present system gives to certain strategically placed minorities has been underlined by the competition between Mr Wallace and Mr Truman for the negro vote and the ineptitude of Mr Truman's Palestine policy in the past.

* * *

The Dilemma of the South

The South is desperately trying through the Virginia Bill to find a substitute for the veto over Democratic policy it enjoyed prior to 1936 through the two-thirds rule. But it is extremely unlikely that, faced in the Electoral College with a choice between, say, Mr Truman and Senator Taft, even the desire to punish Mr Truman could make the South swallow the deliberate engineering of a Republican President. The South would also do well to remember that when it possessed a veto over the party's choice, the effect was too often a succession of weak compromise candidates; and that the Democratic candidate has never won the Presidency in the twentieth century except on a national and liberal programme.

But the South has a real grievance, which it shares with "safe" Republican states: they can both be largely ignored by their respective parties in the formation of policy and the choice of candidates, for they have nowhere else to go. A constitutional amendment providing for the direct election of the President would make both parties take more account of their safe seats. Mr Truman's espousal of civil rights for the Negro may conceivably repeat the feat of Al Smith in 1928 and smash the Solid South, or at least alienate certain border states. But until a real two-party system develops below the Mason-Dixon line, no constitutional tinkering can make the South anything but safe—and therefore negligible—for the Democrats in a normal election year.

Mr Gossett's proposal will not affect the election results this year. But its chances are good in the long run. Certainly it deserves more support than the anti-third term amendment which the Republicans have tried to make Mr Roosevelt's constitutional monument.

Shorter Notes

The House has responded to the President's call for speed on economic aid to Europe by voting an additional interim aid appropriation of \$55 millions for France, Italy and Austria. General debate on the \$6.2 billion Foreign Aid Bill begins on Monday next. This includes \$5.3 billion already approved by the Senate, \$275 million for Greece and Turkey, and \$570 million for China.

*

Mr John L. Lewis has turned down the suggestion of the government conciliation service that he induce the miners to return to work while negotiations on the pension scheme are carried on. This greatly increases the likelihood that the Government will be forced to find a way of applying the provisions of the Taft-Hartley Act for dealing with a strike which menaces the national safety or welfare. The legal difficulty is that the strike has never been officially called.

THE WORLD OVERSEAS

Bulgaria—Kingdom of Dimitrov

(By a Special Correspondent)

THE fusion of the five government parties into "one united political organisation," which took place on February 2nd, has now made Bulgaria a totalitarian state in appearance as well as in reality. For a long time the non-Communist parties had served merely as camouflage for the Communist dictatorship. But for reasons of foreign policy Premier Dimitrov felt obliged to keep a semblance of democracy: the parties had their own leadership and their own political programmes. Now they are to exist only in name, as parts of a "central organisation"—the Fatherland Front, whose leaders are all Communists.

This change, which the Bulgarian Communist press calls "democratisation," was accelerated some eight months ago after the arrest of Nikola Petkov, leader of the Parliamentary opposition. Petkov was sentenced to death on August 16th, his Agrarian party was disbanded three weeks later, and he was hanged on September 23rd. Dimitrov signed a military alliance with Yugoslavia in August, with Albania in October, and with Rumania in January. A new Bulgarian constitution on the Soviet model was adopted on December 4th, and two nationalisation laws, voted in December, 1947, and February, 1948, completely transformed the economic and social structure of the country.

In the political field these changes have been marked by two main characteristics: intensified Communist terror and the replacement of local Communist leaders by Communists from Russia, who, though Bulgarian born, had been Soviet citizens and Soviet officials for the best part of their lives. (They are known in Sofia Communist circles as "the people from up above.")

By the end of 1947 the Opposition, with the exception of a small group of nine Socialists in the Assembly, had been driven out of existence. One month after Petkov's hanging all prominent leaders of his party were arrested. Those who did not sign a "voluntary" statement denouncing Petkov and their own political past were sent to concentration camps or interned in remote villages. Others, among them former Agrarian ministers, were tried and sentenced to long terms of imprisonment for "obstructing the two-year economic plan." Petkov's deputy, Dimitar Gichev, is to be tried for "espionage." Gichev's popularity among the peasants was second only to Petkov's, and his elimination is clearly intended to head off the Agrarian movement as a living political force. Even the pro-Communist Agrarian, Alexander Obbov, who was deputy Prime Minister in Dimitrov's cabinet up to December, 1947, has been expelled from all government organisations and is now under house arrest.

Anti-Communist "Criminals"

Savage measures of repression have overtaken all other prominent democrats. Professor Venelin Ganev, who as chairman of the Regency Council, was head of the Bulgarian State for two years, was arrested last October. He was suspended from the university and deprived of his pension as an "enemy of the people." His crime seems to have been his readiness to appear as a defence witness during Petkov's trial. The leaders of the Democratic party, including the eighty-seven year old former Prime Minister, Nikola Mushanov, and the energetic pro-British Stoicho Moshanov; the leader of the Conservative party, Atanas Burav; the former Regent, Zvetko Boboshevsky; the former minister and leader of the Radicals, Professor Petko Stoyanov; most of the well known Socialists, and many other politicians, professors and journalists have all been arrested and interned in the last four months.

In January, 1948, the Communist Politbureau, which had fourteen members, ten of whom were local Communists and only four "people from up above," was disbanded. A new Politbureau of seven men was formed, five of whom are Soviet citizens and only two are local Communists. The Bureau's Secretary-General is George Dimitrov. His first assistant is his brother-in-law, Valko Chervenkov, a Soviet citizen since 1923, with long experience of political work in Moscow. As chairman of the "Committee for Science, Art and Culture," with the rank of deputy Prime Minister, Chervenkov directs all propaganda activities in the country. He is also Secretary-General of the Fatherland Front Executive

Committee. Next in the Politbureau comes General George Damyanov, a Soviet officer and former professor in the Moscow Military Academy. He arrived in Bulgaria only in 1946. The Police Minister, Anton Yugov, is a local Communist, but his department is subordinated to the notorious "R.O." (Investigations Branch) of the War Ministry headed by yet another man from "up above"—General Ivan Vranchev.

The new nationalisation laws, easily the most drastic of their kind in Communist Europe, put under state ownership all trade, business, banking and industrial enterprises, including workshops employing as little as three workers and the only night club in Sofia. In reality this nationalisation was the naked confiscation of all property and spelt the liquidation of the middle classes. For compensation is to be paid, according to Article 17 of the law, only to those owners who have not "served and helped" the German Army, the Bulgarian Police or the Bulgarian Army. Since Bulgaria was an Axis state up to September, 1944, there is hardly a Bulgarian industrial business, trade or banking firm which has not, in one way or other, "served" the Bulgarian army. Furthermore, compensation is to be denied to anyone who has "served or helped foreign agents, spies or persons incriminated for activities aiming at the overthrow of the people's government and the restoration of the fascist dictatorship." This, of course, denies compensation to anyone suspected of anti-Communist views. There is no appeal.

Workers Under Martial Law

Articles 15 and 16 of this nationalisation law need no comment: "Whosoever, in whatever form, commits acts of a nature to frustrate, obstruct or delay nationalisation under this law is liable to be punished for sabotage." (The penalty for sabotage is death.) And: "Civil servants who do not carry out or who delay the carrying out of any measure under this law are liable to be punished for sabotage." Finally, according to Article 20, all "owners, governors, directors, accountants, executives and the whole technical staff of the nationalised enterprises are to be mobilised in their industries, businesses, factories, offices, workshops, etc." A Communist "Commandant" is appointed to each nationalised enterprise and the mobilised men are to work under military discipline and martial law. But the final blow came with the second nationalisation law last February, which took over all "land, houses, villas, flats, rooms, etc." with the exception of the "living accommodation of working class families."

The annual budget, voted in January, 1948, gives some more revealing facts on Bulgaria's financial and economic situation. Out of a total expenditure of 70,000 million leva, some 10,000 million are for the War Ministry. (There is still no official rate of exchange between the leva and the pound sterling, but on the free market in Sofia £1 is worth about 3,000 levass.) The Ministry of the Interior and the Police take 4,200 million levass; the Committee for "Science, Art and Culture" and the Ministry of Education—7,300 million levass; Agriculture and Reconstruction—3,000 million levass each. The Social Services are allowed 2,000 million levass, less than half the credits for the Ministry of the Interior and the Police. On the revenue side 27,000 million levass are expected to come from a "turnover tax," introduced for the first time in Bulgaria and modelled on the similar Soviet tax. 4,000 million levass are to come from the "sale of rationed goods on the free market" (known in Bulgaria as the "official Black market.") Income Tax amounts to 7,000 million levass, only ten per cent of the total estimated revenue.

The lonely nine Opposition Socialists in Parliament attempted to criticise this budget as "unrealistic and insincere." Dimitrov, however, openly threatened them with "the fate of Petkov" and they abstained from voting. Thus, while the new nationalisation laws, in eliminating the middle class, have laid the economic foundation of the Communist dictatorship, the reign of terror that followed Petkov's hanging has assured Dimitrov of absolute power, which no "reactionary monarch" or "Fascist dictator" ever enjoyed in Bulgaria before.

Portugal's Estado Novo—II

New Deal in Lisbon

(From a Special Correspondent)

ONE of the sixteen nations pledged to economic co-operation in the European Recovery Plan, Portugal is in the happy position of needing to ask for nothing from the rich American uncle. It still has substantial gold and foreign exchange resources, acquired from its gains as a neutral during the war, amounting at the beginning of 1948 to £155 million. Thanks to a ruler who knows his economic business, the escudo is a "hard" currency, quoted alongside the dollar in the French "free" market.

Portugal's participation in ERP has to be assessed, therefore, rather in terms of political prestige. Where it stands to gain at a later stage, is in the consolidation of the economic development of its African colonies. This has already been put in train by the Salazar regime. The Lisbon Government sponsored a development loan of £10 million for Mozambique on July 31st last, and the prosperity of Angola has in recent years made remarkable strides. The Anglo-Portuguese Trade and Payments Agreement, the outlines of which were announced on January 12th, has settled monetary difficulties affecting Portugal's chief source of supply, and, by means of the Superior Commission for External Trade set up in November and a comprehensive but elastic system of import controls, the Government is well placed to meet all essential trading needs. Portugal is a poor country dependent for raw materials and for wheat on foreign markets, but the relatively low standard of living affords a considerable degree of self-sufficiency.

Portugal after the war, like the other countries starved of goods, was exposed to the perils of inflation. The monetary increase of the war period—in 1947 the fiduciary circulation amounted to about four times that of 1939—was not accompanied by any appreciable increase of consumption. When the navicert controls were lifted, it had to meet the full force of world competition for goods in short supply. Internal prices consequently rose steadily. Dr Salazar insisted that there must be no comparable rise of wages and internal costs such as might imperil the stability of the escudo—the most that he would concede was a temporary cost-of-living bonus for the shockingly-paid Government servants in October, 1946. He was banking on the assumption that the inflated world prices were an immediate result of the war and that they would not persist.

Discontented Professional Classes

By the end of 1946, however, there was a rising tide of discontent among the long-suffering working and professional classes, who resented particularly the luxury goods from the United States at prices only payable by the wealthy few. (In 1946, for example, the US accounted for almost 25 per cent of total imports, twice as much as in 1942.) There was the familiar phenomenon of the country people hoarding food, combined with excessive middlemen's charges and an alarming increase of black market speculation.

Today there is a very different picture: stocks have been replenished, prices of all necessities have been brought down to a reasonable level (and rationed goods are regularly forthcoming) while black market operations have been largely eliminated. The credit for this transformation belongs to the dynamic personality of the new Minister of Economy, Daniel Vieira Barbosa, appointed in the Cabinet re-shuffle of February, 1947, and his able secretary, Dr Correia de Barros (who studied for a time at the London School of Economics). Senhor Vieira Barbosa was an almost unknown figure. In the execution of his task, for which Salazar gave him a free hand, he has shown notable skill, not to say guile and courage. He is the first of Salazar's Ministers to appreciate the value of publicity, and recently he made a series of important speeches vindicating, with a liberal use of statistics, the Government's policy.

A year ago the new Minister, having satisfied himself by personal investigation that the "shortage" of foodstuffs was to a very large extent artificial, set himself to create a "falling prices psychology." In the early summer a Commission of Enquiry was set up to determine a "just price" for a variety of articles in relation to increased costs since 1938. Police action was taken against a number of leading industrialists and the

Ministry's investigation squads have been working overtime ever since. Senhor Barbosa issued warnings that, if farmers and producers failed to surrender their stocks, he would use the reserves of the *gremios* (employers' and producers' associations) to flood the market with imported food. He did in fact, in the spring and early summer, make good use in this way of Argentine meat, Brazilian and American grain, imported sugar, potatoes and fats—with the desired effect of bringing prices down. Maximum prices were fixed for other products, and the Government at one stage set up its own booths in the markets for selling fruit and vegetables at cheaper prices than those being charged. For bread a special arrangement was necessary owing to the very bad wheat harvest, and Portugal's bread ration, of between 150-200 grammes per day, is one of the lowest in Europe. But rations in Portugal are simply the basic allocation at the controlled price: all staple products can be bought in larger quantities at the differential price.

Balance of Payments Difficulties

To critics who complained that he had been playing fast and loose with the country's foreign exchange assets simply in order to salvage the Government's popularity, he quoted some eloquent facts and figures:

- (1) Imports in 1947 were some 37,000 tons less than in the previous year, and there was a diminution of 65,000 tons in the amount of foodstuffs;
- (2) If that import programme was more expensive—an average of 3,100 escudos per ton as against 2,750—than that of 1946, and the deficit of the balance of payments had increased, the reason was the jump in the world prices for which the Portuguese Government could not be held responsible;
- (3) The actual deficit of 1,370,575 contos* was only 17 per cent more than the average of the years 1928-37, and steps had been taken—e.g., the Control of Imports Order of October 9th affecting 150 products—to put a stop to unwise spending; as for Portugal's foreign exchange reserves, the figures showed that on January 1st the amount held was 18,450 thousand contos, and at the end of the year 15,625 thousand contos, a curtailment of 2,825 contos, which was surely justified in a good cause, i.e., to check the prices ramp.

For the benefit of other critics who professed to be worried about the effect on the Government's industrialisation schemes, Senhor Barbosa pointed out that imports of machinery, tools, lorries, ships, etc., in 1947, were only 73 per cent of the previous year's figures. On the other hand, the amount of raw materials imported was 45,000 tons greater than in 1946—and more than in any of the war years. Exports of animal oils, timber, cork, resin, wines and tinned goods had necessarily fallen off because of foreign exchange difficulties. Hence the unsatisfactory balance of payments. The Minister made no bones about taking the blame for allowing too many non-essential goods to be imported, but he said this had now been rectified.

The Government passed its Act for the development and reorganisation of industry in 1944. The first phase of the eight-year plan was scheduled to cost £13 million. Conscious that at present any substantial increase in industrialisation is hampered by the lack of fuel or alternative sources of power, the Government has put as a first priority the construction of hydro-electric works, making good use of equipment and technical aid from Britain. A respectable merchant fleet is being established, many of the new vessels having been built in Britain. There are ambitious plans for the improvement of railway yards, dockyards and ports, specifically the expansion of Lisbon's harbour, and other projects which are likely to cost some £20 million. Total expenditure is estimated at £65 million, but, in view of the expanding population—an increase from 5,500,000 to 7,000,000 in the last 20 years—it will be money well spent. There should be no danger of an unbalanced budget. All in all, provided that Dr Salazar and his lieutenants, chiefly Marcelo Caetano and Vieira Barbosa, can hold the political position, there is a good chance that Portugal will reap a precious harvest from a generation of financial and economic stability.

(Concluded)

* 1 conto = £10.

Self-Government for the Sudan

(By a Correspondent)

THE predominant feeling in the Sudan today is one of suspicion of and dislike for the way in which the Sudan is being used as a pawn in the Anglo-Egyptian dispute. For the past few years the Sudanese have sought the goal of self-government with single-minded determination. But, just as they were enthusiastically working out the details of the next critical stage in their development, they found themselves the centre of an acrimonious dispute between their joint rulers, Britain and Egypt.

To begin with, some Sudanese thought that they would profit by the dispute. If their rulers fell out, they argued, there would be nothing to stop the Sudanese from winning independence. It soon became clear, however, that although the two condominium Powers could not agree, neither would relax its hold on the Sudan. Indeed the dispute, which had begun over reframing the Treaty of 1936, quickly developed into the question of the future of the Sudan itself. Egypt, suspicious of British intentions and anxious about the security of its vital water supplies, claimed the Sudan as a colony. Britain resisted the claim, and within a few months the Sudanese found their affairs exposed to the limelight of the Security Council. No settlement was reached, but from that time on the Sudanese realised that what had originally seemed a simple matter of moving step by step towards self-government had become a complicated tangle of power politics.

Under such trying circumstances, the Sudanese remained admirably cool. The *Ashigga*, or pro-Egyptian party, led by Sayed Sir Ali el Mirghani Pasha, supported Egypt, and the *Umma*, or Independence party, led by Sayed Sir Abdel Rahman el Mahdi Pasha, resisted it. The *Umma* probably spoke for the majority of the Sudanese, few of whom have any liking for Egyptians, but members of both parties worked amicably enough together when they assembled for the Sudan Administration Conference last year to frame the proposals for their next step towards self-government. Helped by exceptionally able British administrators, the Conference worked quickly and smoothly. It completed its work last March, and produced detailed suggestions for amending the internal constitution of the Sudan.

Egypt's New Interest

It was at this stage that the dispute between the condominium Powers again made itself felt. Under Lord Cromer's Condominium Agreement of 1899, any constitutional changes in the Sudan must have the approval of both Britain and Egypt. In fact, ever since the murder in 1924 of Sir Lee Stack, then Governor-General of the Sudan, Britain had shouldered the main responsibility for the Sudan, and Egyptian interference, up to the time of the dispute last year, had been slight. Now, however, Egypt decided to make its presence felt, and insisted on its right to approve any constitutional changes. Britain approved the proposals of the Administration Conference in principle, but Egypt, fearing that its influence might be undermined, went further. In a list of detailed amendments it offered the Sudanese an even greater measure of self-government—but on conditions which would give Egypt more direct control of the Sudan.

The Administration Conference had proposed that an Executive Council, of whom at least half should be Sudanese, should replace the present Governor-General's Council, and that a Legislative Assembly, elected from the whole of the Sudan, should replace the Northern Advisory Council, which, constituted in 1943, is at present the only representative body of Sudanese. The Executive Council was to be responsible for framing and initiating legislation, while the powers of the Legislative Assembly were to be limited for the first three trial years to debating on Government Bills and to some control over the Budget. The Governor-General was to retain his present wide powers, and, in particular, was to be responsible for resolving differences between the Executive Council and the Legislative Assembly. Egypt's criticisms were that Egypt ought to be represented on the Executive Council; that full electoral rights should be given to all Sudanese instead of the limited franchise suggested; that the powers of the Legislative Assembly should be extended; and that all legislation should be referred back to the condominium.

The contradictions in the Egyptian amendments were self-evident—if all legislation had to be referred back to the Con-

dominium, it would mean less, not more, independence for the Sudan—but the chief result was to turn what had been a fairly open dispute between Britain and Egypt into a haggling match over constitutional details. It was clearly Egypt's intention either to force into the new proposals clauses which would give it control over the Sudan, or so to confuse the issue as to make progress impossible and to prevent Britain from taking up the role of guide, philosopher and friend to the Sudanese.

Friction with Cairo

The Sudan Government, however, accepted most of the suggestions of the Administration Conference and began to work out a draft ordinance for putting them into effect. Sir Robert Howe, the Governor-General, saw the Egyptian Premier, Nokrashy Pasha, in Cairo at the beginning of this year and told him that some of the Egyptian amendments would be included. Later in January, the British Government invited the Egyptian Government to a conference on the Sudan. Egypt refused. In a Note to the British Government, dated March 11th, Nokrashy Pasha explained Egypt's refusal by claiming that none of the Egyptian amendments had been accepted and that therefore there was no basis for discussion between Britain and Egypt. The previous criticisms of the proposals were repeated, but the Note added that, after a trial period, "the Sudanese shall take over . . . all government posts under the common Crown and within the unity of the Nile Valley." Few Sudanese would accept the domination by Egypt implied in that statement.

Meanwhile, the Sudan Government has published its draft ordinance embodying the constitutional proposals. There are a few changes to the original suggestions, but the substance is the same. The Northern Advisory Council of Sudanese debated the ordinance in the first fortnight of this month and approved it in principle unanimously. Two other unanimous resolutions were passed: the first asked the Sudan Government to consider carefully the recommendations which had been made during the debate, and the second was: "The Council recommends that the Government should put this legislation into effect as soon as possible."

Promising Parliamentarians

The recommendations of the Northern Advisory Council were, in the main, intelligent and reasonable. The standard of the debate was exceptionally high and gave convincing proof of the ability of the Sudanese to adopt now a form of parliamentary government. The Council proposed that some or the "under-secretaries," equivalent roughly to a British parliamentary secretary, should be made full Ministers from the start, and that more than half of the Executive Council should be Sudanese, as originally suggested. There is no reason why the Sudan Government should not accept these recommendations. There are Sudanese who are eminently capable of taking over the departments of health and education, although it might be as well for the more technical departments, such as agriculture and economics, to remain for the time being in the hands of their British administrators.

But, now that the details of the constitutional changes have been settled, will the Sudan Government be able to carry them out? The present impasse between Britain and Egypt seems likely to continue for some months, and Britain's approval alone is, technically, not enough. There has been some talk of forming a Supervisory Council on which Egypt would have an equal say with Britain over Sudanese affairs; but such a concession, besides being unwelcome in the Sudan, would almost certainly lead to further demands from Egypt and would, by its nature, retard the progress of the Sudanese.

There is one way out. Under the Agreement of 1899, the Governor-General of the Sudan is empowered to do all he can for the peace and welfare of the Sudanese. As the Sudanese will almost certainly take the law into their own hands if their development is delayed much longer, and as obviously their welfare is at stake, the Sudan Government has every reason for disregarding the Anglo-Egyptian dispute and carrying out its plans. Britain, at least, could not reasonably object.

were demanding. Moreover, production costs of wheat have undoubtedly risen sharply since the war, though it is doubtful whether they are now as high as \$1.50 a bushel. The minimum price in the first year is not merely of academic interest, for although the current price of wheat in Chicago is \$2.40 a bushel the prospects of a harvest in the United States of perhaps 1.2 billion bushels this year, following good crops in the Southern Hemisphere and the likelihood of a greatly improved harvest in Western Europe, suggest that even if the wheat market does not fall abruptly, prices may in due course be well under rather than over \$2 a bushel. Experience during the past year has underlined the need for caution in forecasting the trend of grain prices, which can be sharply affected by supplies of coarse grains and rice. Admittedly, the guaranteed prices offered to domestic growers both by importing and exporting countries are usually well above \$1.50 a bushel—in Britain the price is over \$2. The only certain factor in the situation is simply this: if the minimum price of wheat during the next five years proves to have been fixed too high under the agreement the prospect of its renewal in 1953 will be so much the poorer.

From Britain's point of view, perhaps, there is not much to lose from the agreement in the first two or three years. Under the Anglo-Canadian wheat contract, prices in 1948-49 had already been fixed at \$2 a bushel, and the minimum price in 1949-50 was originally agreed at \$1. Under the new agreement the price for 1949-50 will be revised to \$1.40. Britain is now buying wheat from Australia at \$2.70 a bushel, and if the agreement comes into force next August the maximum price for these supplies will be reduced to \$2. But the advantages in later years after these long-term contracts have expired are perhaps more questionable. It may be difficult at this moment to believe that grain prices will slump to their prewar level in any foreseeable period of time, but world markets have a way of defying prophecy.

One of the doubts arising from the agreement is the narrow scope which will now remain for a free world market in wheat. Again, the stabilisation of the price of wheat is likely to distort the normal price relations between wheat and other grains. So long as the three exporting countries pursue a domestic agricultural policy designed to maintain a high wheat output, no serious repercussions on the supply side need be

expected. But suppose that the world price for maize remained above the maximum export price fixed in the wheat agreement—which is a distinct possibility. Would not producers in the exporting countries be tempted to sow a greater acreage of animal feeding grains and to reduce their acreage of wheat? Such a possibility is even more likely in those countries like Argentina which are outside the agreement. An increased supply of feeding grains would be beneficial. But in these circumstances might it not be obtained at the cost of an unduly high price for wheat?

From an economic standpoint the new agreement is not without its shortcomings. Lack of precision in detail may be desirable in order to administer the agreement with proper flexibility, but that very fact will put a heavy responsibility upon the new Wheat Council for carrying out its provisions equitably. From the particular point of the consumer, the wheat agreement will be judged by two results: first, if it encourages an expansion in world wheat production commensurate with the increase of between 5 and 10 per cent in the world population since 1939, and secondly, if relatively stable wheat prices succeed in inducing a greater measure of stability in the world economy as a whole. There are, of course, political considerations which are bound to be important in an agreement of this kind. For a period of four years out of the five during which the agreement will run, it is conceivable that American aid will be forthcoming to a number of the importing countries, and a maximum limit for wheat would prevent a repetition of the rapid using up of the American loan which occurred after price controls in the United States were rescinded. A more important consideration, perhaps, is Britain's responsibility to other European importers. Clearly, no wheat agreement would have been feasible without British participation, and it would be shortsighted for Britain to refuse to ratify the agreement on the ground that in the last two years of its duration wheat might cost more than would otherwise have been the case. At present, that is not a matter which is now open to proof. Not until the later years of this agreement—assuming that it is ratified—will it be possible to decide whether Britain threw away an opportunity of buying food in the cheapest market or whether, instead, it reached a satisfactory compromise between its interests as an importer and the broader interest of stable farm incomes.

The New Companies Act—III

Safeguards for Private Companies

PRIVATE companies outnumber public companies by fifteen to one. Yet to date the position of private companies under the new Companies Act has received relatively little attention. The main provisions of the new Act do indeed refer largely to public companies, but many are of equal application to private companies, and some are exclusively concerned with private companies. There are two main reasons for examining the changes in the law governing private companies. The first is that private companies are frequently members—and sometimes important members—of industrial groups in which the investing public is interested. The second is that abuses on the part of private companies have in the past involved painful losses to trading creditors, as distinct from the investing public.

The new Act does something to limit these losses in future. One of the earliest forms of abuse of the advantage of limited liability to the private company was the floating charge. By taking debentures, secured by a floating charge, as part-consideration for assets sold to the company either on its formation or subsequently, the principal shareholder could obtain a preference over the unsecured creditors of the private company when it was liquidated. Frauds have taken place by the purchase of goods on credit, followed by a liquidation in which the promoter secured the goods through the operation of a floating charge. The Act of 1907 made void any floating charge, evidenced by debentures issued other than for cash, if it had been created within three months before the winding up of an insolvent company. This period of three months was extended to six in the 1929 Companies Act; it is now increased to twelve months in the new Act.

Before the war, the trail of debts left by dubious private limited companies tended to be marked in particular trades; fraudulent promoters were never numerous, but a small number of them were very active and were responsible for the registration of chains of companies. In future under Section 101 of the new Act it will be harder to form a last link in such chains, since the Court has been given greater powers to restrain people found guilty of fraudulent trading from engaging in the management of companies. In addition, enquiries will be facilitated by the new Section 102 which gives power to the police, the Board of Trade or the Public Prosecutor to apply for a Court Order to inspect a company's books and papers if reasonable cause can be shown that an offence has been committed.

Another type of fraud which has been made more difficult involves the purchase of goods on credit by a private company which are then sold to an associate at a fictitiously low price. When the purchasing company liquidates, its creditors recover only what is left of the money paid to the company by the associates; the goods are ultimately disposed of at their true market value and the difference is divided between the two venturers. In frauds of this type the Public Prosecutor will now have a wider discretion. Many prosecutions were not made in the past either because they involved only small sums or because of difficulties arising from the rule requiring action in a police court to be taken within six months of the offence. This period has been extended to three years, with the limitation that not more than one year must elapse after the date when the Public Prosecutor or the Board of Trade first learns of evidence which in their opinion would justify legal proceedings.

Apart from these cases, which involve punishable dishonesty, there have been others which were not fraudulent, but where the creditor has nevertheless been hampered in his transactions with companies of doubtful honesty. A most frequent instance arose when a director made the declaration of

solvency, required, under the Act of 1929, for a voluntary liquidation, either recklessly in order to keep a winding-up out of the creditors' hands or alternatively so long in advance that the declaration no longer held good at the time of the liquidation. Under Section 94 of the new Act, such a declaration must be made within five weeks of the resolution to wind up and it must also be supported by a statement of assets and liabilities; if the company then proves insolvent the onus will be upon the directors to show that when they made the declaration they had good reason for thinking that the company would be able to pay its debts within twelve months. Another section now gives any receiver the right to apply to the Court for directions, whereas at present receivers who are not appointed by the Court have no recognised authority to turn to for instructions if they are dissatisfied with the company's conduct.

On questions of broader principle, however, few changes have been made. Most private companies will still be exempt from the duty of filing a balance sheet and profit and loss account. The commercial world has long recognised the right of a private company to keep its financial affairs to itself and despite the strong evidence which was submitted to the Cohen Committee, urging an improvement of the standard of disclosure of financial information by private companies and suggesting that private companies should be liable to publish annual profit and loss statements and balance sheets, nothing on these lines has been incorporated in the new Act.

It has often been held that creditors of private companies, more particularly larger creditors, have not pressed for a change in the law mainly on the ground that before they supply goods on credit to a private company they make it their business to obtain such information as they require. Representatives of trade protection organisations, however, expressed the view to the Cohen Committee that they would be assisted in their work by being able to refer to filed accounts, and it is certainly true that credit reports on private companies tend to be in rather vague terms in many cases where nothing disadvantageous is known. It is questionable whether the valuable privilege of limitation of liability should be granted without a corresponding responsibility for filing accounts. One argument to the contrary is that many private companies have been incorporated which would not have been formed if such publicity had been demanded at the time, and that it would be unjust to demand disclosure, so to say, retrospectively. Many individuals have formed private companies for reasons originally connected with tax evasion; but great inroads on the possibility of such manoeuvres have been made in recent years through successive Finance Acts. It would undoubtedly embarrass many people to have their private fortunes disclosed but, for trading companies, at any rate, the protection afforded to private companies still seems an anomalous exemption. There is another aspect of this matter. In their discussion of the relation between wages and profits, trade unions have emphasised the disadvantage from which they suffer owing to the secrecy surrounding the financial affairs of private companies. They have suggested more forcibly that some private companies, whose objections to the disclosure of profits or assets are based on the ground that such publication might help competitors, have been more anxious to conceal their position from employees.

Although the new Act has left the privacy of private company business unchallenged, it has introduced the concept of the "exempt private company." It is only this type of private company which is not required to file accounts at Bush House. It is defined in Section 54 of the Third Schedule to the new Act as a company that (with certain exceptions) does not have a

TABLE I
WHEAT EXPORTS OF MAJOR EXPORTING COUNTRIES
(millions of bushels)

Country	1934-38 Average	1944-45	1945-46	1946-47	1947-48*	Guaranteed Annual Sale under the Agreement
United States	32	111	309	400	500	185
Canada	177	345	340	243	192	320
Australia	107	55	41	47	120	85
Argentina	122	106	69	62	108†	...
Russia	20	...	...	...	44	...
Total	458	615	759	752	964	500

* Forecast. † Includes export surplus from Uruguay.

TABLE II
EXPORTERS CARRY-OVER STOCKS
(millions of bushels—calculated at end of season)

	1938-39	1945-46	1946-47	1947-48*	Annual Carry-over under the Agreement
United States	250	101	84	150	170†
Canada	110	74	85	82	70
Australia	21	20	20	56	25
Total	381	195	189	288	265

* Forecast. † Includes farm stocks.

TABLE III
WHEAT IMPORTS OF PARTICIPANT COUNTRIES
(millions of bushels)

	1934-38 Average	1947-48*	Guaranteed Annual Purchases under the Agreement
Austria	8	24	19
Belgium	38	31	24
Brazil	...	37	19
China	7	20	15
Colombia	1	3	2
Cuba	n.a.	9	8
Czechoslovakia	2	4	1
Denmark	8	n.a.	1
Ecuador	n.a.	n.a.	1
Egypt	1	9	7
French Union	3	44	36
Greece	16	17	19
India	15	56	28
Ireland	15	13	13
Italy	26	40	37
Lebanon	n.a.	5	3
Mexico	n.a.	17	8
Netherlands	17	29	31
New Zealand	2	6	6
Norway	8	8	8
Peru	6	4	4
Philippines	n.a.	n.a.	5
Poland	1	n.a.	1
Portugal	1	9	1
South Africa	1	n.a.	6
Sweden	1	n.a.	3
Switzerland	17	15	7
United Kingdom	208	190	180
Venezuela	n.a.	n.a.	2
Total	382	593	500†

* Based on data submitted to London Wheat Conference, April 1947.
† Total includes annual quantities of less than one million bushels for Afghanistan, Dominican Republic, Guatemala and Liberia.
‡ Less than one million bushels.

public or a non-exempt private company or a nominee as an owner of shares or debentures, either directly or at several removes; nor must it be controlled by any except its own members and directors or have a body corporate as a director. In addition holders of its debentures and of shares in the group of which the company forms a part, must not exceed fifty in number in each case. Thus a typical private company representing a family business will be exempt.

Another object of the new legislation has been to make it easier for shareholders generally to take a more active part in the running of a company by receiving notices of meetings longer in advance. Minority members of private companies, who have hitherto been completely ignored in company legislation, will also receive these benefits and enjoy the right to receive copies of the profit and loss account and balance sheet in advance of the annual meeting. Like other shareholders, they may in future give their proxies to persons other than members, although it is only at the meetings of private companies that such proxy holders will be entitled to speak. Where it is complained that a company is being run in a manner oppressive to some members and where winding up would be prejudicial—although grounds for liquidation exist—the new Act gives a right to shareholders to apply to the Court for an order to regulate the affairs of the company or for a purchase of the shares of a member. Although the new Section 9 does not specifically mention private companies, the conclusions drawn by the Cohen Committee make it clear that this and related clauses were put in to deal as broadly as possible with oppressed minorities of companies generally, and the position of minorities is particularly vulnerable in the case of private companies. When a partnership is turned into a limited company, it is common for the former partners to take high salaries (if only because of earned income relief) rather than draw their income in the form of dividends. Should

one die, his beneficiaries are in an extremely weak position in relation to the surviving active members, and they had only limited remedies under the old Act. Under the new provisions (Section 9), the Court, on application, may make such order as it thinks fit for the regulation of the conduct of the company's affairs or for the compulsory purchase of any member's shares. In such a case, directors' remuneration may therefore be limited by Court order for the protection of the minority shareholders' interests.

On the question of the appointment of auditors for private companies, the Act has not fully met the recommendations of the Cohen Committee, which held that no one should be eligible for appointment who was not qualified by membership of an approved body or who was not otherwise authorised to act by the Board of Trade. The Act includes provisions giving partial effect to this recommendation but "exempt" private companies are not affected by it. The Cohen Report, in discussing cases where an auditor joined the board of a private company and his partner was appointed as auditor, held that "such an appointment was wrong in principle" and "the exemption of private companies . . . should be abolished." The new Act specifically disavows this recommendation by providing Section 23 (2) that the preclusion of partners and employees of the company's officers from appointment as auditors shall not apply to an "exempt" private company.

The new Act has tried to strike a balance between the legitimate interests of creditors and shareholders for information about private companies and the convenience of the trading community. It may perhaps have given slightly more emphasis to the latter than to the former, but the new safeguards upon the activities of private companies which come into force in July will certainly remedy the worst practices which a very small minority of private companies and their promoters have exploited in the past to their own advantage.



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Business Notes

Quantity and Quality in Coal

Lord Hyndley explained last week what the coal industry is doing to meet the requirements set out in the Economic Survey. The average weekly output of the mines (excluding, that is, open-cast coal) was 3,948,590 tons in the first ten weeks of this year. Sustained over 52 weeks, this would yield more than the 200 million tons which has been set as the target for the coal industry, "though still, of course, not as much as we should like and the nation needs." But since the miners have their week's paid holiday and their six statutory (also paid) holidays to come, there are for practical purposes not 52 productive weeks in the year but 50; and on this basis, as Lord Hyndley pointed out, deep-mined coal output will need to average 4 million tons a week. A further improvement, therefore, is still needed. Output so far is 8 per cent higher than in the corresponding period of last year. Lord Hyndley attributed 2.6 per cent out of the improvement to the milder weather, leaving to the Coal Board and other human agencies the credit for an improvement of 5.4 per cent; the improvement required over the year if the minimum target is to be reached is 7.3 per cent. Last week's output figures show the requisite improvement—to 4,036,000 tons.

Recruiting on a scale necessary to bring mining manpower up to 750,000 by the end of 1948 will, in the chairman's words, "take some doing in view of the general shortage of labour and the urgent needs of the textile industry, agriculture and the Forces." This is so. A further statement by the Coal Board speaks of the success of special campaigns conducted by mobile cinema van in the Liverpool and Manchester area. But many of the new workers for the textile industry are being sought in South Lancashire, too. To what extent are the various officially-directed recruiting efforts competing against each other for the same workers?

Two points in Lord Hyndley's remarks may reasonably increase the consumer's concern about the rising cost of coal. The efforts being made to reduce dust in the mines are proper and necessary; the question remains whether these methods will eventually promote increased efficiency in the mines. Can the Coal Board make efficiency pay for itself? On the problem of dirty coal—"exaggerated" or not, it is still a problem—Lord Hyndley was less than reassuring. Mechanisation makes coal dirtier unless it is corrected by screening and washing plant; and while more than 75 per cent of the coal is now cut and conveyed mechanically, the existing screens and washeries can deal with only 48 per cent of the output. The export programme requires good clean coal, since foreign customers have enough American and Polish coal to enable them to discriminate—another example of a fading seller's market. It is disheartening for the industrial consumer—who also, often enough, has to export his goods—to be told that the exigencies of the coal export programme will require him to put up with inferior coal. For him, a fall in quality is the same as an increase in price.

Price Control Dilemma

The postponement until April 26th of the operation of the Board of Trade's new price-freezing orders provides a breathing space in which some of the problems involved may be examined a little more closely than was possible before the hasty issue of the orders themselves. It may be surmised that this interval is no less welcome to the officials who will have to operate the scheme than to those industrial and trade interests at whose request it was granted. But even the most intensive efforts in the next few weeks will hardly succeed in removing the fundamental difficulty with which the price controllers are now confronted. The object of freezing orders, as Mr Wilson explained, was to impose a supposedly "closer and more up-to-date" control over categories of goods the prices of which have hitherto been only loosely controlled. These categories, as an article in *The Economist* of March 6th showed, were those which, because of their inessential and/or unstandardised character, had never been brought within the range of the specific and highly detailed systems of control such as are operated, for example, for most utility goods. These "fringe" categories, which in the past two years have become increasingly important, were therefore controlled only by the principle laid down by the Prices of Goods Act, passed at the outbreak of war. Under this principle, the maximum price for each seller was the prewar price plus the ascertained increase in his cost per unit since that date.

Without doubt this system was honoured more in the breach than in the observance. Indeed, it appears that some small concerns whose operations were suspended during the war have only now discovered, since the new order was published, that their goods had been subject to any price control at all. The new orders, in their efforts to end this situation, go to the other extreme and simply freeze the price of each commodity at the lowest level at which it was in fact being sold by the particular manufacturer during January and February last. Plainly, the Board of Trade was faced with the alternative either of imposing a rigid rule of this kind, which at least had the merit of simplicity, or of trying to do for these fringe products what has been done for the most essential and standardised goods, namely, to introduce specific and detailed schemes for particular varieties of goods or even for particular manufacturers. It is well understood that it would be far beyond the range of administrative possibilities to apply this system to the great variety of miscellaneous goods which the new orders are intended to control.

Attempting the Impossible

Mere price freezing by itself, however, would have been hopelessly inadequate, because any manufacturer or trader could at once have put himself beyond the scope of control by altering the specification of his goods just sufficiently to enable him to claim that he was not making or selling any goods of the type made or sold in the base period. The price controllers had to do something to block this loophole; but, once again, they were confronted with the impracticability of legislating for particular cases in any reasonably flexible way. Where a manufacturer, importer or distributor is now selling goods of a character which he did not sell in January-February last, his maximum price is defined under the order as the cost of his raw materials, landed cost or purchase price (as the case may be) plus the appropriate percentage prescribed in the order for the category of goods in question. But some manufacturers work up their goods from the raw material stage, whereas others produce the same finished article merely by assembling components. If the price-control authorities had tried to legislate for the infinite varieties which occur between these two extremes, they would, once again, have been overwhelmed by the size and complexity of the task. Here too, therefore, they have sought a solution in harsh rigidity, and in general appear to have based the prescribed percentages upon margins which would be reasonable only for firms working high up the production chain, such as the assemblers.

It seems that this really is the *reductio ad absurdum* of price control. The authorities have had to eschew flexible or complicating techniques because they would be unworkable from their own point of view; but this has driven them to a system which is bound to be unworkable from the business point of view. The discussions of the next few weeks may perhaps remove some of the minor oddities (such as the provision under the order which appears to compel firms to grant cash discounts, and at an invariable rate of 2½ per cent, even in cases in which no discounts have been customary in the past), but they can hardly be expected to find a way of avoiding this fundamental dilemma. It is useless, in fact, to waste further time and effort upon this Operation Canute. The only sane approach is by way of an appropriate budgetary and monetary policy which will relieve the pressure upon prices at the source.

Further Rise in Cotton Prices

For the third time within a month the price of Egyptian cotton to British spinners has been raised. Egyptian standard type and Sudan Sakel were increased last Monday by 11d.-12d. a lb. to approximately 50d. a lb., East African by 7½d. a lb. and West Indian Sea Island by 7d. a lb. The price of American type cotton was also raised by 0.90-1.50d. a lb. This latest rise brings the Raw Cotton Commission's selling prices into line with those ruling in the principal producing countries and it is announced that adjustments will be made from time to time to keep home prices approximately related to those in foreign markets.

The point of interest lies more in this statement of policy than in the sharp rise in prices, unpleasant though that may be to the cotton trade. Domestic prices have for some time past

million, in contrast with \$1,435 million for the record output of 1945.

Fortunately, a large part of the aggregate decline in production over the seven years has occurred in non-British output, which declined from 16,753,000 ounces in 1945 to 6,820,000 ounces last year. British Empire production reached its peak in 1941, with a total of 24,145,000 ounces. Last year's total, at 16,830,000 ounces, was some 30 per cent below this figure and was also appreciably less than in 1946; it was the smallest, in fact, since 1934. Last year's decline was, of course, mainly due to the reduction caused in South African output by the labour difficulties of the early part of the year. The dollar value of Empire output last year was about \$590 million compared with about \$845 million at the 1941 peak. The decline in purchasing power which this gold output represents has, of course, been much steeper than the fall in output would alone suggest. As the Economic Survey pointed out, the price of gold has remained fixed but all other prices have risen, so that the purchasing power of the Sterling Area's newly mined gold is now only about one-third of what it was in 1938. In making this estimate, the authors of the Survey naturally included the output of the South African mines as gold available to the Sterling Area. But, in view of the changing relationship of South Africa to that area, it is perhaps questionable whether more than a part of its output ought to be so regarded in future. At the current Bank of England price, South Africa's output was worth about £96 million in 1947 and roughly £103 million in 1946.

Rising Costs of Shipbuilding

The upward curve of shipbuilding prices is not yet spent. Two years after the first World War a rapid fall of about 50 per cent left shipowners who had built at peak prices to compete with newer and cheaper vessels. It is not surprising that the shipowners should be watching shipyard costs with a wary eye. Their caution is reflected in the order books of British shipbuilders, which are still well filled for two or three years ahead, but with an unusual and not altogether healthy preponderance of tanker tonnage, for which there is an exceptional demand. An owner who built a cargo vessel of 9,000 tons deadweight before the war for about £170,000 was fortunate in acquiring a wartime standard ship for about £250,000 in 1945; he is now asked about £400,000 for a similar ship to be delivered no earlier than 1950 at best.

Individual ships differ so much in design that there is no easy method of comparing prices, but in general it can be said that today's prices range between 2½ and 3½ times those of 1938 for comparable ships and are from 10 to 20 per cent higher than a year ago. Four passenger liners of over 28,500 tons gross at present fitting-out are estimated to be costing about £110 per ton; they would have cost less than £50 a ton before the war. A fully refrigerated cargo liner of 10,000 tons gross delivered in 1947 cost about £1,000,000, compared with just over £400,000 in 1938. A normal cargo vessel of about 8,000 tons gross ordered in 1939 and delivered 14 months later cost £369,000; a similar ship ordered in 1945 and delivered 17 months later cost £638,000. Today the cost would be in the region of £725,000 and delivery date would be uncertain. A short-sea trader of about 3,000 tons gross, according to the Liverpool Steam Ship Owners' Association, cost £104,000 in 1939 and £201,000 in 1946, while the latest quotation is £360,000. It has to be conceded that the modern ship is on the average faster than the ship of ten years ago, and an increase in speed means a more than proportionate increase in cost. Standards of crew accommodation are improved; there are more navigational aids and lifesaving appliances, more efficient cargo-handling and preserving gear, and often an increase in insulated hold capacity. Unfortunately, the benefits of more economical running which the new ships might offer are lost to shipowners when port delays all over the world are causing ships to spend 40 or 50 fewer days at sea in the year than they spent before the war.

The cost of a ship is largely governed by the cost of the raw materials and components that go into it. But there is little doubt that the deterioration of output per man-hour in the shipyards themselves has had a marked effect. Shipyard wages have not, on the face of it, increased unduly since 1939; the advance averages about 75 per cent. But the Confederation of Shipbuilding and Engineering Unions is pressing further claims, and hours have already been reduced from 47 to 44 per week, which has not improved output. The uneven flow of material and components has helped to prolong the time it takes to build a ship, and therefore to inflate labour costs and overheads. It is becoming necessary for the shipbuilding industry to observe the

performance of its Continental competitors closely. Working hours on the Continent are not decreasing; output is certainly improving; and even 18 months ago Swedish building costs were some 25 per cent lower than in Britain. This would mean to the shipowner a saving in interest and depreciation charges ranging from about £10,000 per annum for an ocean-going cargo vessel to as much as £75,000 for a passenger liner.

German Potash Bonds

Negotiations which have been proceeding for over a year for the release of funds accumulated during and before the war from the sale of German potash show signs of being successfully concluded. This is the gist of an official statement issued last week by the Trustees of the Potash Syndicate of Germany 25-year Sinking Fund Gold Loans. The statement followed rumours that had been circulating in London to the contrary; it had been believed that the authorities were claiming part of the proceeds to offset against other outstanding German liabilities, but it is now categorically denied that any such suggestion has arisen in the negotiations.

Although various estimates have been made of the funds which have been accumulated, mainly in Holland, to service these bonds, no figure has been given by the Trustees, and none is likely to be forthcoming for the time being. Even at this stage it is possible that the negotiations may be compromised by the difficulty of transferring these funds from Holland, for from the Dutch point of view their transfer would be in the nature of an unrequited export. Nevertheless the latest pronouncement from the trustees has raised hopes to a higher pitch. Yet until a definite statement of agreement is forthcoming, the prices of the bonds in the London market may still be liable to wide fluctuations such as have been witnessed this week. The 7 per cent issue stands at 57 and the 6½ per cent bonds at 52; as recently as March 18th the prices were 48 and 47 respectively, and they have been as high as 58½ and 55 this week. No indication has, in fact, been given by the trustees of the likely method of distributing the funds should they become available in London. The suggestion has been made that the arrears of interest dating back to 1940 and amounting to over £3,250,000 might be paid off, but it is possible that since such a large part of the payment of arrears of interest would go in taxation, some scheme of capital repayment may be under consideration.

Research on Fires

Recent research on the causes and effects of fires was outlined in a paper lately read to the Royal Statistical Society by Mr J. Wallace which described the work of the Joint Fire Research Organisation. The Organisation is a hopeful effort at co-operation between the Government (Department of Scientific and Industrial Research) and private enterprise (the Fire Offices' Committee). The Research Organisation maintains a "fire census" based on full reports from the National Fire Service on every fire which it attends. A library of more than a quarter of a million reports has been accumulated since the beginning of 1944. A sample analysis of a quarter of the reports for 1946 showed the most important cause of fires in buildings to be the spread of fire from grates; ignition of furniture, clothing or similar material from this source accounted for 10.1 per cent of the total of fires and ignition of structural timber under hearths produced a further 7.1 per cent of the total. "Children playing with matches" started 7.7 per cent of fires in buildings; the other main causes were "electric wires and cables" (6.1 per cent) and the spread of fire from chimney fires (4.2 per cent). The census may prove a useful source of fire prevention propaganda.

Mr Wallace gave a comparison between the fire risk in post-war temporary houses and pre-war dwellings. For all types of temporary houses taken together, the average rate was nine damaged houses per 10,000 houses at risk per year, compared with 13 per 10,000 pre-war dwellings. But in the temporary houses 23 per cent of fires, and in the others only 11 per cent, spread beyond the room of origin. Study of figures such as these may lead to conclusions on the effect of post-war materials and types of construction on fire risks. The NFS reports to the Fire Research Organisation do not deal with the financial effects of fires. But here, surely, is a wide field for useful statistical analysis, complementary to work done by the Fire Offices' Committee, which would be of considerable value to insurance companies. The application of statistical theory, especially in probabilities, to the problem of fire premium rating has received some attention; it awaits reinforcement by information of the kind which the Research Organisation could collect.



A WONDERLAND OF BOOKS

"You're laughing" said the Duchess. "I'm not," said Alice, turning her face the other way, "but I can't help thinking how funny you look." The Duchess frowned fiercely. "Sensible people should find something better to laugh at" she said.

"Sensible people often do," replied Alice, "if they read the right books." "But WHERE" roared the Duchess "would they find the right books?" Alice thought that was a very silly question, because everybody knows where to find the right books...

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"Glad you like this sherry —it's South African"

It's extremely good. I got some South African wine the other day . . .

I know. A good wine, but not of this quality.

Precisely, but why the difference?

Well, this is a truly representative South African wine. You see, though the Cape has been for centuries one of the world's finest wine countries, it couldn't compete in Britain with European countries until Empire wines got a duty preference twenty years ago. That bucked up the South African industry.

But why haven't we tasted such wines before?

Because really fine wines are achieved by selectivity, experiment and slow maturing. South Africa has done as much in twenty years with some wines as the Continent has in generations.

Only certain wines, then?

So far. All are good, but not all are fine. The improvement is naturally progressive.

Were South African wines well-known here before the preference twenty years ago?

Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

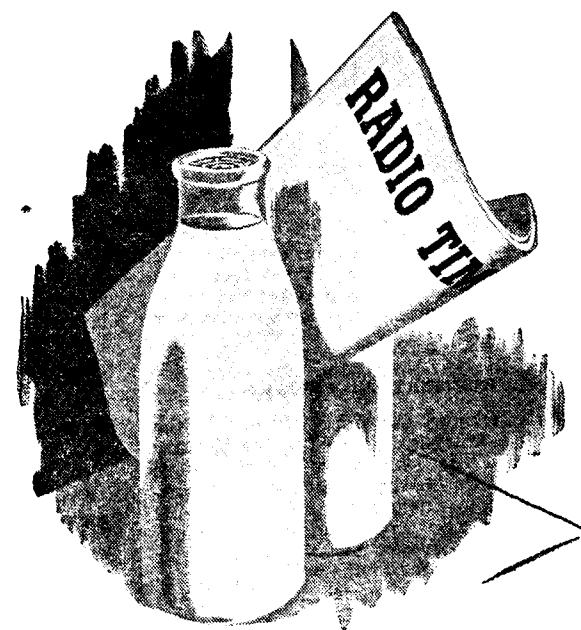
Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire industry up the garden again. It wouldn't make sense.

So we can look forward to several kinds of really fine wines from South Africa?

You certainly can, and very soon, too."

**SOUTH AFRICAN WINE FARMERS
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Half the homes of Britain take the RADIO TIMES*

The milk only lasts for a day, the RADIO TIMES for nine. Mother sticks to the Home Programme; the younger children like Children's Hour and thriller serials; Father favours the Third and Auntie marks any programme of good music. With so much consultation, each issue of RADIO TIMES virtually televises itself onto receptive mind screens. What a medium this paper makes for a national advertising campaign.

* 6,273,926 weekly sale during 1947—A.B.C. certificate
Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1

EXTREMELY LIQUID POSITION

Cash on hand, at call and at bankers amounting to £20,455,000 is £4,344,000 higher than last year, and with Treasury bills held represents about 30 per cent. of the total of our demand liabilities, a position which you will agree is extremely liquid. Sterling securities increased during the year by £2,463,000, the new purchases being almost entirely composed of securities maturing within the next five years. Rupee securities are down by £5,347,000, as branches have had to dispose of securities in order to meet the much larger demand for accommodation—advances being up by £6,147,000—occasioned by enhanced prices for commodities and larger turnover. Apart from the sales of securities made in order to finance the demand for advances, it has been considered politic, in these days of exchange control, that non-Indian branches should invest surplus funds in their own territories. This policy has necessitated sales in adjustment of the position and cash is held pending reinvestment. Bills of exchange are up by £238,000 and acceptances to customers by £393,000.

STRONGER DEMAND FOR BANKING FACILITIES

We have under review a year in which, generally speaking, prices continued to rise, and this naturally resulted in a stronger demand for banking facilities and accommodation, which has been spread over the whole field of our activities. On the other hand, conditions in India have been far from easy and the division of the sub-continent into two Dominions brought in its train much dislocation of business and many problems for some of our branch managers. In certain branches, Indian staff practically disappeared, and this has put a great strain on our officers and on the skeleton local staffs who were left. In such circumstances some trading losses were inevitable, but despite these it is again my good fortune to be able to present to you results which we regard as satisfactory. After all necessary reservations and provisions for taxation, possible bad debts, etc., net profits at £475,597 exceed those for the previous year by £23,467. As you will appreciate, the taxation item is swollen very considerably by the increased United Kingdom profits tax of 25 per cent. on distributed and 10 per cent. on undistributed profits and also by the increases in Indian and Ceylon taxation.

THE TWO DOMINIONS

On August 15, 1947, India, as we knew it, became two nations, the Dominions of India and Pakistan. Then, on January 4th last, Burma became a sovereign independent state, and on February 4th Ceylon achieved Dominion status under a new Constitution. To all four countries we wish the best of fortune.

These are big changes and necessitate many adjustments in banking as well as in other directions. I have in mind particularly the need already referred to for fitting our investments and investment policy to the altered situation, and this is one of the problems that have our unremitting attention.

We are also conscious of the need for expanding our banking service to meet the needs these changes create as well as to cope with normal developments. Naturally the Pakistan ports of Karachi and Chittagong are already handling a larger volume of trade and will undoubtedly continue to develop.

We are also not forgetting the expansion of trade in our East African territories, and in 1947 we opened a branch at Mbale in Uganda. In the near future we shall also open at Kericho in Kenya, where we consider we should be able to offer local facilities to our clients. As you know, we are bankers to the Governments of Kenya Colony and the Uganda and Zanzibar Protectorates, and the developments already in train in East Africa under Government aegis may well require further expansion by us.

SCOTTISH POWER COMPANY, LIMITED

THIRTY-EIGHT YEARS' PROGRESS

MR. WILLIAM SHEARER'S ADDRESS

The thirty-eighth ordinary general meeting of the Scottish Power Company, Limited, was held, on the 19th instant, in Edinburgh.

Mr William Shearer, the chairman, in the course of his speech, said: "This is the thirty-eighth annual general meeting of our company, and is the last occasion upon which I shall have the privilege of addressing you as your chairman. On April 1st, that is in less than two weeks' time, all the properties, rights, liabilities and obligations of this company and its subsidiaries will vest in the state."

You may have observed from press reports that the Minister of Fuel and Power has made an Order determining the values of securities of the Electricity Undertakings enumerated in the Order for the purpose of statutory compensation.

The securities of this company are included in the Order and the official values are as follows:—

Six per cent. preference stock, 31s. 4d. per £1 stock.

Four per cent. preference stock, 22s. 4d. per £1 stock.

Ordinary stock, 46s. 2d. per £1 stock.

The statutory compensation payable is in the form of British Electricity Stock, which will be issued direct to stockholders by the Central Electricity Authority.

NEW ELECTRICITY STOCK

On the basis of a 3 per cent. stock at par the stockholders would suffer a percentage reduction in income as follows:—

Six per cent. preference stockholders, 21.7 per cent.

Four per cent. preference stockholders, 16.25 per cent.

Ordinary stockholders, 23 per cent.

PROSPECTS UNDER NATIONALISATION

My views on the nationalisation of the electricity industry have been expressed on numerous occasions, and are familiar to you. It was, and is, my sincere conviction that the creation of a huge state monopoly will result neither in increased efficiency nor economy, which, on the other hand, could have been attained by legislation enabling integration under appropriate Government control, without any dislocation or disunity. We have criticised the underlying principles of nationalisation on the grounds of public policy, but as the Electricity Act is now in force, and in the interests of our country now beset by so many dangers, we must wish this new vast organisation all success, and express the hope that in its operations it will justify the expectations of its sponsors.

HOLDING COMPANY ORGANISATION JUSTIFIED

I am sure you will agree it is appropriate that at this, our last meeting, I should again pay tribute to the memory of the man through whose vision and imagination the foundations of our great business were so well and truly laid. I refer to my predecessor in this chair, the late Mr George Balfour.

You are aware, I think, of the immense benefit which has resulted from the services rendered by this company in providing for our operating subsidiaries the technical and financial assistance which has resulted in such a great measure of development throughout our widespread areas, comprising some 13,000 square miles.

I have referred on different occasions to the attacks made upon holding companies by opponents of private enterprise, as if they were a cloak for hidden and reprehensible practices. At the close of their activities in electricity supply, holding companies may take some little satisfaction from these words of the present Minister of Fuel and Power during the debate on the Electricity Bill: "They" (Holding Companies) "perform important executive and managerial functions; indeed, I think those who would speak in favour of the company form of organisation in the past would particularly point to the good work done by the holding companies." A little later the Minister said: "We wish to take advantage of their expert organisation in this matter."

THIRTY-EIGHT YEARS' PROGRESS UNDER FREE ENTERPRISE

In 1910 the installed capacity of the Bonnybridge generating station was only 1,800 kw. and the aggregate power connected approximately 1,400 kw. The units taken by consumers are given as approximately two millions per annum. There were then 18½ miles of underground cables and overhead lines.

On December 31, 1947, the total installed capacity of our generating plant was 181,756 kw., the connected load was 457,500 kw., and the units sold during 1947 were 473 million units at the low average price of 1.15d. per unit. Our underground cables and overhead lines extended to 5,185 miles.

The capital of this company in 1910 was only £93,174; the capital employed in our undertakings now totals approximately £15,000,000, which, of course, is very considerably less than the present-day value of the physical assets owned.

The density of population in the Grampian areas is 42 only per square mile, and a study of the history of the company refutes any suggestion that there has been neglect of our rural areas, but on the contrary will furnish a testimonial to our imaginative, energetic and rapid development of supplies in these sparsely populated districts. It will also establish that, under peculiarly difficult conditions, there has been long-term development planning. I use the word "planning" in its good old sense, and not to indicate the debased conception implied in its use in these topsy-turvy days.

ELECTRICAL AND FINANCIAL BENEFITS TO HIGHLANDS

I sometimes wonder if it is realised that in the North of Scotland districts we have already expended over £8,000,000, and that we have 51,000 consumers connected to transmission and distribution systems extending to 3,000 miles.

Our contribution to the finances of local authorities in the Highlands in the form of rates was designated in one county as "a mere bagatelle." Actually out of an aggregate of £177,787 local rates payable by our group of companies during the current year of assessment the burden imposed on the Grampian Company totals no less than £102,000, of which the County of Perth receive £46,500 and the County of Inverness £16,400.

The chairman then dealt with the accounts, and paid tribute to the management, staff and employees.

The report and accounts were unanimously adopted.

ABBEY NATIONAL BUILDING SOCIETY

STOCKTAKING AS NATION'S HOUSING POLICY

BURDEN OF TAXATION

SIR HAROLD BELLMAN'S REVIEW

The annual meeting of the Abbey National Building Society was held on the 19th instant at the Wigmore Hall, Wigmore Street, London, W.1. Sir Harold Bellman, D.L., J.P., LL.D., chairman of the Society, in the course of moving the adoption of the report and accounts, said:

Our total assets at December 31, 1947, increased to £84,787,000, as compared with £83,981,000 at the end of the preceding year. The mortgage asset has increased more than proportionately, having risen to £67,967,000, in contrast with £60,221,000 at the end of 1946. Notwithstanding this absorption of surplus funds in mortgage securities, the Society's financial position remains very liquid. Thus, investments other than mortgages amount to £12,637,000, plus cash at bank and in hand amounting to £2,507,000.

Turning to the other side of the balance sheet, the total of share holdings stands at £65,237,000, against £66,378,000 a year ago, with amounts on deposit at £12,402,000, as compared with £10,749,000. Sums not exceeding a total of £5,000 can still be accepted on deposit, the return on which remains at 1½ per cent. with income tax borne by the society—the figure at which it has stood throughout 1947. The rate paid to shareholders throughout the year remained at 2½ per cent., with income tax borne by the Society. Reserve funds stand at £5,978,000, against £5,856,000 a year ago. You will doubtless feel that this represents a valuable element of strength in the Society's financial position.

BURDEN OF TAXATION

It will be seen from the profit and loss account that taxation has again been responsible for a heavy drain upon our surplus revenue. Our liabilities in this respect total £768,005 in 1947, as compared with £680,717 in 1946. The increase has been principally due to a sharp rise in the profits tax—from £35,912 in 1946 to £152,748 in 1947. Since we last met this tax has been increased fourfold, the last revision in the Autumn Budget having had retrospective effect from January 1, 1947. Retrospective legislation can rarely be justified, and as a specific profits tax, with an avowed anti-inflationary objective, it was, in its application to building societies, quite inappropriate.

LARGE INCREASE IN MORTGAGE BUSINESS

No doubt, however, members will regard the amount advanced on mortgage during the past year as the most significant figure revealed by the accounts. This stands at £20,697,000, in contrast with £14,042,000 in 1946.

As a national institution, we draw our mortgage business from all classes of the community and from all parts of the country. Our securities are not concentrated in any region or in dependence on any narrow social or industrial range, but are broadly based upon the economic and family life of the country as a whole. That is a fact of great significance.

OBJECTIVE TO MAXIMISE SERVICE AND MINIMISE PROFIT

You will doubtless appreciate that the building society in its structure is essentially of this age. Based on everyman's savings—since the movement draws its funds from nearly three million people—these are utilised to enable everyman's neighbours to buy their

homes. The thrifty receive no more by way of interest than is necessary to encourage the required volume of savings, which, in turn, means that the borrower is enabled to obtain his loan on distinctly economical terms. For a building society, the linking of the two—the saver and the borrower—provides an opportunity for service rather than profit. Its whole objective, in fact, is to maximise service and minimise profit. All that a building society derives by virtue of its office as intermediary is substantially a narrow margin to cover management expenses. Such is its tradition in this matter that whenever opportunity occurs, borrowers who have in earlier years taken out loans at higher rates of interest than those now prevailing receive rebates of interest, thus giving them the advantage of the lower rates obtained by the newest borrower. Here, then, is an institution with an ideal of public service and a broadly based democratic structure which is entirely in keeping with the spirit of the times. Devised by the man in the street for the man in the street, it has grown with his social progress and looks forward to yet wider horizons.

HOUSING RESULTS SINCE THE WAR

Since the war local authorities in England and Wales have provided to the end of 1947 102,477 permanent houses for letting, together with 113,868 units affording temporary accommodation. In addition, there has been extensive restoration of war damaged property and adaptation of existing premises, and during the same period private enterprise has been permitted to erect 57,646 houses for sale. As a result, it is officially claimed that 531,387 families have been provided with housing accommodation since the end of the war. The official aim is now to concentrate upon the completion of the houses already begun rather than to initiate extensive new building programmes. This will undoubtedly provide the industry with much to do in the immediate future, since 169,000 permanent houses are already in course of erection by local authorities but not completed.

By the time these are completed, however, it is evident that the local authorities, including the contribution of private enterprise, will have provided 700,000 additional units of accommodation since the end of the war. This will clearly go some way towards meeting the more urgent needs for new housing accommodation apparent at the end of the war. It may well be, therefore, that this will provide an opportunity for a comprehensive and constructive stocktaking in regard to national housing policy; a stock-taking carried out with due consideration to the needs of all sections of the community. The present policy was framed to meet an admitted emergency, and was widely supported on that ground.

Once the more urgent needs of the housing shortage have been met, there can be no justification for excluding those who desire to purchase houses for their own occupation from the right to have a reasonable share of building manpower and material allocated to their requirements. This is a matter of elementary justice.

MR STANLEY C. RAMSEY'S ADDRESS

Mr Stanley C. Ramsey, F.R.I.B.A., deputy-chairman of the Society, in the course of seconding the adoption of the report and accounts said:

If the conditions which obtained after the 1914-1918 war can be taken as any guide for action today, the greater number of houses built for sale (always bearing in mind the social side of the problem), the quicker will be the reduction in cost.

Mr Walker, the Director of Housing to the London County Council, the largest local authority with the greatest housing programme in the country, at a conference held by the Building Industries National Council at Folkestone in the Spring of last year, stated that the present cost of housing was then one hundred and seventy per cent. above prewar prices. This is an abnormally high figure, even when compared with the present high cost of living. I think one of the most potent causes of these high figures is the uncertainty which the contractors have had to provide against; uncertainty and delay are the two most expensive risks which accompany the hazards of building. It might have been wiser, and more economical in the long run, if the Government and the local authorities had shared these risks to a greater degree, in place of putting the main burden on the shoulders of the contractors. If the ratio of one house for sale to four for letting—which was the recognised quota until the "dollar crisis" threw the whole building programme out of gear—could be stepped up to parity, the effect in the realm of economics would be immense.

TRIBUTE TO SIR HAROLD BELLMAN

Sir Harold Bellman's many friends will, I am sure, be sorry to hear that he has felt it necessary, after some thirty years arduous work for the Society, to ask the board to relieve him of his executive duties. Your board felt there was no alternative but to accede to Sir Harold's request, and he will be retiring from the position of Joint Managing Director at the end of this year.

In arriving at this decision the board expressed the wish that Sir Harold would continue as chairman for many years to come. I very much doubt myself whether the release from the duties of the joint managing directorship will in any way lessen Sir Harold's work for the Society. Knowing him as well as we all do, I am quite sure that the giving up of these more detailed duties will afford him still greater facilities as chairman to deal with those larger matters of policy which must inevitably accompany the operations of a society of the size of the Abbey National. In proffering his resignation, Sir Harold said he did so with the knowledge that the duties of managing director would be adequately carried on by Mr Bruce Wycherley, with whom he had been working most harmoniously for the last five years; a view in which the board fully concurred.

You will, I am sure, wish to join with me and my colleagues on the board in expressing our grateful appreciation of the great service which Sir Harold Bellman has contributed during his years of management.

The report and accounts were adopted.

MR R. BRUCE WYCHERLEY'S SPEECH

Mr R. Bruce Wycherley, M.C., F.C.I.S., joint managing director of the Society, referred to Sir Harold Bellman's retirement at the end of the present year, and as his colleague who had shared the office of joint managing director since union, he expressed the great pleasure which he had derived from his close business association with Sir Harold and his deep personal regret that the association was to terminate when the present year had run its course. They all recognised year had run its course. They all recognised the unique place which Sir Harold held in the Society and, indeed, in the building society world. That placed a correspondingly heavy burden upon him when he became sole managing director, but, with the co-operation of all concerned, he hoped to discharge the duties of his office to the general satisfaction.

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SUDAN GOVERNMENT

The Finance Department requires men, aged 23 to 40, to fill posts on the Financial Secretary's General List for executive duties in the Finance Department or in the Statistical Section of the Department of Economics and Trade. Candidates should possess a University Degree (preferably honours) in Economics or Mathematics.

Appointment will be on the following alternative terms: (i) Long Term Contract in Scale D.1 under which salary scale applicable to present appointment is ££600-660-720-780-852-936, all increases being biennial except the last, which is available after three years at ££852. Cost-of-living allowance payable at rates quoted below. Subject to satisfactory completion of two years' probation, contractual period envisaged ranges between 10 and 15 years, on completion of which candidate qualifies for gratuity ranging between ££3,000 and ££5,500. This gratuity is also payable on suppression of post or replacement by Sudanese before completion of contractual period. Special gratuities in the event of discharge on medical grounds before completion of contractual period. (ii) Provident Fund Contract with salary scale of ££700-770-840-920-1,000-1,100, all increases being biennial except the last, which is available after three years at ££1,000. Cost-of-living allowance payable. Subject to satisfactory completion of two years' probation, period of service not less than seven years or such longer period as will bring selected candidate to age of 38. Candidate contributes to Provident Fund at 7½ per cent. of salary and receives on completion of period a Government contribution equivalent to his own contribution plus interest. In all the above cases, starting rate would be determined according to age, qualifications and experience of selected candidate, credit being allowed for war service. There are prospects of promotion to posts carrying scales with higher maxima. Cost-of-living allowance at rate of ££225 per annum is at present payable in addition to salary. Outfit allowance of ££60 is payable when contract is signed, provided salary under (i) does not exceed ££600 or under (ii) ££700 (££1=£1 0s. 6d.). There is at present no Income Tax in the Sudan. Free passage on appointment. Strict medical examination. Application form and "General Information for Candidates" are obtainable from Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Finance (Statistical)."

SUDAN GOVERNMENT

The Finance Department requires Qualified Accountants, aged 30 to 45, to fill posts on the Financial Secretary's General List for executive duties in the Finance Department or supervision of accounts of another department or audit work. Candidates should be either another department or audit work. Candidates should be either another department or audit work. Candidates should be either another department or audit work. Candidates should be either another department or audit work.

Appointment will be in one or other of the following contracts: (i) Short Term Contract with a salary range of ££900 to ££1,200 (££1=£1 0s. 6d.), plus cost-of-living allowance at rate in force. Starting rate fixed according to age, qualifications and experience. Contract provides for an initial probationary period of two years, on satisfactory completion of which a further period up to four years may be agreed. (ii) Long Term Contract in Scale D.1, under which salary scale applicable to present appointment is ££660-720-780-852-936, all increases being biennial except the last, which is available after three years at ££852, plus cost-of-living allowance. Subject to satisfactory completion of two years' probation, contractual period envisaged ranges between 10 and 15 years, on completion of which candidate qualifies for gratuity ranging between ££3,000 and ££5,500. This gratuity is also payable on suppression of post or replacement by Sudanese before completion of contractual period. Special gratuities in the event of discharge on medical grounds before completion of contractual period. (iii) Provident Fund Contract with salary scale of ££770-840-920-1,000-1,100, all increases being biennial except the last, which is available after three years at ££1,000. Cost-of-living allowance payable. Subject to satisfactory completion of two years' probation, period of service not less than seven years or such longer period as will bring selected candidate to age of 38. Candidate contributes to Provident Fund at 7½ per cent. of salary and receives on completion of period a Government contribution equivalent to his own contribution plus interest. In all the above cases, starting rate would be determined according to age, qualifications and experience of selected candidate, credit being allowed for war service. There are prospects of promotion to posts carrying higher scales of pay. Cost-of-living allowance at rate of ££225 per annum is at present payable in addition to salary. There is at present no Income Tax in the Sudan. Free passage on appointment. Strict medical examination. Application form and further particulars obtainable from Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Accountants—F.S."

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CLAIMS PAID EXCEED £181,000,000
(1946 Accounts)

SUDAN GOVERNMENT

The Irrigation Department requires a Qualified Accountant, aged 30 to 45, for service in the Sudan, to supervise the accounts of the Department of Irrigation over a period in which a considerable amount of development work is to be undertaken. Candidates should be qualified Accountants with costing experience. Experience in Civil Engineering accounting (with particular reference to construction) would be an added qualification. Appointment on Short Term Contract with a salary range of ££900 to ££1,200 (££1=£1 0s. 6d.), plus cost-of-living allowance at rate in force; at present the rate is ££225 per annum. Contract provides for an initial period of 24 months during which notice cannot be given by either party, and may be renewable by mutual consent for further periods. Starting rate would be determined according to age, qualifications and experience of selected candidate, credit being allowed for war service. There is at present no Income Tax in the Sudan. Free passage on appointment. Strict medical examination. Application form and general information for candidates are obtainable from the Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Accountant, S.I.D."

SUDAN GOVERNMENT

The Mechanical Transport Department requires a Qualified Accountant, aged 30 to 45, for service in the Sudan, to install and supervise an accounting system for the newly created Mechanical Transport Department, comprising a large major repairs workshop and a number of small workshops and service stations. Candidates should be Qualified Accountants with costing experience, preferably in connection with mechanical transport accounting. Appointment on Short Term Contract with a salary range of ££900 to ££1,200 (££1=£1 0s. 6d.), plus cost-of-living allowance at rate in force; at present the rate is ££225 per annum. Contract provides for an initial period of 24 months during which notice cannot be given by either party, and may be renewable by mutual consent for further periods. Starting rate would be determined according to age, qualifications and experience of selected candidate, credit being allowed for war service. There is at present no Income Tax in the Sudan. Free passage on appointment. Strict medical examination. Application form and general information for candidates are obtainable from the Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Accountant, M.T.D."

UNIVERSITY COLLEGE, LONDON

DEPARTMENT OF ANTHROPOLOGY

The College will shortly proceed to the appointment of a Lecturer in Social Anthropology. Salary £550-£850. In the event of applications being received from persons with appropriate qualifications and experience, consideration will be given to the appointment being made in the grade of Senior Lecturer. Salary £800-£1,000.

Duties will commence 1st October, 1948. Applications, to be received by 1st May, 1948, should be addressed to the Secretary, University College, London, Gower Street, W.C.1, from whom further particulars may be obtained.

EDUCATIONAL FOUNDATION FOR VISUAL AIDS

The Governing Body of the Educational Foundation for Visual Aids invite applications for the post of Director of the Foundation, which is to market educational films and other visual material.

Candidates should normally be at least 35 and under 50 years of age on the 1st April, 1948, but applications for exceptionally well-qualified candidates outside these age limits may also be considered. They must have had administrative and organising experience, not necessarily of a specialised kind, and a knowledge and experience of public educational administration and of the organisation of documentary and educational film production would be an advantage.

The successful candidate will enter the salary scale of £1,500 x £100—£2,000 at a point on the range £1,500-£1,800 appropriate to his/her qualifications and experience.

Further particulars regarding the appointment, together with a form of application, may be obtained from the Acting Secretary, The Educational Foundation for Visual Aids, Hamilton House, Mabledon Place, London, W.C.1, to whom applications should be sent not later than 10th April, 1948.

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Unsordid Act

MEN lose their capacity for astonishment very easily. Let a thing be mentioned often enough and they begin to accept it as a normal unsensational fact. Few things have been mentioned more persistently in the last ten months than the chances and the hopes and the possibilities offered by the Marshall Plan. Insensibly, people have grown used to it. Its fabulous quality has been stripped away. But this week, since the Plan is no longer just a hope or a chance but a concrete reality—an Act approved by Congress and signed by the President, provisional funds already granted, ships already sailing with supplies from American harbours—this week, it is fitting that the peoples of Western Europe should attempt to renew their capacity for wonder, so that they can return to the United States a gratitude in some way commensurate with the aid they are about to receive. For a day or two, the Marshall Plan must be retrieved from the realm of normal day-to-day developments in international affairs and be seen for what it is—an act without peer in history.

In time of peace, in order to aid nations geographically remote and politically separate from the Americas, at a time of great internal shortages, the United States is ready to give away over \$5 billion worth of commodities as the first instalment of a wider programme, to give them for peaceful economic reconstruction and, save for minor exceptions, to give them without political conditions of any sort. A year ago, the project would have been inconceivable—Congress was then making desperately heavy weather over only \$400 million for aid to Greece and Turkey. Ten years ago, such an initiative would have driven the nation *en masse* into the arms of the America Firsters. And search back as one may through the annals of the United States or of any other Power, there is no record of a comparable act of inspired and generous diplomacy.

So, with their sense of astonishment restored, the peoples of Western Europe must offer their thanks to the American nation who, through their Congress, have now spoken for the Bill. It will be difficult, after this demonstration of international solidarity, to go on repeating the old gibes about American isolationism, the old complacent references to American political immaturity. In recent months, the American public, in its eagerness for information, its sustained interest in foreign affairs, and in its acceptance of positive and onerous international responsibility, is rapidly qualifying for the title of the least isolationist and self-absorbed of peoples. And this development in turn is due, above all, to the work of a small group of leaders, on whose vision and devoted labours the successful development of the Plan has depended, on Mr Marshall and Mr Acheson for the sweep and courage of the initial project, on Mr Vandenberg and Mr Lewis Douglas, among many others, for the skill and patience—and speed—with which it was piloted through both Houses of Congress. This last point of speed is clearly vital. How often in the last twenty years has the reaction of democracy come too little and too late; but this time, the initiative has been captured and held by the party of freedom. It is true that the Russians carry a

large measure of responsibility for the breakneck speed (by American standards) of the debates on the Plan in the House of Representatives, all of which took place after the Communist coup in Prague. But there is no reason to suppose that, without the lesson of Czechoslovakia, the House of Representatives would have given a decision different from the Senate's, for which the ground-work had been fully laid before the seizure of Czechoslovakia, even though the debate might have been larger and more discordant. Nor has the Bill been loaded with military and strategic commitments or diverted in any way from its original fundamentally constructive and pacific purpose. It emerges from its Congressional ordeal as it went into it—as a Bill for the peaceful economic reconstruction of Europe.

*

Nevertheless, there is a warning to Europe in the extent to which Russian action has speeded up the final phases of the Marshall debate. For the sake of peace in Europe, it must be hoped that, as the Plan develops, its pacific character will become more and more obvious, Russian opposition will decline and the effectiveness of Communist opposition be hamstrung by growing economic prosperity. When in a year's time, and two years' time and three years' time, the further appropriations come to be voted by Congress, it should be assumed that the spur of the Communist menace may be less sharp than it is today. Under such conditions, will Congress find the Plan a sufficiently worthwhile end in itself? Will the prospect of continuing a pacific effort of international reconstruction be compelling enough to call forth further dollars?

The answer lies in one thing only—the way in which the European nations themselves go about their work of recovery. Nothing could be more misguided at this moment than to throw one's cap in the air and believe that the "battle for the Marshall Plan" has been fought and won. The Americans are moving up the heavy guns and the mechanised units, but the use the European general staff will make of them cannot yet even be hazarded. The operation that lies

ahead is one that calls for the last reserves of energy and skill in the Sixteen Nations. Energy they must exhibit because the bulk of the productive effort falls on them. Even if all Marshall aid for all four years is added together, it amounts to only some 5 per cent of the total output necessary to meet the targets laid down in the Paris Report. And skill is no less essential, since the use of that 5 per cent may make all the difference between Europe's present halting, jamming economy and the reactivation of the whole machine.

As the latest report of the Economic Commission for Europe points out, the actual recovery of production in Europe is substantial. What is lacking is the free circulation and exchange of wealth made possible by active and balanced trade. The European economy is like a machine with three or four essential cogs missing. These the American 5 per cent is designed to supply. But their restoration is not automatic. In the last two years Europe has already received some \$9 billion and will not receive a larger figure in the next two. If the results in 1949 are to be different from those of 1947, the Sixteen must fulfil their side of the bargain by solving together in the closest collaboration the problems which eluded them as long as they acted separately in sixteen jealous and independent sovereignties. If they so act, there is a chance of the Plan succeeding in Europe. If they do not, their failure will spell the end of Congressional interest and with it, in all probability, the loss of the later appropriations.

It is too early to judge the likely scale of Europe's performance. The final form of the Continuing Organisation is still undecided. No appointments have been made, no names mentioned. So far there is not the material to decide on either the probable scale of effort or the seriousness with which the Governments are facing their new responsibility. But it is not too early to say, with categorical certainty, that the success or failure of the Plan now lies fairly and squarely with the Sixteen Nations. They have been given the tools. It is now for them to finish the job.

Courage Within Limits

WHAT Sir Stafford Cripps ought to have done in his Budget, if he had been a free agent, was to cut the total of expenditure by at least £400 million—finding the economies chiefly in the food subsidies—and then to reduce the burden of taxation by roughly one-eighth or one-ninth while keeping his surplus intact. He came as close as it was reasonable to expect to saying that he would like to do this—"in theory the food subsidies might be inflationary"—but that the trade unions would not let him—"in practice they had in the particular circumstances of today precisely the opposite effect, since they restrained the demands which would otherwise inevitably arise for increased personal incomes." So the average family has to go on being taxed 12s. to 14s. a week more than it need be, in order to get the same sum back in subsidies.

Within the limits set by this major absurdity, the Budget was, in the main, a sound and competent, even a courageous, performance. A particular word of appreciation needs to be said for the form in which it was cast. Not only was the speech a model of lucidity and fairness, it also went much further than ever before in setting the fiscal arrangements of the year in the framework of economic policy as a whole. There can be no question that this new practice is right, and one must hope that, like the amalgamation of the functions of chief financial and chief economic minister, it will never again be abandoned, as it was, inexplicably, by Mr Dalton, the professional economist. The same welcome can be given to Sir Stafford Cripps's innovation of distinguishing between the formal surplus shown in the

orthodox Exchequer returns and the "true" surplus of receipts over expenditure.

The chief risk to be faced in connection with this year's Budget was that the pressure on the Chancellor to give away his surplus would be too great for him to resist—especially since the prospective surplus for 1948-49 turns out, on the official estimates, to be larger than any outside commentators had expected. In the conventional form of accounting and on the existing basis of taxation, it would amount to £778 million. Even in the Chancellor's new and more rigorous notation, the prospective real surplus would be £319 million. By any form of calculation, these are enormous figures, and it took a politician of courage to refuse to allow them to be nibbled at. In point of fact, the various changes that Sir Stafford proposes have the net effect of slightly increasing his surplus, to £790 million by the one method of calculation and £330 million by the other. For this basic element in his Budget-making Sir Stafford deserves the fullest praise. It is, of course, impossible to determine by any absolute test how large the real surplus ought to be in present circumstances. But it is hard to see how it can be put at less than £300 million if even the reduced capital programme is to be carried through without further inflation.

The changes in taxation that the Chancellor proposes, within a revenue total which is to be substantial, also, with one large exception, soundly and certainly right to increase the load on indirect taxes, a few disincentive effects, in order to relieve d

has many. The relief has been given where it is most needed and where it will do most good—that is, in the absence of the long overdue complete reform of the income-tax system (which Sir Stafford did not mention). An increase in the slice of income subject to tax at a reduced rate and an increase in the income-tax concessions that the Chancellor could give and he deserves a grateful word for extending the benefits to the middle class. It is clearly right to put a stop to the open evasion of tax by way of expense allowances. The changes in Purchase Tax are less logical, since on balance they are inflationary; but the balance is a small one.

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There is, in fact, only one part of the Budget which does not call for more or less unqualified commendation. This is the Special Contribution that is to be levied on the investment income of the richer individuals, on top of their income tax and surtax, as a specific alternative to a capital levy. The effect will be that, for a single year, the combined rate of income tax, surtax and Special Contribution on the top slice of the largest incomes will be 29s. 6d. in the £, or 147½ per cent. A single man who had an investment income of £50,000 in 1947-48 will be liable to pay taxes of £69,243. Different people will have different views about the justice of mulcting rich men; there is no absolute standard of judgment. But the economic effects are another matter. There is a genuine economic argument in favour of dissuading individuals from living on their capital. Consumption expenditures in excess of their income have a definitely inflationary effect; and though the volume of spending by rich people out of capital is probably not large in the aggregate, it is very conspicuous. The ideal way of stopping it, of course, would be by a special tax on expenditure in excess of net income—if anybody could think of a practical way of assessing such a tax. In its absence, it may be argued that to compel the rich to dip into their capital for the tax collector will act as a severe deterrent to making further inroads on it for consumption expenditures and will thus induce some economies. This, presumably, is the economic argument for the Special Contribution. There is some substance in it, but the connection is both indirect and uncertain. But the new tax will have other economic effects as well. It is one more blow at voluntary private savings. The large private investor must have a very stout heart if he does not now abandon the struggle, put all his money in a safe bank and draw on it for his needs. The disappearance of the rich private investor may or may not be an edifying spectacle. But it will certainly be bad for the tax collector, who will have to find his revenue from slenderer purses. And unless some substitute is provided to perform the functions that the large investor has hitherto discharged, it will be very bad for the national economy.

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If the capital requirements of the country can no longer be financed out of private savings, they will have to be financed out of Budget surpluses. Is it generally realised in the Labour Party that "soaking the rich" leads inevitably, and by a double route, to a higher level of taxes on smaller incomes, firstly because more revenue will be needed to finance the capital programme, and secondly because there will be fewer large incomes to get it from?

These reflections apply to any form of capital levy. But the particular form proposed by Sir Stafford Cripps is open to still another objection. It is a levy which will admittedly have to be largely paid out of capital. But it is assessed upon, and its burden is proportional to, the income received. This means that if capital was invested in enterprise and earned a higher yield, not only does it get no reward for so doing, but it is actually penalised. This can be seen by imagining three men, each with a capital of £1,000,000, the first of whom invested it in enterprise and secured, last year, a return of 5 per cent, while the second invested in gilt-edged securities and got 3 per cent and the third was content to leave his money on current account at the bank. It can further be supposed that each man spent £10,000 on consumption last year. The net effect of Sir Stafford Cripps's new proposal, taken together with income tax and surtax, is that the first man has to draw on his capital to the extent of £29,243, the second of £19,743, and the third of £10,000. In short, the first man is very heavily punished for doing what is surely his duty to the community. There has been too much of this fiscal lunacy in recent years. The iniquitous profits tax is bad enough; but this new proposal beats the band. If there must be a capital levy, let it at least be levied on capital. And if that is administratively impossible, then the conclusion should be to have no capital levy, rather than to do something that runs directly counter to common-sense. In a country whose chief economic problem is a shortage of capital, any form of capital levy must be a very dubious expedient, and this particular levy is about as bad an example of the species as could be desired.

In short, no sort of case can be made for the Special Contribution unless it can be believed to be, as Sir Stafford declared it, a once-for-all expedient. In that case there is no occasion for those who are subject to it to act as they would do in the case of an annual tax. But surely it is childish to suppose that it will be non-recurring. Any tax which is administratively easy and brings in revenue without costing many votes will always be repeated. Investors have been put upon notice that they should so arrange their affairs as to avoid having any income, and the whole national economy will inevitably be the sufferer.

Perhaps it would be wrong to be too harsh on Sir Stafford

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for this new proposal. The trade unions had made it clear that one of their conditions for reluctant agreement to the policy of wage stabilisation was that something should be done to capital, and this was probably the only thing that could be done that would be sufficiently spectacular without breaking the back of the Inland Revenue. But when a veto on any interference with the subsidies is followed by insistence on a capital levy of a harmful type, the combination makes a most distasteful picture. So long as the trade unions refuse to do their plain duty to the community until they have forced the Chancellor of the Exchequer not only to refrain from doing what he ought to do but also to do what he ought not to do, it will be impossible to claim for Labour Socialism that it is a system of scientific, or even of rational, control of economic affairs.

It is a pity that this blot had to be made on what is otherwise a sound Budget. Its excellences can be seen by reflecting on how Mr Dalton would have played politics in the same position, obfuscating and envenoming the issues as he did so—he gave a good example of his style in the second day's debate. But it is only within the context of a single year that this is a good Budget. It does the right thing for the moment; but it makes little contribution to the long-term problem of Government finance. Sir Stafford said that Government expenditures—"all those national activities which we have decided to undertake in

common because we regard them as of importance"—will absorb in 1948 "only" about 22 per cent of the national income compared with 16 per cent in 1938. But the additional 6 per cent must be subtracted either from capital expenditure—which would be disastrous—or from consumption—which will hardly be popular. Moreover, the proportion will all too probably rise as the inflationary element disappears from the national income.

It should be realised by the whole nation that there is no hope of any large reduction in taxation until the scale of Government expenditure is reduced. This year's surplus is fully accounted for by non-recurring items of revenue. Moreover, tax revenue will fall much faster than expenditure when the inflation ends. The public will not always be willing to pay over enormous sums in duties on tobacco and alcohol and it may well be necessary in a few years' time to increase the rates of other taxes if the present level of government expenditure is to be maintained. Sooner or later this question will have to be faced. Which would the British people rather do—accept a permanent continuance of the present, or an even higher, level of taxation, or revise its opinion of the importance of some of "those national activities which we have decided to undertake in common"? Nobody but the people will have the final answer; but it would be a poor service to them to mislead them into believing that they can dodge the question.

Atomic Bombs for Two?

THE effort to find an agreed international method of controlling the use of atomic energy has failed, after two years of debate. If the world were not so harassed with other cares it would be pausing in its work and politics to ponder what this means. For the moment it means simply this: that the United States will probably continue to make atomic bombs, and to pursue the research into the application of atomic power in which it holds such a formidable lead; and that Russia—if it is already in the race—will try very hard to reduce this lead by every means in its power. To make matters worse, it will probably be impossible for either Power to tell how the race is going. That uncertainty, rather than the certainty that atomic bombs exist and can be used, is likely to influence profoundly the international politics of the next decade—if it is allowed to continue. It is a prospect that must deeply disturb the bystanders, among whom are likely to be Britain and its allies of Western Europe. The prospect is in fact intolerable.

It is important to realise just what Uno has failed to do—through no fault of organisation or goodwill. It has failed to find a method of international control to which the Russians and the eastern bloc will agree; but it has certainly not failed to find a method which looks like being workable and fair. In other words, it would almost certainly be possible to provide a large measure of security against the misuse of atomic power for warlike purposes if the Russians would change their present attitude, or if the distrust between them and the Americans could be allayed. For what is the root of the disagreement which made Uno's Atomic Energy Commission last week and its working committee this week throw in their hands at Lake Success? It is simply this: that the Russians will consider and accept no system of international control until the Americans have destroyed their stocks of atomic bombs and subscribed to a pledge never to use atomic weapons; while the Americans refuse to submit their bomb stocks, their production plant and "relevant scientific information" to international inspection and control until a fully adequate system of control has been established.

Put in this way, the diplomatic deadlock looks not unfamiliar;

there appears to be little to choose between the disputants. But when it is remembered that the Americans solemnly offered over two years ago to surrender not only what they believed to be their monopoly of a decisive weapon, but also their superior resources for bringing about the expected revolution in industrial technique through atomic power—matters look somewhat different. And when it is realised that, after months of discussion, the Russians were unable to secure a single independent vote in the Uno working committee in favour of their alternative proposals, matters look entirely different. There must, in any atomic control scheme, be an element of good faith. But the great strength of the American proposals is that they reduce to a minimum the extent to which nations are asked to repose their safety merely in the unsupported promises of other nations. The Russian proposals provide no other safeguard, which would turn the present American advantage into a severe disadvantage, for while any promises given by the United States Government—or by any other Western government—will be policed by the full force of uncensored public opinion, nobody can have any idea of whether a Russian promise is being kept or not. Indeed, it looks as if the Russians are either without the technical knowledge to grasp the significance of the American proposals for international control, or that they really prefer the prospect of an atomic war to any surrender of their national sovereignty. Mr. Gromyko has given the impression that the second explanation is the right one; but, to be quite fair to him, it is difficult to imagine international inspectors having the run of plants and mines in the Soviet Union for a long time to come. Likewise it is difficult to imagine a satisfactory scheme of international control and inspection being established within five, or even more, years, during which time the United States would retain all its present advantages, including a dominant voice in the framing of the scheme. In fact both Americans and Russians are trying to sell one another a pig in a poke; the difference between them being that the Russian pig is probably dead.

It is important to understand what is Mr Gromyko's case, for he may be offering clues to some of the riddles of Soviet

policy. He does not say that the American proposals are technically faulty, or that they would offer no security, or that they could not be enforced; what he says is that the Americans arrogantly insist on their plan and nothing but their plan, that they refuse to outlaw atomic weapons, and that their proposal of an international control agency shows a desire to interfere in the affairs of other states—the same objection as was made to the Marshall Plan.

This summary is no tendentious simplification of what Mr Gromyko said; it is taken from the Tass report of his speech a fortnight ago before the working committee of the Atomic Energy Commission. As if to rub in the negative character of his approach he insisted that "the problem of international atomic energy control is first and foremost a political problem." That may well be true in present circumstances; but it is the Russian attitude that makes it a political, and prevents it from being a technical problem. And Mr Gromyko deepened the despair of his colleagues by saying that his government could not agree in advance to any technical proposals for control that might be made, even if its demand for the outlawry of atomic weapons and the destruction of existing bomb stocks were met by the Americans.

*

If Mr Gromyko is now primarily interested in politics, it is fair to say that the Americans started by being primarily interested in technics. The excellent work done for Mr Byrnes two years ago by the Lilienthal Committee made them confident that they really had a practicable scheme, a scheme so good that they were prepared—with British and Canadian approval—to surrender most of their advantages in the atomic field if the other Powers could be brought to accept and work it. They wanted to take the matter right out of politics by setting up a control agency outside the Security Council, able to decide and act without any interference from the veto of its members.*

The Lilienthal Committee foresaw and rejected in advance as inadequate almost every proposal subsequently made by the Russians. They rejected outlawry of atomic bombs because the development of atomic energy for peaceful purposes and for the production of bombs is interchangeable and interdependent; also because the outlawry of gas warfare did not prevent nations building up large stocks of poison gas. They rejected mere pledges by governments, because existing governments do not trust one another sufficiently to take any comfort from the pledges. They rejected the inspection of all production of fissionable materials, because they found such supervision would demand huge and expert staffs of inspectors employed on pure police work—the kind of work no self-respecting scientist would willingly accept. (The Lilienthal Committee estimated that control of one diffusion plant alone would need 300 inspectors.)

So, by elimination, they came to the following criteria for a scheme of control: it must reduce the problem of enforcement to manageable proportions; it must provide reliable and unmistakable "danger signals" of any misuse of atomic materials; its work must be not merely "negative and police-like," but must also "look to the promise of man's future well-being." Finally, and most important of all, the Lilienthal Committee argued that the organisation of security and the beneficial development of atomic energy be entrusted to the same hands. In other words scientists of all nations must be challenged to do their best in an international effort to prevent the worst uses being made of their work.

The train of reasoning leads directly to the main feature of the American case: an international agency must be formed "conducting all intrinsically dangerous operations in the nuclear

* A useful summary of the various proposals, together with much illuminating discussion of the whole problem, will be found in a pamphlet entitled "Atomic Energy," published by the Royal Institute of International Affairs (128 pp., 4s. net).

field." These operations include the mining and surveying of raw materials, the production of fissionable materials, such as plutonium and U 235, and the use of these to make atomic weapons. The agency would have to control the world's supplies of uranium and thorium; it would itself conduct research both for warlike and peaceful ends; it would have a monopoly of the primary processes of producing fissionable material—that is, of those primary processes which, being common to bomb manufacture and to peaceful uses, are dangerous to leave in national hands; but it would make possible the widest development of peaceful projects by providing all nations with supplies of "denatured" fissionable material—that is, material potent enough to generate power but not to make bombs. The task of inspection would then be reduced to the detection of primary plants and of plants to remove the "denaturing" element—both of which would necessarily be very large plants, easily detectable from the air.

Such a scheme, by reducing inspection to the minimum, reduces infringement of national sovereignty to the minimum. It is the technician's attempt to seduce the politician into a surrender of sovereignty; but it is not seductive enough for Mr Gromyko. The ingenuity of the American proposals is largely due to the fact that the Lilienthal Committee was able to consult the experts who have gone furthest in studying the industrial and military possibilities of fissionable materials. These men had had a memorable experience of wartime comradeship between the leaders of their profession in different Allied countries which has influenced their whole approach to future problems. And it is this conception of an international scientific service which puts the Lilienthal report far ahead of other proposals which have been made. Yet it is only fair to recall that the report pays the most careful attention to the needs of American security; that the international agency it suggests is meant to leave nothing to chance; and that the thought is always with its writers that the American advantage in atomic weapon research is unlikely to be held for more than a few years. Indeed, it is probably this thoroughness which gives the American proposals the authority and air of dogma to which Mr Gromyko objects so strongly.

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So long as the Russians wish to regard the question as political rather than technological, so long will it remain so—at any rate between them and the Americans. But is there any reason why it should remain so at this stage with other members of Uno? Is there no way out of the present deadlock to be found by members of the Assembly? Apart from Russia, there cannot be more than a handful of nations likely or able to undertake extensive research in the nuclear field; and those nations are likely to remain on terms of friendship and trust—if not of alliance—with the United States. Why then should not the American scheme be adapted to fit the needs of those nations? They can offer important contributions—scientists, engineers, sources of power, space, indispensable deposits of raw materials (for example, in Canada and Africa) and above all common political and professional traditions. Little though members of this group may need protection one from the other, the fundamental security ideas of the Lilienthal report could be tested among them. Moreover, such co-operation and such expansion of the American enterprise in the atomic field would surely make quicker the progress towards applying atomic power to "man's well-being."

To set up such an agency in North America and Western Europe would have obvious disadvantages: it would be denounced as a further move in the division of Europe, as a piece of American imperialism, as a direct threat to Russia. But these charges are brought automatically against any act of international organisation which escapes the Russian veto; and the tackling of technical and administrative problems of international collaboration cannot wait indefinitely on the mood of

Moscow. Moreover, it may well become obvious to the Russians, as time goes on, that the association with the United States of such countries as Britain, France and Holland, will prove a restraining and pacifying factor in American policy; that atomic power controlled by a Western agency is for them less dangerous than atomic power controlled by the President of the United States.

The cue now is surely for the Americans to invite those who accept their control plan in principle to consult further on its execution, making it clear to the Russians that its practicability is to be demonstrated in circumstances where grave political difficulties do not arise. If Mr Gromyko continued to find the

political obstacles insuperable, he would have the consolation of knowing that atomic weapons had become available to several governments instead of to one. For it is this which must worry him and his countrymen—as it worries millions in Europe: the thought that months and years of uncertainty must pass before it is generally known whether there are atomic bombs for two or for one. If there cannot be full international control, and so long as the Soviet Union goes on defending national sovereignty in its curiously reactionary way, let the Americans go on making bombs. But let “kindred souls” share the cost and the know-how—and such security against sudden attack as they provide. For there would be great comfort in numbers.

Offensive Against Monopoly

IT would be pleasant to be able to offer an unqualified welcome to the Monopoly (Inquiry and Control) Bill, which was published last week, and on which some brief comment appeared in last week's issue of *The Economist*. That there should be such a Bill at all is certainly something to cheer about; the attitude of authority towards monopolistic practices, ever since the first World War if not earlier, has been compounded of fatalistic defeatism, condonation, active encouragement and outright prescription. Restriction-mindedness in industry, bred out of successive depressions, lost little ground in the intervening good times; and on several occasions between the wars, Governmental action encouraged or actually enforced monopolistic combination—as when the steel industry was ordered to organise itself into a tighter association as the condition of getting an import tariff, or when the coal mines were forced into a cartel by the Act of 1930, or when the various Marketing Boards were imposed on agricultural distribution. And, of course, wartime concentration and controls generated numbers of organisations with almost unlimited capacities for restrictive mischief. If the present Bill marks a real turn in the tide and the beginning of a reversal of the policy of fostering monopoly and discouraging or eliminating competition, it is a portent that should not be disregarded. The sceptic may be forgiven for saying that he will wait and see whether there is any real change in the Labour Party's—or in the Opposition's—attitude towards restrictionism, and that meantime he will prefer to regard the Bill as no more than a politician's attempt to provide an alibi against the charge of restrictionism. But even if this more cynical view is correct, it is something that the vice of restriction finds it necessary to pay some tribute to the virtue of competition. That, in itself, would be some advance on the position of the 1930s.

It is pleasant, too, to find this Bill emerging as the product of a Socialist Government. Though private monopoly is a universal target of theoretical Socialist criticism, one school of Socialist thought certainly dislikes it much less in practice than in theory. For one thing, it is—according to this school—an inevitable step in the foredoomed decline and fall of capitalism, and any effort to forbid or prevent it is a vain attempt to salvage the unsalvageable (and in any case not worth salvaging) wreck of the competitive system. Moreover, a tightly knit industry, integrated under monopolistic or near-monopolistic control, is a much handier subject for socialisation than one composed of multitudes of small competing enterprises, inconvenient and elusive elements in a programme of *Gleichschaltung*. At the very least, they are more convenient bricks for a planners' edifice. Let capitalism do its own concentrating and the task of its controllers or expropriators will be all the easier. Moreover, the trade unions find some attractions in monopoly. It

is easier to negotiate with a tightly knit employers' association; the closed shop and the cartel are obvious partners. But it is another school of thought in the Labour Party, a more liberal school, whose hand can be discerned in this attempt to make private enterprise fit to live with instead of fit for suppression; and the ascendancy of that school can be welcomed without reservations, even if its products can not.

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Reservations, indeed, there certainly must be about the Bill. The machinery of investigation, for one thing, is weakened at the start by the provision that the Monopoly Commission may only investigate at the specific direction of the Board of Trade—a restriction for which it is hard to think of any good excuse, and which might well prevent the investigators from following trails which lead across the arbitrarily defined frontiers of industry. More important is the glaring and specific exemption, from the unwelcome publicity which is the chief result to be expected from the Commission's enquiries, of trade union activities and also of monopoly practices “expressly authorised by or under any enactment”—a provision which presumably places outside the Commission's terms of reference not only the whole body of nationalised industry but also the appalling jumble of restrictionist regulation dating back to the inter-war period and the founding of the Marketing Boards. As it is precisely in these fields that some of the most myopic and idiotic examples are to be found, the Commission's usefulness is grossly diminished by their exemption. The reasons why the trade unions have been ruled out, either directly as subjects of investigation or indirectly as affecting wage contracts in firms being investigated, are obvious enough, but none the better for that. It would be easy for some future Government, less firmly under the trade union thumb, to amend the Act so as to do away with this unsavoury piece of political favouritism, were it not that the Conservative Party's proposals, published on the day before the Bill, for some inexplicable reason make the same exemption. But a Conservative Government would presumably not feel the same hesitation in turning the Commission loose to report anything “contrary to the public interest” about the conduct of the British Transport Commission, the National Coal Board, or the British Electricity Authority.

But the Bill has a less easily remedied weakness, a weakness constitutional in every sense of the word. The Commission are required to investigate and to report on practices contrary to the public interest; the relevant Minister is given power to act on the receipt of their report; but no principles whatever are laid down about what does and what does not constitute an injury to that interest. Such and such a practice, say,

visibly and undeniably raises prices. Is it against the public interest? But it ensures stability; and regular employment; and the survival in good trim of key firms in a key industry, which ought not to be irresponsibly imperilled by competition. Indeed, is competition itself in the public interest? It has come to be regarded by wide sections of the public as so dangerously anti-social that the word “competition” is rarely allowed nowadays to appear in public without being safely handcuffed to one of its recognised guardian epithets—“ruinous,” “wasteful,” or “cut-throat.” Surely, it will always be argued, the public interest, though superficially impaired by a price-fixing (and price-raising) agreement, is, in fact, well served? This is an argument likely to appeal to Commissioners appointed by a Government most of whose members reject with shudders of intellectual horror the notion that the public interest can possibly be indicated, still less served, by movements in prices. A Commission doomed to grapple, industry by industry and firm by firm, with special pleading of this sort, unassisted by any standard of reference or precedent whatever, will have to be extremely able and pertinacious and extremely lucky to accomplish anything at all in the way of coherent judgment—let alone recommendation to action—except in the most glaring cases of public exploitation.

But if the Commission lacks the moral support and practical guidance of an agreed body of principle, the Administration is, on the other hand, given powers of disquieting breadth and vagueness. Clause 10 of the Bill provides that the relevant Minister (who may be the President of the Board of Trade, the Minister of Supply or Food, or any one of half a dozen others) may take any action that he sees fit—with explicit exemption from having to follow in any way the recommendations, if any, of the Commission—in respect of matters concerning which the latter has reported the possible danger to the public interest. He can discriminate between different firms and industries precisely as he pleases. He can permit the continuance of dubious practices on such conditions as he chooses to impose—and one can imagine the sort of shady horse-trading which might follow—a closed-shop agreement bartered against a conditional sales agreement, a monopoly grant as the reward for moving to a politically desirable area, and so forth. Like the Commission itself, the Minister is given no guiding principles whatever. His Orders must, it is true, be approved by affirmative vote of each House of Parliament before they have the force of law; but given the present congestion of Parliamentary business and the present rigour of Parliamentary discipline, everyone knows how much that safeguard is worth. Two of the basic principles of justice used to be a certain law and an impartial tribunal; Clause 10 substitutes for this and arbitrary powers of economic life and death, to be wielded by a political Minister according to no known principle. There are all too many precedents for this sort of thing, but they do not make it any the more justifiable; on the contrary. There is too much scope already for pressure groups; in any other country but this the outcrop of downright graft would already be great; and even here there is such a thing as putting too great a strain on the integrity of men in public life.

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The Bill, in short, does at once too much and too little. The main public service that can be rendered at present is in establishing and broadcasting the facts about monopoly and restriction and their effects. In this respect the Bill is far too timid. It is difficult to see why any limits whatever should be placed upon the ascertainment of the truth. The Commission should neither be limited to the instructions it receives from the Board of Trade nor debarred from entering any field. Nor should there be any restrictions upon the publication of its findings, save such as are genuinely necessary to protect trade

secrets or national security. Who exactly is it who is afraid of the truth?

But when it comes to the matter of action to be taken on the facts, the Bill is rushing at its fences. Before anything effective can be done by way of legal action against monopoly and restriction, two preconditions are necessary. The first is that there should be an aroused and articulate public opinion, conscious of the dangers of restrictionism and ready to support prohibitive action. So long as the majority of the public believes, as it does now, that restrictionism (called by politer names, of course) is good rather than bad, no Commission and no Government will be able to do more than nibble at the problem. The second condition is that some principles of economic justice should be drawn up, so that business men may have an idea, as precise as may be, of what they may do and what not, and so that the enforcing authorities may have something other than their own prejudices to guide them.

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Neither of these two conditions exists today. The first step in any campaign against restrictionism should therefore be to create them; and the way to do that is to provide the factual raw material for an educational campaign. After the Commission has provided enough facts, it, or some other body, should be given the task of sifting them and of distinguishing and defining those kinds of restrictive practices—for example, the barring of entry to newcomers or the organised destruction of productive capacity—which can be definitely labelled as *prima facie* harmful to the public interest. The next step would be to pass an Act declaring these practices, as defined in the Act, to be illegal and empowering either the Public Prosecutor or any aggrieved party to proceed in the courts against any business firm indulging in them, but also empowering the Monopoly Commission to issue a licence of exemption, where a case for doing so is proved to its satisfaction. By this means, the impartiality of the law could be invoked, while room could still be left for special cases; but the onus of proof would be put where it belongs, on those who wish to practise restriction. This programme of action would be slower than the Government's Bill. But it would be surer and it would be juster. Under the present Bill, the most probable contingency is that nothing effective will be done at all; but if any Orders are issued, they will be at best arbitrary *ad hoc* expedients, and at worst they will sink to downright political jobbery.

The best of Bills cannot, in any case, solve the problem of anti-social monopoly power overnight or next year. The experience of the United States, where opinion and law alike have always been solidly opposed to monopoly, is enough to show that when strong incentives to restrictionism exist there will always be under-the-counter deals, ingenious wriggings through legal loopholes, and tacit understandings on which no injured party can lay a finger. But the striking thing about the United States is not the extent to which competition is inhibited, but the extent to which it is vigorously and flourishingly carried on. How far this difference is due to the legal provision, how far to sheer temperamental difference, remains to be seen. The two naturally interact, but there are few symptoms in America of that acquiescence in restriction, that fear of dynamic change, that conviction that competition is a Bad Thing, which in England characterises not only monopolistic big business but practically every class of society. Any delay imposed on the offensive against monopoly by the need for prior investigation will be time well spent if it gives opportunity for public opinion to form itself along more rational and less defeatist lines. An informed and determined public opinion is an essential constituent of the campaign. For business firms cannot be made efficient, any more than men can be made honest, by Act of Parliament alone.

NOTES OF THE WEEK

Tragedy at Gatow

The tragedy at Gatow, where an irresponsible Soviet pilot, "frolicking" an incoming British plane, cannoned both himself and the other aircraft to destruction, is a bitter and urgent warning to those who paddle in the shallows of violence that they may find themselves sucked out into the main torrent. The Russians do not want a war over Berlin, but they are going exactly the right way about creating such tension that the relaxation of it by peaceful means becomes almost impossible. They are fortunate that the victims of their irresponsibility belonged to a nation of strong nerves and steady temper. British officials on the spot and the British Government have handled the affair with exemplary firmness and discretion. As it is, the likelihood is that some agreement over traffic in and out of Berlin may actually be accelerated by the Gatow disaster, but the incident might easily have ended in an ugly international brawl.

The folly of Russian conduct is rendered even more inexplicable by the fact that the only aim it can presumably be designed to achieve—the removal of the Western Allies from Berlin—must be directly frustrated by the events of the week. No Western Power can now afford to be "frightened" out of Berlin, and yet hope to maintain any prestige in the eyes of the German people. Nor is it simply a question of prestige. The Germans in the Western sectors of Berlin are in a special sense the West's responsibility. They have been encouraged to stand up against Russian threats and Communist encroachment. A special plebiscite, arranged by the Allies for the Socialists among them, was held in 1946 to enable them to express their determination not to accept fusion with the Communists in the Socialist Unity Party. If they are now abandoned, it will be impossible to persuade the Germans at Frankfurt to take risks, to accept responsibility, to identify themselves with Western Europe. Berlin has become a test of the Western Allies' staying power and of the extent to which the peoples of Western Germany can rely on them. Thus the Russians have succeeded in creating the one situation in which at any price the Western Allies will remain in Berlin. Was this the aim of their diplomacy?

Robertson at Dusseldorf

An Allied stand in Berlin is made all the more essential by the revolutionary character of the speech made by Sir Brian Robertson at Dusseldorf on Wednesday. His engagement to speak to the state assembly (*Landtag*) of Rhine-Westphalia had been arranged many weeks in advance, but Sir Brian and his advisers clearly felt that the events in Berlin had made the time ripe to speak in more radical terms of the Western Allies' response to Soviet pressure. And the response was radical indeed.

The Western Powers have now burned their boats. The Commander-in-Chief told the Germans in blunt terms that while there was probably no risk of war, the division in Germany was absolute for the time being, and that the Germans must now choose whether to work fully with Western Europe for their own regeneration or hang back and play into the hands of the totalitarians, the mock-democrats of the East. The advantages the West had to offer were twofold—the Marshall Plan, in which Western Germany was called upon to play a decisive part, and the Western Defence Pact, which registered the Western Powers' determination to resist Eastern encroachments. These were the prospects—of security and reconstruction—offered the German people. Hitherto they had proved unwilling to accept the responsibility the Allies were ready to transfer to them. Now the time for hesitation had passed. "Make up your minds to stand together . . . then you need have no fear. The prospects are good. Go forward and seize them."

It is clear that this radically new departure in Western policy is about to be given concrete shape. The Germans will presumably be given a greater share in the workings of the Marshall Plan and something more closely resembling a government will be established at Frankfurt. But the effectiveness of all such moves will depend for the time being on one thing only—the Germans' confidence in the seriousness of the Allied stand. In this context, Berlin is vital. A retreat there would shatter the prospects at Dusseldorf, Frankfurt or anywhere else in the Western Zones.

Chartist Centenary

A hundred years ago today the monster demonstration of the Chartists, announced as a gathering of half a million people who were to assemble on Kennington Common and march on the House of Commons, proved a miserable failure. In view of the revolutions which had broken out all over Europe, the authorities had expected and were prepared for serious trouble. The Duke of Wellington was in charge of a large body of troops and practically the whole of the gentry had been enrolled as special constables—Prince Louis Napoleon among them. But when the day arrived only fifty thousand persons assembled at Kennington; the march on Westminster was hastily called off, and the Charter with its numerous bogus signatures was taken to the House of Commons in a cab.

That was the end of Chartism, but it was only the beginning of the age of Liberalism, which during the century which followed adopted one after another of the institutions demanded in that prophetic document. Four of the six points have become incorporated in the constitution—the ballot, adult suffrage, payment of members, and the removal of all property qualifications. A fifth point, the creation of equal electoral districts, has not proved practicable in the strictest sense, but it has been generally recognised as the norm towards which the distribution of electoral seats should approximate. Indeed, it is the main principle underlying the changes in the distribution of seats contained in the Representation of the People Bill, at present before the House of Commons. Only one point, that of annual parliaments, has failed to become a living issue.

Chartism, though it was essentially a working-class not a middle-class movement, and though it contained a lunatic fringe of quasi-revolutionary elements, was radical rather than socialist. What the Charter demanded was merely an extension to the masses of the political status which the middle-classes had achieved in the Reform Bill of 1832. It thus formed a strange contrast to that other political manifesto which first made its appearance in the year of revolution, the opening words of which—"A spectre is haunting Europe—the spectre of Communism"—have a strangely appropriate ring today, when, after the lapse of a century, the principles embodied in these two documents stand incarnate as Democracy and Communism, confronting each other in Western and Eastern Europe.

Mr Bevan Ends the Deadlock

Mr Bevan's move to end the deadlock over the health services will certainly be welcomed as a reasonable, if belated, act. The personal antagonism between him and the British Medical Association had reached such a pitch that it was difficult to see how negotiations could be reopened. Fortunately the intervention of the Royal College of Physicians gave him the opportunity and he has taken it handsomely without any camouflaged attempt at face-saving. Indeed, for the first time during these long drawn out negotiations he has shown a proper appreciation of the fact that the doctors' opposition has been inspired, not by mere factionalism, but by genuine concern for the interest of the public.

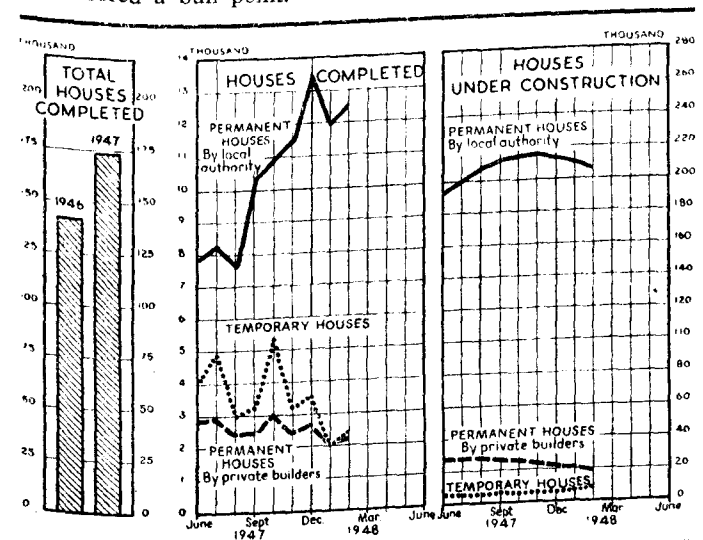
On two fundamental issues Mr Bevan has gone the full way to meet the doctors' objections. The first concerns the opposition to a full-time medical service. The Royal College in its first resolution had suggested that the co-operation of the medical profession in running the National Health Service might be secured if the Minister of Health made it clear in an amending Act that a whole-time service would not be brought in by regulation. Mr Bevan has accepted this suggestion. He has also given way on the question of the basic salary in a proposal which is more than an uneasy compromise. The basic salary is to be applied to new entrants into practice for a period of three years, after that each doctor will decide for himself whether he will give it up and pass to a system of plain capitation fees or stay as he is with the basic salary plus a lower capitation rate. Mr Bevan has also promised to set up an expert legal committee to advise him on the disputed effect of the Act on partnership agreements, the results of whose findings will probably need embodiment in a short clarifying Bill.

Mr Bevan's proposals, which were announced simultaneously in the House of Lords, were wholeheartedly welcomed by Lord

Moran, who stated that the Minister had boldly met the doctors' main fears and expressed the hope that he would be rewarded by the loyal support of all reasonable members of the profession. It is now up to the BMA to take advantage of the offer of a new deal. It has become clear since the doctors' plebiscite that the BMA is not certain what to do with the weapon given to it by the large vote against the health service. Beyond asking for a further fund from the profession, it appears to have been reluctant to act. Now any hesitation that it may have felt should be ended. The way to full and final agreement has been opened by Mr Bevan and the BMA can no longer, if it wishes to retain any sympathy from the public, continue to be implacable.

The Building Slump

At any ordinary time the swing from boom to slump in the house-building industry, which is now taking place, would be a matter for alarm. That it is not is yet another measure of the abnormal condition of the country's economy. This subject is blazoned by Labour Ministers, and references to reductions in the housing programme are made obliquely or in careful under-emphasis. Even in the *Economic Survey for 1948*, which is to be discussed in this week's Budget Debate, the savings in capital investment and in manpower which will follow the reductions are only lightly touched upon. Yet if the Chancellor of the Exchequer had cared this week to give the Government credit for trimming the nation's coat at a point where savings were great but the Government's reputation most vulnerable, he could have scored a bull point.



Ever since the cuts in the country's capital programme were decided last autumn it was anticipated that the building programme for houses would result in changes in the distribution of manpower and resources. But the Government camouflaged their policy in so much talk about finishing the 350,000 houses under construction or tender, and laid so much emphasis on the necessity for reductions being due solely to the impossibility of importing timber, that the effects of their pronouncements were imported to the public—and one might almost suspect to themselves. It is only the publication of the monthly housing reports, of which those for February have just appeared, which reveals the true position.

The change is very marked. After two years, during which the plus signs crept falteringly up after one another and the curve of those houses under construction climbed rapidly and the curve of those completed less rapidly, the trends are now reversed. There have been so many misleading deviations in the housing figures that until now it has been unsafe to make any firm judgment on the altered trends, but the most recent returns make the movement unmistakable. With the exceptions of the number of houses completed, for which the figure is slightly above that for January, minus signs have now succeeded the plus signs without any doubt. The number of houses under construction has now fallen steadily from its peak in November, and those being started each month is falling also. For example, during the first nine months of 1947 an average of 11,000 permanent houses was started each month, but the figure for February is only 6,570. So far as the building

* Cmd. 7365, 7366.

of traditional brick houses is concerned, the change is even greater, for the fact that the subsidy for non-traditional houses ceased to be payable after December, 1947, resulted in a scramble to get the non-traditional schemes approved before the end of the year. Consequently, it is the brick-built houses which have taken the brunt of the fall, and there are very real fears that an even flow of building even on the reduced programme of 15,000 houses a month, will not be maintained unless there is a quick increase in the number of traditional houses started in the next few months.

The Finns Pull It Off

It is not only in Finland that the moderate terms of the Russo-Finnish treaty of mutual assistance will be received with surprise and relief. The Finns have gained both the points they considered vital. Russian forces may give military assistance to Finland only "subject to mutual agreement between the contracting parties." Finnish forces may be used only for the protection of Finland. In these respects the treaty belies the fears raised by Mr Stalin's reference to a treaty "analogous to the Russo-Hungarian or Russo-Rumanian agreements." It is also unlike these instruments in being operative in the first place for a period of ten years, while the alliances between the countries of the eastern bloc are to last for at least 20 years. The contracting parties pledge themselves "to observe the principle of the mutual respect of sovereignty and integrity and that of non-interference in the internal affairs of the other state." It is true that this clause appears in Soviet Russia's other defence treaties—with results already demonstrated—but the Finns clearly stand a better chance of turning pledge into reality.

There is in fact a good chance that the general elections in July will be fair and free. If so, there is no doubt that the Communists will lose heavily. There is equally no doubt that this must be plain to the Soviet Government, which seems to have acquiesced in a probable weakening of its supporters. This is not the least puzzling aspect of the whole interlude in the course of which the Russians appear to have gained practically nothing by their initiative in demanding a defence treaty. The motives behind Russian policy and the counter-actions of the Finns can only be guessed at, but the clue to the treaty may perhaps be found in the preamble to the pact in which it is stated that the agreement has been reached in consideration of "Finland's desire to remain out of the conflicting interests of the Great Powers." Finland lies off the great strategic routes of Europe. As a springboard against Russia for any Atlantic Power, it is remote and isolated. The Russians may therefore be content to ensure its neutrality. And if they did in fact ask for more during the recent negotiations, it may be that the Finnish delegation made clear their country's readiness to fight in order to maintain its internal integrity. With Europe like a tinder box and the Americans growing increasingly impatient, a war of self-defence in Finland could easily be the signal for a general struggle. This the Russians may not

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munists, and the war has been gradually changing its character. Formerly, the Communists confined themselves to guerilla operations, raiding and destroying communications and getting control of the countryside, but avoiding pitched battles and attacks on well-garrisoned large towns. But during the last few months they have combined the mobility of their guerilla days with a new hitting power which endangers strongly held positions. In Manchuria they have captured important towns, and even in North China they have been resorting more and more to direct attack after receiving reinforcements from their more heavily armed Manchurian comrades. In Manchuria the Communists have now plenty of arms; in addition to the Japanese arms dumps which the Russians allowed them to take over in 1945, they have made large hauls by capture from the Nanking armies and hold several industrial centres where they are able to produce arms themselves on a considerable scale.

The main military cause of the Government troops' lack of success appears to have been their lack of mobility as compared with their opponents. They are not short of manpower and not seriously short of equipment, but they seem to be incapable of rapid movement and concentration at vital points. This is no doubt partly a heritage of the war against Japan, which for the Chinese regular army was essentially a war of "resistance"; there was never really a question of building up an offensive striking force. The Japanese then had superior mobility, but could never use it decisively in China, partly because they had other fish to fry elsewhere, but even more because of the hostility of the population towards them. The Communists with their zealous local supporters are able to take much more advantage of their capacity for swift manoeuvre, and in this respect the problem of Nanking is as much political as military; better organisation and training with the aid of American military advisers and transport may soon provide the Government with a "new-model" army of improved quality, but it will still be at a disadvantage as long as the Communists retain as much peasant support as they have had up to now. Perception of this fact has led the Foreign Affairs Committee of the American House of Representatives to advocate an expenditure of funds for "rural rehabilitation" in China, to be administered, not by the Chinese Government, but by a mixed Commission of unofficial Chinese and Americans. Such an invasion of Chinese domestic administration will be little to the liking of Chinese nationalists of whatever political camp, but the Nanking Government after its recent reverses is not in a strong position to refuse, and the Americans have undoubtedly discovered the most effective and least costly method of fighting Communism in China.

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Co-operation in East Africa

The first meeting in Nairobi last Tuesday of the Central Assembly for East Africa begins a new phase in economic co-operation between colonies which may have far-reaching results throughout the Empire. The formation of the Assembly marks the last of a number of measures which were put into operation at the beginning of this year to lessen the cost and to improve the efficiency of various services in Kenya, Uganda and Tanganyika. The services, chief of which are transport, pests and telegraphs, production and supply, and scientific research, were formerly administered by each colony independently. The waste of manpower and money was great. The new measures set up an East African High Commission, composed of the Governors of the three colonies, to administer these common services jointly, an executive organisation to carry out the orders of the Commission, and a Central Assembly to act as watch-dog over the Commission.

The economic measures are all obviously necessary, but when these measures were originally proposed by the Ormsby-Gore Commission in 1924 the different races in East Africa—Europeans, Africans, Arabs and Indians—each feared that economic co-operation would mean political subordination. This fear persisted and proved the biggest stumbling block in the way of economic efficiency. It has now been overcome by strictly defining the powers of the administrative authority and by giving the people of each colony an equal voice in their joint affairs. No one colony has a superiority over any other in the Central Assembly, and any extension or alteration of the Assembly's powers—and of the powers of the High Commission—must be referred back to each local legislature for approval.

All in all, the present compromise solution of the different problems has every chance of success. The powers of the Central Assembly are limited, but it constitutes a real start in the effort to make East Africans territorially rather than racially conscious.

There is no question of political fusion and the economic advantages should benefit all. As an additional safeguard the whole constitution is to be reviewed in four years' time, by when this imaginative experiment should have proved its worth.

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"These Avaricious Hordes . . ."

Middle-class parents whose pockets or whose principles would willingly persuade them to send their children to state schools will applaud Mr W. J. Rodda's condemnation, at the conference of the National Union of Teachers at Easter, of the Regulations which lay down the target of classes of 30 for secondary schools, but 40 for primary schools. Those parents, who would be ready in the interests of social equality and in the face of crippling income tax, to support their local schools may well give up the attempt, when they find a classroom filled to capacity by 40 youngsters. Neither happiness nor education are founded by this means, and as a result the non-state schools have waiting lists, and the gulf between state and non-state schools is widened.

The official view, which is surely wrong, appears to be that small children can be taught in hordes, but that older children need more individual attention. The experience of private schools, where expense matters less, is all the other way: the bottom forms are almost always small. Only when teaching becomes more complicated and the claims of examinations and of real scholarship demand it, is there again an acute need for smaller classes. If, because of its cost, or because of the shortage of teachers, some classes must have over 30 pupils, surely the bulge should be at the gregarious period of a child's development, leaving the first stages and the last to be dealt with in smaller groups?

It must, nevertheless, be admitted that however mistaken the aim of classes of 40 may be, in practice local authorities are labouring under severe difficulties in staffing the youngest classes. There is a shortage of women teachers, which is acute as far as the infant classes are concerned, owing partly to the rise in the birth-rate which is just beginning to swell the school population at the bottom, partly to the relatively small number of women who offered themselves for training under the Emergency Training Scheme, and partly to the preference of the women teachers themselves for teaching older age groups. So severe is the shortage that the Ministry of Education has recently produced a scheme for rationing women teachers among local education authorities, and some authorities are experimenting with using men even in the lowest classes. This state of affairs gives an added piquancy to the views expressed at the conference of the National Association of Schoolmasters last week-end:—

These avaricious hordes of women have already staked their claim on our field, and the sooner they are smoked out of that field the better it will be for the boys of the country.

This sentence rings with the phraseology of a bloodcurdling schoolboy thriller. No penny dreadful could have summed up the sentiments of the "closed-shops" more succinctly.

Shorter Notes

It is welcome news that the recent successful application for a writ of *habeas corpus* by an ex-Army officer who was court-martialled in Germany a year after his demobilisation has resulted in an amendment to the Army Act of 1871. An amendment was to be moved by the Secretary of State for War on Friday by which offences which are punishable by the law of England when committed in England may be tried in the civil courts. It is astonishing to find that the belated and illegal arrest of this Army officer was not an isolated case: the result of the successful application for the writ was that several other proposed courts-martial were dropped.

*

Two inaccuracies occurred in a Note entitled "What to Publicise?" in the issue of March 27th. First, it was stated that "next year the Central Office of Information will be spending £4,500,000 which is £870,000 more than the estimate for 1947-48." The figure of £4,500,000 should have referred to 1947-48; the increase of £870,000 is in comparison with the estimate for 1946-47. The estimate for 1948-49 shows a fall of some £365,000. Secondly, it was stated that "to the current figure should be added expenditure by individual departments amounting (according to Mr Boyd-Carpenter) to nearly £3,000,000." Mr Boyd-Carpenter did not make it clear that, of the £3,000,000, nearly £1,700,000 was included in the COI figures.

AMERICAN SURVEY

The Beacon is Lighted

(From Our US Editorial Staff)

THE Congressional Steeplechase course, like that of the Grand National, must be covered twice. On the first circuit a piece of legislation is authorised; on the second, the funds to make it effective are appropriated. The European Recovery Programme has only been round once and its passage through the House of Representatives only gets it over the water jump for the first time. It must now go out into the country again and through all the wearisome procedure of hearings before the Appropriations Committees of Senate and House, ending with votes on the Appropriations Bills, conference to iron out differences between the two Bills and final adoption by both houses of an agreed version.

But, also as in the Grand National, there are times when the first round is the most important, and all dangerous opposition has been eliminated before starting on the second circuit. This has happened in the case of ERP. The overwhelming majorities it was given in Senate and House (over four to one in both cases) have made it impossible for the Appropriations Committees to do more than minor damage. There are, as far as can be seen, no riderless horses or doubtful jumpers who might bring the favourite down, though it can still slip up while rounding the Canal Turn of the portly Mr Taber, Chairman of the House Appropriations Committee.

There was little surprise when ERP passed the Senate in a form to which nobody could take exception. During the hearings in the Foreign Relations Committee it had been evident that Senator Vandenberg would have the support of most of his Committee in resisting all attempts to include harmful amendments. When the Bill was debated on the floor he did not have to do all the work himself; others—Senator Lodge in particular—helping him to carry the burden day after day. But nobody knew what would happen to it during debate in the House. The Foreign Affairs Committee had never worked the floor.

The debate in the House was, therefore, a pleasant surprise and a personal triumph for Representative John Vorys of Ohio, majority leader on the Foreign Affairs Committee. He enjoyed, of course, every assistance from Russian policy in Czechoslovakia and Berlin. The veteran Chairman of the Committee, Representative Charles Eaton of New Jersey, was there to help in critical moments, but he left the tiring job to Mr Vorys, who never let the situation of floor leadership to Mr Vorys, who never let the situation get seriously out of hand. Only the unfortunate decision to include Spain, by name, among those which could join the participating countries in the future—which Mr Vorys accepted and for which he voted—can be counted against him. And that was the first amendment removed when the Committees of the two houses met in conference.

There are amendments left in the Bill which would have been better omitted, such as the Mundt amendment on trade with Russia. But there is nothing which orders the Administrator to make mistakes. At the worst, the amendments only permit him to do so. His job is made more difficult because Congressmen are given the chance to complain that he has failed to make them. But the effect of these amendments will probably be more than offset by the decision in conference to drop the idea of a special "watchdog" Committee—passed by the Senate as a sop to Representative Herter, but shouted down in the House—and the decision to substitute for it a joint Committee of the four Committees—Foreign Relations and Appropriations from the Senate and Foreign Affairs and

Appropriations from the House—who will have the responsibility over the next four years for continuing and financing the programme. The Administrator will be able to work closely with the Joint Committee and, by consulting it regularly and keeping it fully aware of all he does, make his annual task of getting new funds much easier.

As it would be unwise to count on Russia giving assistance at the beginning of every year on the same scale as she has done during the birth of the programme, its fate in future will depend on the Administrator's ability to prove that it is doing what Congress intended it to do. The responsibility now moves from Mr Marshall and Senator Vandenberg, from the State Department and Congress, to the newly-appointed Administrator, Mr Hoffman and his staff. A great deal depends on him, because the Act, as finally adopted, restricts him very little and gives him a wide field in which his own decisions of policy will be of the greatest importance. His first problem will be to decide what he wants from the European organisation and Mr Hoffman has made it clear to the Senate Foreign Relations Committee that he expects a great deal. He believes in the potential strength of an integrated Western Europe and will no doubt use his powers to further its realisation. Since his appointment he has repeated that his great hope lies in what the Sixteen Nations can do for each other.

*

His also will be the decision whether the programme will be primarily one of relief or whether greater emphasis is placed on capital goods. In spite of the Administration's insistence on the recovery aspect of its plans, the relief side has been more prominent during the debates in Congress. This was inevitable, because the demand for capital goods in the United States is likely to exceed the supply for some time to come, while surpluses in some agricultural products already exist and were beginning to worry some Congressmen. An amendment approved by the House referred specifically to "domestically produced fishery products" as being included under the term "surplus agricultural commodity." These words were deleted in conference, but the intention of the amendment was plain. The Administrator was expected to include in his programme any product which failed to find a domestic market. (Iceland would, no doubt, have been delighted to receive a consignment of frozen cod.) Mr Hoffman will have many pressures of this kind to resist, but he has already repeated an earlier statement that his aim will be an increase of one-third in the national income of the participating countries.

His task is, while keeping Europe going during the four years which the programme has to run, to ensure that it is self-supporting at the end of that time. He cannot do this with a relief programme only, but neither can he do it with a programme which depends on nothing but Government purchasing and financing. There would be little left when

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

his programme finished. He intends to encourage the resumption of long-term investment in European industry by American private capital, but not the control of European industries by the American Government. Under the Bill he has been given \$1 billion for the first year to provide loans and guarantees to American business willing to invest in projects which he certifies as contributing to European recovery. By his handling of these funds he can show the sincerity of the American desire for that recovery or prove the truth of Communist allegations that ERP is nothing but "Wall Street Imperialism" in not very fancy dress.

The extent of Latin-American participation, on which much depends, will be decided by Mr Marshall's success or failure at Bogotá before the Administrator can begin his negotiations. The Secretary of State began well. In his first big speech he refused to compromise and explained firmly to the South American countries the stakes involved in Europe, saying "This is a matter of as much concern to your countries as it is to

mine." When he comes back to Washington he may have made the European Recovery Programme considerably easier to manage successfully. He has certainly left no doubts in any minds as to what the United States is trying to do. The more irresponsible speeches in Congress—they were few, though no debate can be without them—should be forgotten and these words of his remembered:

"The United States today, with its tremendous responsibilities, which involve us all over the world, has to proceed with great wisdom in all it does and what it feels it must do in future. I ask you to have in mind, to realise what tremendous burdens the people of my country have undertaken, and that you profit by it as much as we do."

That is the spirit in which Mr Marshall, himself, proposed the European Recovery Programme and the spirit in which the great majority of Congress accepted it. On Mr Hoffman depends whether it is the spirit in which it is carried through its four-year life. Everything he has said on the subject suggests that it will be.

Taxation of Co-operatives

(From a Correspondent in Colorado)

CO-OPERATIVES are often thought of as rather idealistic ventures by which consumers traditionally try to save themselves money. Hence the occasional spectacle of a government charge of illegal action to hold up prices, levelled at some large farmers' co-operative marketing associations, seems to require explanation. And when the co-operatives in question plead no contest to the charge, it seems to require more explanation still. What requires less explanation, under the circumstances, is the general absence of public indignation now that Congress threatens to impose taxation on co-operative corporations to diminish the competitive advantage they enjoy over "profit" business. At the National Institute of Co-operation at Fort Collins, Colorado, last fall, a speaker said: "I paid 25 cents for a glass of canned orange juice, within sight of the trees. Is that any kind of platform on which to go to the public?"

In the United States, the co-operative scene has always been dominated by co-operatives organised to aid farmers as producers—both in buying their supplies and in settling their products. In 1946-47 such co-operatives are estimated to have done a gross business of more than 7 billions, though that figure includes some duplication since several organisations may handle the same goods at different stages.

Consumers' co-operatives, by contrast, have only a fraction of the membership, and do only a fraction of the business, of the producers' groups, despite the recent growth stimulated by the interest of labour unions under pressure of the high cost of living. And generally speaking there has been little common cause made by producers' and consumers' organisations—some officials of farmers' co-operatives rather ostentatiously differentiate between their own organisations and "communist" or "socialistic" consumers' co-operatives.

One reason for this is not far to seek: farmer co-operators when they came to purchase supplies, quickly found that they could not only escape strangulation by "profit" business, but achieve the largest saving if they controlled their sources of supply all the way back to the oil well or the lumber camp. If urban consumers made the same discovery, they might swell the trend toward corporation-owned farms, with the farmer reduced to the status of hired man. There are exceptions to the hostility: in numerous instances farm and urban co-opera-

tives have shared savings. But it is the predominant attitude.

This lack of solidarity in the co-operative movement is related to the argument, advanced rather plaintively by officials of farm co-operatives when urging "profit" business to let them alone, to the effect that they have not "upset the market." They have not cut prices; they have sold at the going rate and later paid themselves back their savings. But they have operated at certain distinct advantages as compared with "profit" business, and sooner or later—since this is an election year, doubtless later—Congress is likely to attempt to lessen the advantageous tax differential which the co-operatives admittedly enjoy.

This advantage has two aspects. Special legislation, in the grim 1930's, exempted farmer-organised co-operatives that met certain requirements from all payment of federal income tax on their income. Actually, only about half of today's farmer co-operatives follow these regulations and claim the exemption; the amount at stake is only a few million dollars a year. But when asked why they do not voluntarily surrender the exemption, co-operative officials respond that those who are urging Congress to require it are "not going after taxes, but after co-operatives."

Far more important are the savings made possible to co-operatives by the Treasury rulings and court decisions that the federal corporate income tax cannot be collected on rebates to customers. These rulings and decisions are applicable to all business, not to co-operatives alone, but they cover the patronage dividends paid to patron-members by both farmer and urban co-operatives.

The courts have also ruled uniformly that a co-operative is only an agent, so that income does not accrue to it, but to its member-patrons, and taxes on such income can be collected only from them. (Urban members have an edge on members of farmer co-operatives in this connection. By saving money on supplies and marketing co-operatively, farmers are presumed to enhance their business income; and hence are supposed to include their savings through co-operation in their income for tax purposes. Consumers, since their savings merely affect their cost of living, are not liable to such taxation.)

The effect of the courts' rulings is thus to free co-operatives, except in special instances affecting a relatively small part of their "savings," from paying the federal corporate income tax on those "savings." The corporations of "profit" business, by contrast, must pay 38 per cent on net income. (In addition to this advantage, farmers' co-operatives are able to borrow federal funds at very low interest rates.)

Business leaders raised little objections to these differentials when co-operatives were poor and scattered, and the volume of their activities was small. But the co-operative leaders have utilised their advantages shrewdly to build some formidable competition. One practice in particular has contributed to the result. Tax exemption applies whether patron-members are paid

in cash or given, instead, evidences of debt. It has become practically universal for farmers' co-operatives to give their members such evidences, redeemable only after some years, and to use the funds thus accumulated for both vertical and horizontal expansion. The size of such funds can be gauged by the "savings" of a farmers' wholesale co-operative, inconspicuously named Consumers' Co-operative Association: in 1947 they amounted to \$3,700,000 on \$37 million worth of business. By this technique, over the past decade, farmers' co-operatives have built up a fairly complete distributive system paralleling that of "profit business" and competing with it. In North Dakota, the co-operatives taken together are the largest single distributors of petroleum products. The Farmers' Union Grain Terminal Association of St. Paul, Minn., is one of the largest wheat handlers in the United States.

These are the reasons for the organisation of the National Tax Equality Association, to work toward the removal of the special tax exemptions enjoyed by farmers' associations and to find some way to tax patronage refunds, especially those held in the co-operatives' treasuries and used for expansion. The association campaigned vigorously in 1947; its relaxation of effort in 1948 doubtless arises from a realistic acceptance of the fact that it is futile to ask a Republican Congress to shoot Santa Claus by alienating a large—and mainly Republican—group of citizens, the farmers, just before a national election.

Aside from the political difficulties, when pressure is resumed, there will be legal and economic problems. The exemptions which the co-operatives enjoy apply to an enormous range of business—including at-cost wholesalers set up, for their own benefit, by some of the very "profit" businesses which complain of co-operative competition.

Another incongruity is that, while the taxes complained of as unjustly burdening "profit" business are corporation income taxes, the hottest anti-co-operative campaigning has come in general from small country merchants selling goods and services to farmers, who almost invariably do business as individuals

or partners, and who therefore are in the same tax status as the co-operatives.

Then, too, the farmers' co-operatives have an obvious way of retaliating against the proposed legislation. By giving member-patrons the benefit of their savings in the form of price cuts at the time of sale, they could eliminate the disputed year-end patronage refunds, and with them all question as to whether these are taxable. The move would precipitate a price-cutting war in many lines, petroleum products among them.

American Notes

Waterloo in Wisconsin

The Wisconsin primary, which four years ago retired Wendell Willkie from the Republican race, this week administered a heavy setback to Governor Dewey and appears to have pricked the MacArthur boom decisively. From the latest reports available, Mr Stassen has swept the State, probably securing 20 of its 27 delegates to the Republican convention. General MacArthur won probably only 7 delegates despite the almost unanimous reports from Wisconsin that he might sweep the field. It is a particularly heavy blow to the MacArthur supporters, for as a "native son" he was conceded a head start in Wisconsin which he lacks elsewhere. Governor Dewey, struggling against the tradition that the Republicans never renominate a candidate who has once been defeated, has made an unpromising start apparently without a single delegate from the State he swept in 1940 and 1944.

In Wisconsin there were only three stars running, and the Nebraska primary, which will exhibit the paces, in addition, of Mr Martin, Senator Taft, Governor Warren and Senator Vandenberg, will provide a much surer test of Republican opinion. But Mr Stassen's overwhelming victory in Wisconsin plainly indicates an important and unexpected change in the relative strength of at least two contenders; Governor Dewey may not now prove strong enough even to deadlock the convention. Calculating politicians awaiting the Wisconsin result before deciding whether to board the MacArthur or the Dewey bandwagon, have seen the Stassen chariot flash by instead.

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ELECTRICITY ACT, 1947

NOTICE TO HOLDERS OF SECURITIES OF ELECTRICITY UNDERTAKINGS

The British Electricity Authority give notice that announcements providing information on the points set out below have been published. Copies of the announcements will be available for inspection at offices of Banks on and after the 7th April, 1948.

1. The titles of those Securities of Electricity Undertakings the values of which have been declared by the Minister of Fuel and Power and the rates at which the calculation of the amounts of British Electricity Stock attributable to holdings of those Securities is to be made.
2. The procedure to be followed by holders of British Electricity Stock who may wish to dispose of their holdings.
3. The use of certificates of the old Securities as representing the appropriate amount of British Electricity Stock until such time as new certificates for that Stock have been issued.
4. Instructions to holders not to send certificates of the old Securities for exchange until requested by the Undertakings to do so.
5. The extension of dividend mandates registered in respect of the old Securities to the British Electricity Stock attributable thereto.
6. The titles of those Securities the values of which have not yet been declared by the Minister of Fuel and Power and the procedure to be followed by holders desiring to dispose of their holdings.

British Electricity Authority,
London.

2nd April, 1948.

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)
SIXTY-SEVENTH ANNUAL REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 1947

TO THE SHAREHOLDERS:

The volume of traffic on the railway in 1947 greatly exceeded expectations and established a peacetime record. Among the factors contributing to this were the condition of almost full employment in Canada, the backlog of need for construction materials and durable consumption goods, special efforts to move grain and flour to ocean ports for export, heavy imports in many categories from the United States, and record exports of wood pulp and newsprint paper to that country. Passenger traffic continued to decrease but was still much above the prewar level.

The application of the Railways for a 30% increase in freight rates filed in October, 1946, was the subject of public hearings throughout Canada before the Board of Transport Commissioners, commencing in February and ending in December. A decision had not been rendered at the end of the year. The Interstate Commerce Commission of the United States meanwhile authorised two increases in freight rates, additional to that authorised in 1946, and the Board of Transport in each instance authorised the application of these increases to international, overhead and certain import and export traffic in Canada. Notwithstanding these increases the average revenue received for hauling one ton one mile in 1947 was 95/100 of a cent only, compared with 93/100 in 1946 and with an average exceeding 45% more than prior to the war and costs of materials and supplies were far above pre-war levels.

Working expenses continued to increase. The general wage increase of ten cents an hour made effective June 1, 1946, was applied for the full year 1947 compared with the seven months of 1946. Wage rates averaged 45% more than prior to the war and costs of materials and supplies were far above pre-war levels.

Net earnings from railway operations were again markedly inadequate. A substantial improvement might have been expected from the upward revision of freight rates on the international traffic referred to, as well as from the larger traffic volume. Instead, the increase in gross earnings was almost wholly offset by rising costs, and the ratio of net to gross earnings remained practically the same as in 1946 when an all-time low was reached.

The accounts of your Company show the following results for the year ended December 31, 1947:

INCOME ACCOUNT	
Gross Earnings	\$318,585,919
Working Expenses (including taxes)	295,693,730
Net Earnings	\$22,892,189
Other Income	24,788,927
Fixed Charges	\$47,681,116
Net Income	\$15,787,174
Dividends	\$31,893,942

Preference Stock 2% paid August 1, 1947	\$ 2,278,841
2% payable February 2, 1948	2,278,841
Ordinary Stock 2% paid November 1, 1947	\$4,557,682
	6,700,000
	11,257,682
Balance transferred to Profit and Loss Account	\$70,636,260

(The final dividend of 3 per cent, on the Ordinary Stock which was declared in gross earnings was almost wholly offset by rising costs; and the ratio of net to gross earnings remained practically the same as in 1946 when an all-time low was reached.)

PROFIT AND LOSS ACCOUNT	
Profit and Loss Balance December 31, 1946	\$269,126,972
Final dividend of 3 per cent, on the Ordinary Stock, declared from the earnings of the year 1946, paid March 31, 1947	10,050,000
	\$259,076,972

Balance of Income Account for the year ended December 31, 1947	\$20,636,260
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	636,825
Miscellaneous—Net Credit	304,583
	\$21,577,668

Deduct:	
Adjustment to prevailing official rates for sterling in respect of capital expenditures for steamships in years 1943-1946	1,530,679
	20,046,989
Profit and Loss Balance December 31, 1947, as per Balance Sheet	\$279,123,961

RAILWAY OPERATIONS

Gross Earnings in 1947 increased \$26,090,091, or 8.9%, over those of 1946, and were but \$285,115 below those of 1944, the year of highest earnings.

Working Expenses increased \$24,040,952, or 8.8%. The ratio of working expenses to gross earnings was 92.81%, a reduction of a bare .06 from last year's ratio, which was the highest on record.

Net Earnings from railway operations were \$22,892,189, an increase of \$2,049,139. Out of each dollar of gross earnings, only seven cents of net was realised.

GENERAL BALANCE SHEET, DECEMBER 31, 1947	
Property Investment:	ASSETS
Railway, Rolling Stock and Inland Steamships	\$880,747,256
Improvements on Leased Property	107,956,776
Stocks and Bonds—Leased Railway Companies	134,169,779
Ocean and Coastal Steamships	54,545,167
Hotel, Communication and Miscellaneous Properties	97,644,399
Other Investments:	
Stocks and Bonds—Controlled Companies	\$69,939,167
Miscellaneous Investments	47,039,979
Advances to Controlled and Other Companies	7,236,025
Mortgages Collectable and Advances to Settlers	1,293,295
Deferred Payments on Lands and Townsites	10,782,049
Unsold Lands and Other Properties	13,423,071
Maintenance Fund	27,600,000
Insurance Fund	12,460,156
Steamship Replacement Fund	34,645,823
Current Assets:	
Material and Supplies	\$36,712,903
Agents' and Conductors' Balances	14,741,396
Miscellaneous Accounts Receivable	17,968,071
Dominion of Canada Securities	31,667,000
Cash	42,644,686
Unadjusted Debits:	
Insurance Prepaid	\$238,296
Unamortised Discount on Bonds	3,781,185
Other Unadjusted Debits	1,217,424
	5,236,905
	\$1,648,453,823

LIABILITIES	
Capital Stock:	
Ordinary Stock	\$335,000,000
Preference Stock—4% Non-cumulative	137,256,921
Perpetual 4% Consolidated Debenture Stock	\$325,856,729
Less: Pledged as collateral to bonds and equipment obligations	30,418,500
	295,438,229
Funded Debt	75,301,000

Current Liabilities:	
Pay Roll	\$7,053,336
Audited Vouchers	9,284,072
Net Traffic Balances	4,491,862
Miscellaneous Accounts Payable	9,452,084
Accrued Fixed Charges	938,186
Unmatured Dividend Declared	2,278,841
Other Current Liabilities	13,339,604
	46,837,985

Deferred Liabilities:	
Dominion Government Unemployment Relief	\$1,447,223
Miscellaneous	2,961,578
	4,408,801

RESERVES AND UNADJUSTED CREDITS:	
Maintenance Reserves	\$27,600,000
Depreciation Reserves	324,478,772
Investment Reserves	3,702,115
Insurance Reserve	12,460,156
Contingent Reserves	5,198,998
Unadjusted Credits	6,475,843
	379,905,884

Premium on Capital and Debenture Stock	34,458,566
Land Surplus	6,722,460
Profit and Loss Balance	279,123,961
	\$1,648,453,823

ERIC A. LESLIE,
Vice President and Comptroller.

Mr Stassen's triumph is due in part to the fact that, if not a nativeson, he is at least a stepson from across the border in Minnesota; he has strength with the Scandinavian vote, and he has spent years cultivating personal contacts with the voters. Governor Dewey's last-minute decision to make a personal appearance himself—intended, ironically, to stem a supposed MacArthur tide—came too late.

But more was at stake than personalities. The "generalissimo jitters," the yearning for any strong man, untainted by political experience, is evidently weaker than was feared. An almost legendary figure, which could be all things to all men—and the MacArthur following was so ill-assorted as to justify calling him the Wallace of the Right—has been defeated by an avowedly ambitious politician who has made almost a fetish of frankness. Whether or not General MacArthur could be called an isolationist, or a China Firmer, many of his followers were. Mr Stassen, despite certain vagaries, has always been an internationalist. He belongs to the more forward-looking section of a party which also cherishes its Martins and its Tafts. One primary does not make a nomination; but if the Nebraska result resembles that in Wisconsin, it will be hard to persuade Mr Stassen that he should be grateful for second place on the ticket.

Industrial Mobilisation for Peace?

President Truman's declaration that "the United States will, by appropriate means, extend to the free nations the support which the situation requires" is regarded by well-informed observers in Washington as the forerunner of a request for military lend-lease. They believe that the only reasons why the President did not openly demand this were that in Europe the time is not yet ripe and that at home Congress might welcome it as an alternative, rather than as an addition, to selective service and universal training. These observers expected that in due course the free nations would be provided with at least enough military help to protect them against a Communist coup and that this would involve joint consultations on political and strategic questions. Congress in its present mood seems ready to give such help—in theory at least.

But in practice, if an effective programme of military lend-lease were added to the present rearmament plans, it would be hard to avoid a mobilisation of industry of the kind, though hardly on the scale, of the last war. Indeed, this would have been equally unavoidable if rearmament had been undertaken to the extent which was being discussed after the President's speech and which the Services are believed to want. Mr Truman's request for additional appropriations of only \$3 billion for the military establishment came as a real and no doubt intentional anti-climax to talk of raw material shortages, price pressures and renewed controls. The President's programme is one for establishing peace, not for making war, but there are many, including probably Mr Truman himself, who doubt if it will be adequate even for this limited purpose. It is evidently, however, the maximum which he felt the economy could bear without the reimposition of wartime restrictions, a consideration which may damp Congressional enthusiasm for an Air Force bigger than that at present proposed by the Administration.

Even this moderate expenditure may require some compulsory allocations, and Congress may be a little more sympathetic to these when they are asked for as aids to mobilisation than it was when they were asked for last year as preventives of inflation. There is little hope that the present system of voluntary allocations will prove adequate: steel is already in short supply, and shortages of aluminium (owing to insufficient electric power), of other non-ferrous metals and of petroleum are among those predicted. The public was well aware, even before Mr Baruch's reminder, that the national resources were being fully utilised, and that this time there was no slack to take up in the economy. For this reason, Mr Baruch advocates not only that the impact of the present partial mobilisation on the economy should be carefully watched, but that the Government should be equipped with full mobilisation powers, which could be brought into effect immediately on the outbreak of war by Presidential proclamation, with the concurrence of Congress. His "ready-to-go" plan covers a system of priorities and rationing, inflation controls, accumulation of strategic materials, a work-or-fight draft, and industrial readiness. This is not by any means the first time he has advocated such a plan, but today memories of past unpreparedness are still vivid, and his reputation as a successful prophet is unrivalled.

Congress Cuts Taxes

By 311 votes to 88 in the House of Representatives, and by 77 votes to 10 in the Senate, President Truman last week lost the final round of a tax battle which began with the Republican electoral victory of 1946. Mr Truman's vetoes—two in 1947 and that last week—were given against Republican majorities and therefore created no such sensation as that of 1944 when Mr Roosevelt "attempted to defeat his own party in election year," and attempted also the first major challenge by the executive branch to Congressional control of tax-gathering. But whereas in 1947 the Democrats in Congress voted to uphold their President's veto, they have refused to do so in an election year. Mr Truman's case against relief, at the expense of some easy popularity, is still exceedingly difficult to confound, and Republican leaders, while naturally jubilant at a success which enables them to keep election pledges, have no great faith in its permanence. They declare that Congress will maintain budget stability, reduce public debt, and rearm to any necessary extent. They may be lucky; to achieve all this they will need to be.

The new tax law is a relatively mild version of the exuberant plans formulated by eager Congressmen in 1946, and modest again by comparison with 1947 plans, when tax cut proposals ranged from 30 per cent to 10½ per cent, with comparatively small reliefs for lower income groups. The Act increases the personal exemptions for each taxpayer, and for each dependant, from \$500 to \$600, repeals the 5 per cent "allowable charge" against assessable income, and applies a reduction of 17 per cent on the initial \$400, 12 per cent from that point to \$100,000 and almost 10 per cent on higher figures. There is no direct change in normal income or surtax rates, but the maximum effective rate is cut from 85 to 77 per cent.

Mr Truman maintains, despite Republican denials, that 40 per cent of the relief will accrue to incomes beyond \$5,000 yearly, and that the substantial reliefs of estate and gift taxes can bring no benefits to most taxpayers. Republican figures may be based on the widespread refusal to concede that the adoption of "community property" assessments for married couples represent tax relief so much as "tax reform." But under it very substantial benefits accrue to higher incomes, for the adoption of the "community property" standard will mean that taxpayers in all States can now enjoy the right to divide their joint income equally between husband and wife, without regard to source. In the past this privilege has been confined to the twelve "community property" States. Since present surtax rates touch 50 per cent on incomes from \$16,000 to \$18,000 and range to 91 per cent on individual incomes exceeding \$200,000, it is clear that the process of halving assessable income can be very profitable indeed—to those on the higher brackets.

This is perhaps the most interesting feature of the new tax law, since it rings down the curtain on the attempts made by the Bureau of Internal Revenue to confine the benefits of "community property" assessments to eight States which were fortunate enough to apply these provisions before the introduction of the first Federal income tax in 1913. Nine years ago, Oklahoma and Oregon attempted to extend "community property" schedules, but were over-ruled on technical grounds. When the Supreme Court finally accepted a revised plea by Oklahoma, the way was clear to correct anomalies which conferred indiscriminate benefits on only a fraction of the States.

A Federal Minimum for Education

The Taft Bill to equalise educational opportunities by distributing \$300 million of Federal aid to the States has been passed by a Senate majority of 58-22, drawn from both parties. The Bill would set a minimum of \$50 on educational expenditure for every child. If the House follows suit, it will become the first major welfare act of the 80th Congress. Compared with the national expenditure of \$3 billion on education, \$300 million is not very much; it is an even smaller drop in the \$6 billion bucket which the National Education Association believes is needed. But it is the opening wedge of equalisation. The bulk of the payments will go to the South, which with its high birth rate and meagre funds for schools exports illiteracy throughout the nation. With 30 per cent of the nation's children, the South has only 17 per cent of the national income. Mississippi, which like the old woman who lived in a shoe has so many children she doesn't know what to do, spent 3.4 per cent of her income to provide \$25 of education for each pupil last year. New York, which spent 2.6 per cent of a much larger income, was able to allot \$234 per child.

If the prospects for enactment of the Bill look good, it is partly because of the growing crisis in education, and partly because of the skill with which the Bill has been drafted to avoid the rocks which have wrecked previous Bills. Every effort has been made to lay the spectre of Federal control following Federal funds. The question of whether any Federal funds can be used to support non-public (chiefly Catholic parochial) schools, has been rigorously left to the States; but the Supreme Court decision in the *Champaign* case suggests that the use even of State funds, beyond the provision of text-books and transport, is probably unconstitutional. The South's separate and inferior school system for negro children has, in the past, proved an even greater obstacle. The present Bill leaves the solution of this problem to the States, with the sole proviso that Federal funds must be "justly and equitably apportioned." If this is defined as it has been in the past, as meaning a share of Federal funds proportionate to the number of negroes in the population of the State, there will be a revolution in negro education. Mississippi, whose population is 49 per cent coloured, spends at present \$52 a year for each white pupil, \$7 a year for each negro child. The Bill also provides a complex system of allocation, devised to meet objections that with Federal aid some States will relax their own efforts.

The deterioration in the nation's schools since 1939 has long been pressed by the educational lobby. It is reinforced each year by rising enrolments of children and the exodus of teachers to better-paid work. Congress, which is constantly reminded that the American way of life is on trial, may well feel it can no longer postpone a reform which recognises that, although children are educated by the States, they all become American citizens.

* * *

Testing the Labour Injunctions

In a message to the 400,000 soft coal miners who have left the pits, Mr Lewis denied that he had ever ordered them to cease work and told them to make up their own minds whether they should go back. So far not only have they shown no sign of doing so, but they have been joined by the anthracite miners, who are protesting against the way in which Mr Lewis is being "pushed around." Mr Lewis's message may have been a characteristically indirect way of suggesting to the miners that they return to work, but it was more probably an attempt to build up his case against the temporary injunction which was issued on Saturday to restrain the Mineworkers' Union from continuing the strike. Mr Lewis has petitioned for the injunction to be set aside and the Government has replied by summoning him to explain why the Union should not be cited for contempt of court, since the miners remain idle. He has, however, complied, after his usual delay, with the other part of the injunction, which requires him to negotiate with the coal-owners on the pension disagreement which is the cause of the stoppage. The summons is to be heard on Monday, when hearings are also due to open on whether the temporary injunction shall be extended to the full 80 days provided by the Taft-Hartley Act. Meanwhile, as the strike nears the end of its fourth week, and as vital tons of steel are lost daily, Mr Lewis is demonstrating very successfully that the Taft-Hartley Act provides inadequate protection against strikes inimical to the national welfare. As in the past, he may be equally successful in inducing Congress to pass new legislation which is even less acceptable to labour than the old.

If the railway engineers strike at the end of the month, they will presumably provide another opportunity for testing the injunctive process, but few will argue nowadays that the strike of Stock Exchange employees affects the national welfare, even though its violence certainly affected the welfare of a few of the nation's citizens. As long as negotiations continue, the National Labour Relations Board is unlikely in this case to seek an injunction of the kind which it obtained last week against the International Typographers' Union. The exact implications of this injunction are uncertain, but the ITU, in what is apparently a satisfactory attempt to comply with it, has recommended to its striking local branches that they bargain in good faith, negotiate contracts for a definite term and abandon any effort to perpetuate the "closed shop." Negotiations on this basis have been opened in the most famous of the current printing strikes, that against the Chicago newspapers, and seem likely to lead to a speedy settlement in New York, where there has been no strike, although the printers' contract with the newspapers expired at the end of March. A truce has now been called in the strike against the New York commercial printing firms, which was over wages, not over the terms of union security.

Letters to the Editor

"Short of War"

SIR,—I have almost invariably agreed with your leading articles on foreign policy, but I feel that your last was most misleading. Of course, I agree with you that any Munich-like action at this stage would be fatal. I agree that some of the 15 Labour MPs who have suggested an Attlee-Stalin conference have in the past advocated a policy which could in my view be fairly denounced as a policy of appeasement. But that is no reason at all for concluding that any high-level conference with Stalin would be a mistake. On the contrary, the fact that Mr Churchill, among others, has in effect advocated this course of action, should make it clear that a conference with Stalin could be devised in circumstances which would indicate strength and not weakness.

You suggest that the international situation is not really worse than it was eighteen months ago. I should in any event disagree with this view, because I believe the Soviet Union's recent actions to have been even more brutal and antagonistic than ever before. But the real point is that another eighteen months have elapsed, during which the totalitarian powers have been able to proceed with their development of weapons of mass destruction, including the atomic bomb. There is the real danger.

For that reason it seems to me that your leading article is dangerously complacent, and indeed seems to suggest that the freedom-loving powers should wait until the police states themselves develop weapons of mass destruction. If that really were your policy, it would surely be almost as unrealistic as that of those who ask us to be neutral in any struggle between the Soviet Union and the United States of America.

Surely now is the time to confront Stalin personally with the fateful choice which he has to make. I believe that Mr Attlee, Mr Bevin and Mr Churchill, for Britain, Mr Truman, Mr Marshall and Mr Vandenberg for the United States of America, might have a tremendous effect upon Stalin. They could say things in private which could not usefully be said in public at

From *The Economist* of 1848

April 8, 1848.

It is plain that if some new plan be not fallen on to introduce order, government, and something approximating to a common unity of feeling into France, that country must long be the prey of great disorder. Perfectly secure, as she now appears, from all foreign invasion, she is quite free to work out her own progressive improvement in her own way; and it will be alike a great scandal to her civilised people, to her men of letters, her philosophers, and her statesmen, if they do not educe some kind of order from the present confusion. Susceptible as her people are to ridicule, to eloquence, and to music—the enthusiasm excited in them by a speech or a song being far beyond the cold conception of our people—the press must be the great instrument for promoting amongst them that knowledge which alone is the basis of all improvement. . . . Our observation leads us . . . to believe that many of the Paris papers are beginning to take a very reasonable view of the most important questions now at issue, and that they will in no long time . . . effect a quiet but a great reformation in the opinion and conduct of their countrymen.

For example: *The Times* . . . tells us that the *Corsaire* and *Charivari* are courageously throwing raillery on the ridiculous practice of having great public processions to plant trees of liberty, and that the threatening cries of "*à bas les riches*," "*à bas les aristocrates*," are no longer heard. The vigorous opposition of *La Presse* to many of the nostrums of the day is notorious; and if that has gained for *La Presse* a fierce attack by the enemies, it has rallied around that journal all the defenders of the freedom of the press . . . The *Journal des Débats*, rejoined by M. Michel Chevalier, who left it some months ago on account of a difference of political opinion, is devoting a succession of leaders by him to the great question of labour, and will, no doubt, with the help of other journals, convince the people that their safety depends on discarding the nostrums of Louis Blanc. It finds a powerful coadjutor in *Le Bon Sens du Peuple*, which mocks unmercifully at Louis Blanc's denunciation of competition. We scarcely need add that *Le Libre Echange* takes the same side, with all the vigour and biting logic of M. Bastiat. . . . That journal informs us, too, that a club for freedom of industry . . . has been established at Paris, and there the question of the organisation of labour has been patiently discussed.

this stage. If they were to succeed, they would earn the gratitude of our generation. But even if they were to fail, as I agree to be very likely, they would still have performed an invaluable service. Such a mission would do an enormous amount to unite the British and the American peoples behind their Governments. (It is often forgotten that even Mr Chamberlain's ill-fated mission at Munich did succeed in uniting the British Commonwealth and Empire behind his delayed call to resistance against Fascist aggression.)

The more one considers the advisability of such a conference, the more one is convinced that if the principal actors concerned are willing to act together, and prepare in advance a carefully devised line of action, they might perhaps even change the mind of the Polit-Bureau, and would in any event solidify public opinion in their countries. This time such a move could be the reverse of Munich and could be the most effective culmination of the diplomatic offensive which has now been assumed.—Yours faithfully,

RAYMOND BLACKBURN

House of Commons

"Two Million Without a Party"

SIR,—It is now over six weeks since the last of your four admirable articles on this subject appeared, and like, I imagine, many others I have been waiting for somebody to raise the standard and call those who find themselves politically homeless to organise and make their influence felt. But now surely the time has come and to stop saying "Why doesn't somebody do something?" and for those of us who broadly agree with these articles to get together and do it ourselves.

Books and Publications

Historical Portraiture

"Personality in Politics." By Sir Arthur Salter. Faber and Faber. 250 pages. 12s. 6d.

FEW people living today can have come into close personal contact with such a varied group of personalities in so many spheres of the public life as Sir Arthur Salter. This fact combined with the penetrating lucidity and balance of his judgments make these essays an unusual contribution to contemporary biography. The sketches include besides five British Prime Ministers from Lord Balfour to Winston Churchill—all, in fact, except Lord Baldwin—President Roosevelt, Woodrow Wilson, Mussolini, Clemenceau, the Poincaré and Briand, Chiang Kai Shek and members of the Soong dynasty. They are prefaced by an interesting discussion on the place of personality in history and a critical evaluation of the not unimportant element which anecdote can contribute to the historical judgment as "the humblest of the servants of Clio but not the least attractive and, it may be, not the least valuable."

The two essays on Lloyd George and Ramsay MacDonald show an interesting contrast. Both these political leaders rose from obscure conditions to the highest office; but the dynamic imagina-

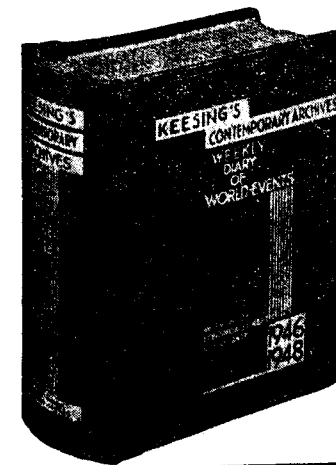
For what your final article, "Third Party or No Party," proposes can certainly be done. I have, in fact, helped to do it. In 1934 the farmers of Dorset and Wiltshire, seeing themselves faced with ruin, organised for political action and told their Members of Parliament that they would vote against them if a particularly objectionable Bill which the Government had introduced was passed. Success was immediate and complete. Although normally an ignored and impotent minority even in the rural constituencies, the farmers could influence enough votes to turn the scale between the parties, and thus as if by magic the minority acquired the powers of a majority.

The reason why "Movements" usually fail is that they do not know how to move. Mass Meetings at the Albert Hall seldom worry a Government, for they threaten no seat. But if those who represented the floating vote of Kensington were to hold a meeting there, it would be a different matter; and if similar meetings were held in two or three hundred constituencies, even the strongest Government would be ready to listen. For the majority of Members are at the mercy of the floating vote; and even more vulnerable than the Member is the candidate. Anybody who has stood for Parliament knows what it costs to say "no" to the offer of even a dozen votes; after all, they might mean the difference between winning and losing.

There is, in fact, no insuperable difficulty to prevent us from organising the great mass of informed and independent opinion which feels at home neither with the Left nor the Right; and until it is done, "something," as you say, "will be badly wrong with British politics." Will those who agree that we must end the waste of what is perhaps our most valuable asset please get in touch with me?—Yours faithfully,

D. ALLHUSEN

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of dictatorship has made the subversion of free government a comparatively easy matter, but the recovery of freedom almost insuperably difficult.

Two of the essays are devoted to persons who could not normally be described as politicians—H. G. Wells and Maynard Keynes. The former is described in a most illuminating study as "the greatest public teacher of our time," which traces in his life the successive alternatives of enthusiasm and disillusion which ended so tragically in *Mind at the end of its Tether*. The study of Keynes, the artist-economist, is also a brilliant appreciation, but the judgment that *The Economic Consequences of the Peace* did more harm than good may come as something of a surprise.

The Last Contribution

"The Age of Peel and Cobden." A History of the English People, 1841-1852. By E. Halévy. Translated from the French by E. I. Watkin. Benn. 25s.

At the time of his death in 1937 M. Halévy had completed more than half of his *Histoire du Peuple Anglais au XIXe Siècle*. This work began with an introductory volume which will remain a classic; two volumes then brought the narrative and analysis down to 1841. M. Halévy had also published an *Epilogue* in two volumes on the years 1895-1915. He had planned three volumes to cover the period between 1841 and 1915, and had written the greater part of the first of them. This unfinished volume has now been revised and arranged for publication by Professor Vaucher, a great friend and former pupil of M. Halévy. Professor Vaucher, with characteristic modesty, keeps himself wholly in the background, but his editorial work is of the highest order. The labour which he has expended is amply repaid in the production of a book well able to stand with the other volumes of this great History. The translation is also very good.

M. Halévy died in the fullness of his intellectual powers and maturity; his last completed chapters show no falling off in scholarship or judgment, and his writing, as always, is quiet, careful, and restrained. He does not often attempt large-scale characterisation; his leading figures take on the colour of their environment and are built up out of it. They are indeed for

this reason fully alive and fully differentiated. Palmerston is seen perhaps a little too much as he appeared to exasperated foreign statesmen, but Peel could not be better described, and somewhat grim justice is done to Lord John Russell.

M. Halévy is at his best in the spheres where politics and economics meet. The years 1841-1852 are especially rich in this conjuncture and give ample scope for M. Halévy's acute and original treatment. There could be no better short summary of Chartism than these two sentences:

"In a country of artisans and peasant proprietors Chartism would probably have succeeded, the Anti-Corn-Law failed. But in consequence of the distinctive social structure of Britain the contrary happened."

Or again, Peel's Budgets:

"According to Disraeli, Peel lacked imagination. True, if you mean the imagination of a man of letters, of Disraeli himself. His Budgets, nevertheless, were in their fashion works of imagination and spoke to the imagination of a nation of economists and business men."

Or the landed aristocracy and the repeal of the Corn Laws:

"In 1832 the nobility had sacrificed much of its political to save its economic privileges. Now it sacrificed the most valuable of the latter to save what the Reform Act had left of the former."

It is impossible to review this last volume of M. Halévy's work without great sadness, not only for the loss of so charming a man and so fine a scholar. The circumstances of our time make it very difficult for the younger scholars of one country to acquire that deep knowledge of their European neighbours which M. Halévy possessed, and yet, without such capacity for mutual understanding, political plans for closer European Union can lead at best only to "watery friendships." It is a matter for congratulation beyond the world of scholarship that M. Vaucher is now in Paris and is encouraging his pupils in those studies which he learned from his own master.

Correction

In the issue of March 13th Dr C. E. M. Joad's book "Decadence" was inaccurately attributed to Messrs. Gollancz as publishers. The publishers should have been given as Messrs Faber and Faber.

THE WORLD OVERSEAS

France Leaves the Doldrums

(From Our Paris Correspondent)

IN so far as economic facts dominate political factors, the prospects of the present Schuman coalition government are reasonably rosy. The double dose of interim aid, followed by the unexpectedly swift passage of ERP, means that American supplies, on which French subsistence today directly and immediately depends, will not be interrupted. A major economic catastrophe, which has been threatening the country for months, is now decisively averted. Within the next few months France will be receiving materials and machinery of which imports had been totally suspended since dollar supplies gave out last summer, and of which stocks were almost exhausted.

Out of the first year of aid the French hope to obtain 20 per cent of Europe's dollar allocations. Three-fifths of this will cover the food and raw materials, taking the form of a free grant. The French authorities hope that the precedent established under the interim aid agreements will again be followed, and that the bulk of the franc-value of the grant will be allocated to the French Government for reconstruction purposes. This means that reconstruction will no longer have to be financed by the inflationary methods which have destroyed the various attempts at monetary stability since the Liberation.

The other two-fifths of American aid will cover the re-equipment and modernisation of French industry and agriculture, presumably in the form of a loan, and it is hoped will help towards the targets, now far in arrears, of the Monnet Five Year Plan.

Two other factors, outside the reach of the Government but essential to its success, have combined to make this year potentially the turning point from poverty to plenty. First, are the good harvest prospects for the world in general and France in particular—a fortunate contrast with 1947. A mild winter and satisfactory spring rainfall have already assured record grass supplies, and hold out promises of a bumper cereal crop. There is thus no encouragement to the peasants to hoard in expectation of scarcity, which occurred this time last year and constituted the first and most fatal blow to Leon Blum's price reducing experiment. So far (although this week, for the first time since Christmas, adults have received their monthly 100 gr. butter ration) the improvement is barely visible in food prices, but at this time of the year it is significant that these are not rising. Butcher shops are bulging with meat, but prices still confine supplies to the upper income groups, where excess is creating new national health problems. There is still an unsolved bread deficit, but the authorities are hoping that external aid may enable the existing ration to hold out until the next harvest.

The other hopeful factor is the revival of French coke and coal imports, lack of which, ever since the war, has strangled industrial production. Whereas the Lorraine industrial basin, by far the most important steel-producing area in France, has hitherto barely produced 60 per cent of its capacity, the decision to double the coke allocation from the Ruhr to France will now not only be able to meet its own serious steel deficiencies, but will also be able to export machinery to Eastern Europe and to contribute its steel export quota, fixed under the 16-nation agreements.

For these three reasons—American aid, good weather and higher fuel imports—the French Government have fought their battle with inflation on relatively favourable terms. The world tendency for prices to drop has influenced the French market, and American aid has enabled the French authorities to provide and importers of approved goods with 50 per cent of their dollars at the controlled rates (210 instead of 310 francs), thereby reducing the effect of devaluation on the home market. By expanding production the Government has also obtained agreement—production the Government has also obtained agreement—even co-operation—with manufacturers to lower some prices, among which certain textiles, leather goods and agricultural machinery are the most important. At the risk of having to re-

impose abolished subsidies, the Government have also made a sacrifice to the cause of reducing prices by cutting the cost of domestic coal by 10 per cent and electricity by 7 per cent.

But so far *le climat de la baisse* (the climate of falling prices) heralded in the columns of the pro-Government newspapers, provides Parisians with a subject rather for irony and doubtful jokes than for real enthusiasm. Housewives returning from market remain vociferously sceptical. Until the new harvest is in, until the bread ration rises, until fresh vegetables and fruit glut the market, until projected imports of agricultural machinery reach French farms, until the double quota of Ruhr coal makes itself felt, the political impact of the present economic recovery will remain barely discernible.

In well-informed official and business quarters there is general agreement that *la conjoncture économique* is more promising than at any time since the Liberation, but their optimism has not yet filtered through to the people either in town or country.

Socialism Abandoned

For the time being, Parliament is on vacation until April 20th, and the discouraging spectacle of the successive diminutions of the Government's majority has been interrupted. But even allowing for the present economic blessings, it is by no means certain that when the deputies return from "sounding" their constituents the coalition will not be subject to new strains.

Trouble may come from either wing: the Socialists or the *rassemblement des gauches* (Radical and near-Radical groups). The Socialists have basically a sound reason for discontent, since the Government's present policy, whatever its merits, is the antithesis of Socialism. It has systematically withdrawn price controls while continuing to peg wages; it has permitted rapid, in some cases spectacular, increases in industrial profits; it has given up any attempt to ration the large majority of basic foods; it has failed to alter the system of tax collection so that salary earners still pay the lion's share. Like his predecessor under Louis Philippe, M. René Mayer has said "*Enrichissez-vous*," while the Socialist party's clientèle is composed precisely of people unable to do so. The Socialists are also critical of a 40 per cent budgetary expenditure on armaments and particularly of the costly Viet Nam war. Any disturbances elsewhere in the French Union, notably in inflammable North Africa, would also almost certainly bring Socialist autonomous conceptions into conflict with the belief in authoritarian handling of the natives which distinguishes imperial thinking on the right.

At the same time, any concessions to Socialist views, or any delay in liberalising and decontrolling French economy, would bring the Government's doubtful supporters from the Right into Opposition, where they would meet the Gaullists, now more than ever intent on bringing the General back into office, so that he can profit from the promising economic outlook. Their impatience may incline General de Gaulle to compromise on the constitutional and parliamentary issues, so as to permit a coalition with the centre, advocated publicly by the Gaullist ex-Minister of Finance, M. René Pleven, just before the Easter parliamentary recess.

How long the Government will survive, and who will replace it, will largely depend on international factors and particularly on the result of the Italian elections. For the time being, the French Communists are playing for low stakes, contenting themselves with inciting local strikes and demonstrations, whose cumulative effects may retard recovery, but which barely influence the political equilibrium. A kick from the Kremlin, or encouragement from Italy might alter their tactics. Certainly any signs of a more vigorous Communist offensive at home or on the French frontier would provoke a Gaullist reaction and support for a strong government to handle real or imagined insurrection. Alternatively,

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if the present calm continues and if the Italian results suggest no immediate menace to France, the Socialists may begin to wonder why they are rowing a Conservative boat. Fear of the alternatives, rather than political affinities, have induced them to support Schuman and Mayer, and their loyalties will almost certainly subside with their fears.

Nevertheless, it would be a mistake to underestimate the tenacity and tactical talents of the present leaders. Even if M. Schuman has never commanded any personal popularity, he has handled successive crises with a flexible opportunism which has saved many apparently hopeless situations. His Government is indeed a political anomaly created in a panic, with no positive programme and no common object, yet his whole team has a strong incentive to stay in office in the now reasonable expectation of better times to come.

Denmark's Foreign Policy

[FROM OUR COPENHAGEN CORRESPONDENT]

IN the hundred years that Denmark has been a democratic country, the *Riksdag* has never had a debate on foreign policy. It was a subject which only concerned the Minister of Foreign Affairs and his carefully selected and most exclusive staff. During the Second World War, however, the then Foreign Minister, Mr Erik Scavenius, found out, much to his bewilderment, that the people had taken foreign policy into their own hands. But once the interregnum of the resistance movement had ended, there was a tendency again to withdraw the delicate subject of foreign affairs from the public eye.

Up to the beginning of this year, the *Riksdag* and most of the press seemed to have been hypnotised into silence by the Soviet shadow. Public declarations cautiously reflected the differences between east and west, and abstruse compliments were paid to both sides. At the same time they stressed that Denmark would stay neutral and never, never, join any bloc.

The conception of Western Union and events in Czechoslovakia and Finland caused a great change in public opinion. The press began calling a spade a spade, and, on public demand, permission was graciously given for the Lower House to hold its first debate on foreign affairs for a hundred years. In a sense the debate was disappointing, for it developed merely into an internal fight between the Communists and the other parties. This fight, however, revealed a bitterness which left no doubt that the overwhelming majority favoured the West. Social Democrats openly called the Communists a fifth column which was ready, they said, to enslave the Danes as their comrades had done in Czechoslovakia. (But this would not be easy: the Danish Communists hold only 9 seats, or 6 per cent of the Lower House, as against the 38 per cent held by the Czechoslovak Communists.) Moreover, the Prime Minister, Mr Hans Hedtoft, publicly encouraged Danish workers to isolate Communist leaders everywhere on the grounds that Communist policy was dictated by a foreign Power.

Co-operation with the West

Two main themes emerged during the foreign policy debate—co-operation with the Scandinavian countries, linked with the Marshall countries, and Danish defence policy. There is no doubt that before the last war, Danish foreign policy was a function of its "great neighbour in the South." Quite logically it might be expected that today it would be a function of its "great neighbour in the East." But the Foreign Minister, Mr Gustav Rasmussen, commenting on the latest developments in Eastern Europe, said: "We Danes are against any form of compulsion or unification in thought, speech, creed, or living conditions. We cannot imagine a bearable existence without freedom of speech and democratic institutions as developed in this country during the last century." The former Prime Minister, Mr Knud Kristensen, declared that Denmark must co-operate closely with Scandinavia and all democratic countries, "so that they are not overrun, one after another." The Conservative spokesman, the former Minister of Defence, Mr Ole Bjørn Kraft, also spoke for full co-operation with the Western democracies.

Co-operation between the Northern countries has long been close and intimate on all economic questions. The Prime Ministers and the Foreign Secretaries of Norway, Sweden, Iceland and Denmark meet frequently. At the last Marshall conference in Paris, for example, the Danish Foreign Minister spoke for all three Scandinavian countries in the opening debate. From the very first Denmark has been the most eager of the three countries to take the risks—and the benefits—of the Marshall Plan. Now

there seems to be no difference between them. There is good progress also in building up a Northern Customs Union, but the idea of a Nordic defence union is still barred by Russia's hostile attitude. The idea of a Northern Customs Union is very much related to the Benelux system and to the whole suggestion of closer economic co-operation in Europe. As one of the foreign correspondents in Denmark remarked, using the familiar terms from the cable companies: "Western Union via Great Northern."

There is still a long way to go from Marshall Plan to Western Union. Mr Bevin seems not even to have indicated that his suggestion for a Western bloc included the Northern countries and the invitation may never come. Danes have not forgotten that both Sir Edward Grey, before the First World War, and Mr Winston Churchill, after the outbreak of the Second World War, said that Denmark was "written off." Geographically its situation was such that Great Britain could not come to its help. The strategic position may still be the same, so that a Western Union may not want to include a Denmark it cannot afford to protect.

Demand for Stronger Defences

During the debate in the *Folketing* the Foreign Minister stressed the importance of Danish defence. He did not believe that any country wanted war. On the other hand, he would not guarantee that there would be no war, and it might start in quite unexpected places. It was necessary, he said, to strengthen their defences, and, should Denmark be attacked, it would defend its independence with all its might.

These words—which are more positive than have ever been heard in the Danish Parliament—were not contradicted from any side during the debate. Having mishandled the reconstruction of Danish defences ever since the end of the war—and spent 800 million kroner (£40 million) during the last two years—the Minister of Defence has now ordered the service chiefs to produce a combined defence plan amounting to 242 million kroner a year. This is a big increase compared with the years before the war (62 million kroner)—it may even be too much, as Denmark does not now possess sufficient hard currency to buy the necessary arms. The money ought probably to be spent on a sliding scale, or the Government should call in, not the military leaders, but a small group of industrial leaders who, advised by the technical experts, could plan a rearming programme in a minimum of time and also see to it that it could be carried out by the country's own industry. That was the way Sweden rearmed during the war, with amazing results. Strategy, too, appears to be out of date. In proposing an army of up to 400,000 men, insufficient attention has been paid to the Air Force. Denmark's outstanding aviator, Colonel Birksted, who served with great honour in the Norwegian Air Force in England during the war, has proposed that Denmark should concentrate on building up a transferable defensive air force which could join those allied forces which in other countries would be fighting for freedom.

Without such an alliance Denmark would fight in vain.

South African Politics

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE first postwar General Election in South Africa is expected to be held towards the end of May. Even the Opposition expects the Government to win, and General Smuts' United Party hopes for a substantial majority. Apart from the divided Labour Party and the almost extinct Dominion Party, the Opposition groups consist of the Nationalist Party, the Afrikaner Party, the New Order and the *Ossewa Brandwag*. The last two will not put up candidates because they do not believe in Parliament.

The Nationalists, led by Dr D. F. Malan, have rediscovered the virtues of democracy since Germany's defeat, and they will not make the establishment of a republic an issue at this election. The chief plank in their platform is native policy. The majority stand for *apartheid*—the natives to be kept in reserves without citizenship rights when not working on farms or in towns, and the abolition of natives' representation in Parliament. But the Nationalists are themselves in doubt about the practicability of this and have appointed a commission to work out its implications. The Afrikaner Party, under Mr N. C. Havenga, broke away from the Nationalists in 1940 and was believed to be more liberal than the Nationalists until it suddenly became friendly towards the *Ossewa Brandwag*, an anti-democratic organisation. However, Malan and Havenga have made an election pact, as a result of which the Nationalists will probably get the support of

members of the *Ossewa Brandwag*. Mr Oswald Pirow's "New Order" stands for National Socialism on the German model.

Though the Afrikaner Opposition is thus divided, all groups are linked by the *Broederbond*, a society whose members hold key posts in all walks of life, including the public service. The aim of the *Broederbond* is the establishment of a republic in which the English-speaking section of the whites (40 per cent of the total European population) would play second fiddle. Both Dr Malan and Dr J. F. J. van Rensburg, the leader of the *Ossewa Brandwag*, are members of the *Broederbond*.

Weak Labour Party

The Labour Party is so volatile and unstable that even though an election agreement has now been reached with the United Party, heartsearching is likely to continue. The agreement's "sole purpose is to ensure that the Nationalists and their allies will not be in a position to win seats on a minority vote through three-cornered contests." Even if Labour had split the vote, the United Party did not expect the Nationalists to win more than 16 additional seats, giving them a total of 64, and the United Party between 80 and 85 compared with its present 90. The United Party would thus still have had a good majority in a House of 153 members, of whom three are natives' representatives who usually vote with the United Party. Presumably the United Party now calculates that the anti-Nationalist majority will be still larger but that Labour will have a small quota without having to fight too hard. The Labour Party is to fight six seats in the Transvaal and two in Natal, under the agreement; and will get one Cape and one Transvaal Senator.

The Dominion Party is an extreme royalist group which disapproves of the Statute of Westminster. At the same time its native policy is indistinguishable from that of the Nationalists. Its influence is negligible.

The country is experiencing a wave of prosperity from which the Government automatically benefits. South Africans like the idea of so much overseas capital flowing into their country and doubt if it would continue to the same extent under a Nationalist Government. The Opposition played its "black peril" card too soon and familiarity has bred contempt.

The United Party claims to stand for co-operation between the two white sections, retention of South Africa within the Commonwealth, and raising the status of the natives. The last is to be accomplished by gradually extending political rights to non-Europeans who "become capable of carrying out corresponding duties," but with, as a background, awareness that "democratic government is a 'white man's' invention" for which other races have to prove their fitness. The Nationalists' *apartheid* policy is regarded by the United Party as both impracticable and retrogressive.

The Labour Party has no clear-cut policy: it wavers between maintenance of "civilised standards" by retention of the rigid colour bar in industry, and vague uplift of the natives—this to be achieved, however, without any reduction of the gap between "skilled" (i.e., white) and "unskilled" (i.e., black) wages, the proportion being about eight to one.

The Budget has been postponed; so have many important measures, including a Bill for the official recognition of native trade unions under numerous safeguards. General Smuts has recently drawn gloomy attention to the international situation in a manner suggesting he may yet base the election on it. But internally, what the country most of all needs is a coherent native policy which will recognise that the 1936 legislation is now out of date. No party has yet produced such a policy, as strong supporters of the Smuts Government never tire of pointing out.

Chaos in China

[FROM A CORRESPONDENT]

INFLATION, corruption, speculation, a sapping horde of middlemen—that is the economic picture of China as seen through the eyes of the United Kingdom Trade Mission. Headed by Sir Leslie Boyce, the mission covered some 8,000 miles of Chinese territory and interviewed well over a hundred Chinese officials and business men, including Chiang Kai-Shek and his cabinet at Nanking, during their three months visit from October to December, 1946. Although one year out of date, their report,* published recently, reveals a state of economic chaos which still

* H.M.S.O., 5s.

persists and which makes nonsense of any light-hearted hopes of a speedy recovery.

The principal cause of the chaos is civil war. "China's first economic need is peace," say the mission, and in each of the detailed reports on trade, transport, shipping, agriculture, industrial development, mining, banking and communications, their contention is borne out again and again. The Nanking Government calculated that 80 per cent of their expenditure was directly connected with the war while the catastrophic fall in export production caused by the war has brought galloping inflation in its train. The value of the Chinese dollar fell from CN\$80 to £1 during the war to CN\$48,000 to £1 in February, 1947, and has now reached the astronomical level of CN\$585,000 to £1. The desperate shortage of foreign exchange has speeded up the decline in production, for, without foreign exchange, the Chinese cannot buy the machinery and equipment necessary to increase their output.

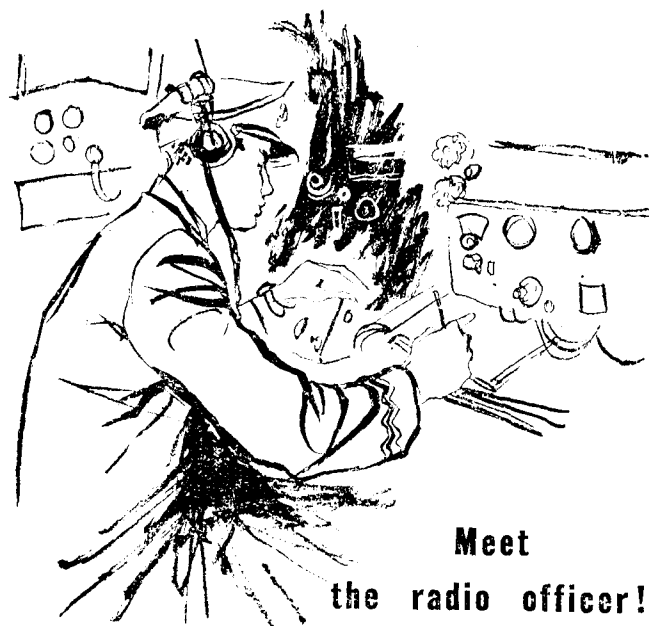
Inflation has also brought into being a vast crowd of speculators who, gambling on the rate at which the Chinese dollar will fall, quote prices for goods based on the future value of money and hence themselves help to send prices higher. Goods change hands several times a day, wasting energy that might have been better employed in production. The profits made by speculation are so high and the risks of genuine trade so great that few are willing to undertake regular business with the interior which is so badly needed. An instance quoted is of a motor car, sold originally at a fair profit for US\$4,000, which was sold for the third time within a week of the original deal for US\$16,000. Unrra, in an attempt to ensure that their supplies would escape the hands of speculators, issued special ration cards to those in real need. The cards were promptly sold to middlemen, and in a short time one individual obtained a thousand cards. He made a corner in the Unrra goods and shipped them back to Shanghai where he sold them for a handsome profit in the open market. Like all other prices, the cost of rice, the staple food of the Chinese, rose from CN\$10.5 per hectolitre in 1937 to CN\$24,000 in Chungking and CN\$122,000 in Tsingtao by December, 1946.

End of Cheap Labour

The rise in real wages, brought about by terrorism and strikes, is the only improvement noted in Chinese standards, but this in itself has militated against China's trade recovery. The cost of living was, in December, 1946, 6,470 times the 1936 level, but during the same period unskilled wages had multiplied by 14,270 times. Real wages have thus been doubled, and in Shanghai, at least, the coolie is much better off. But the result has been to make normal industrial costs prohibitive. Coal, for example, is £65 per ton. Moreover, it seems unlikely that China will ever again be a country of very cheap labour.

Of all the spheres of economic activity which the British Trade Mission investigated, transport had suffered most. The enormous distances between the interior and the coast make good and cheap transport a vital factor in China's trade. There is a large network of rivers and canals which in prewar days made the movement of goods comparatively inexpensive. Now, partly because of the war and partly because of Chinese nationalism, which has prevented foreigners—chiefly the British—from operating, the inland shipping situation has become so bad that goods are more than doubled in cost because of the freight charges. It costs more, in fact, to move a car across the river at Shanghai than to ship that same car across the Pacific from America. The actual quantity of inland shipping fell from a prewar total of 1,300,000 tons to 60,000 tons by the end of the war. By recovering shipping from the Japanese and by making additional purchases, the total had, by November, 1946, been made up to 660,000 tons, but this is still quite inadequate for China's needs. Railways and roads are also in a poor state, made worse by the roving bands of Communists which prevent repairs and interrupt traffic.

Under such conditions it is not surprising to find that China had, in 1946, an import surplus of £118,400,000—the largest in its history. Exports amounted to £37,900,000 against £156,300,000 for imports. But in spite of the chaotic condition of Chinese trade, the British Mission were not wholly despondent. They were impressed by the indigenous wealth of China, by the industry of the people and by the extent and diversity of their agriculture. Although they conclude that existing conditions are decidedly unfavourable for British trade, they point out that boundless opportunities would arise if the civil war could be brought to an end—opportunities so great that there would be no question of competition between Britain and the United States.



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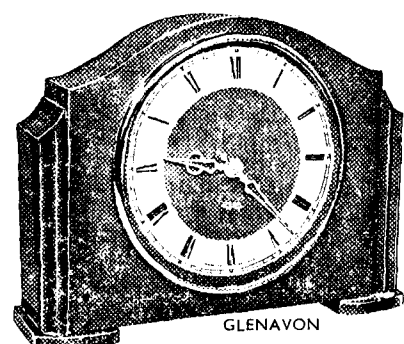
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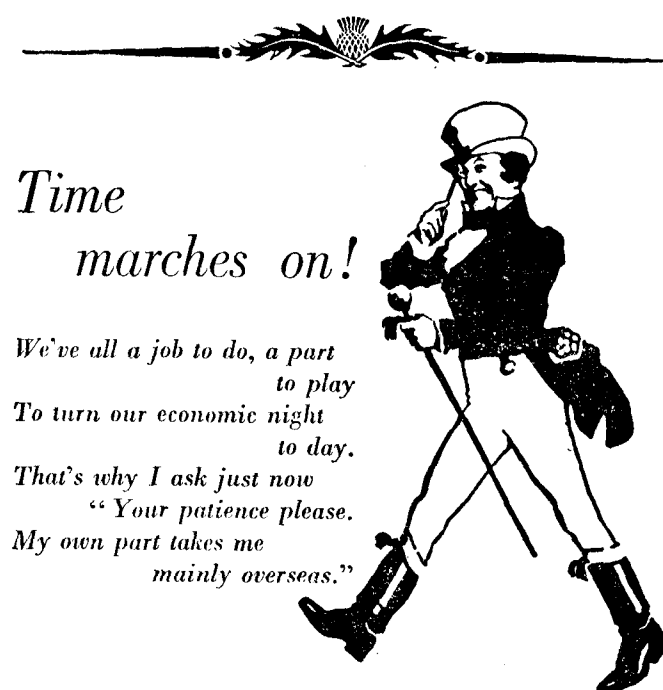
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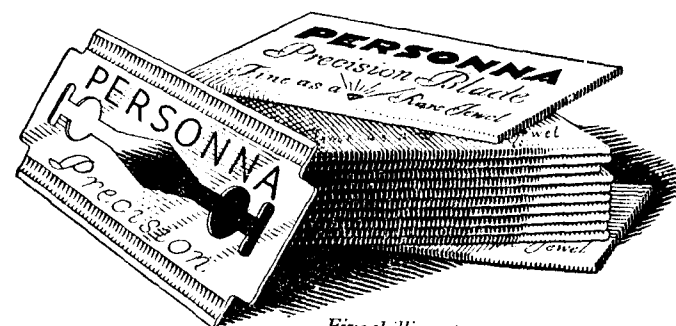
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THE BUSINESS WORLD

The Budget Analysed

SIR STAFFORD CRIPPS'S first budget has set a new standard and a new pattern in the history of British budgeting. In the past seven years each of his three predecessors had done something to expound the modern principle, never conceded by Chancellors before the war, that the budget, instead of being merely a means of enabling the Exchequer to finance its own outgoings, should be carefully tailored to fit the needs of the national economy as a whole. Mr Dalton paid lip service to this principle last year but flagrantly ignored it in practice. Sir Stafford, by contrast, this week set forth the principle more clearly and forthrightly than ever before, and then shaped his budget accordingly. The manner in which he has done so, by fitting this budget into the wider structure of the national economy, is described and discussed in other articles in this issue. This article is concerned rather with the structure of the budget itself.

In the sphere of budget accounting, as in the wider sphere of policy, Sir Stafford has made an honest attempt to meet almost every one of the criticisms which the economists and financial experts have levelled against budget technique in the past. Mr Dalton twelve months ago, after virtuously declaiming that 1947-48 was "a good year for a good surplus" at once made a mockery of this sound principle by budgeting for a surplus which was spurious even by the conventions of Treasury accounting in the past. Sir Stafford scorns all such pretences. The new Financial Statement indeed takes the first step towards reform of the outmoded Exchequer Return. It shows that if the "line" between revenue and capital items had been fairly drawn last year, the nominal budget surplus of £636 million would have been converted into a "revenue" surplus of £338 million, while capital items accounted below-the-line would have required a net expenditure of £352 million—a revised basis of accounting which reveals that, on the Exchequer transactions as a whole, there was last year a deficit of £14 million instead of the vast nominal surplus which has given Mr Dalton so much satisfaction.

The new budget has been cast on the same realistic basis of accounting as this novel analysis implies. The Chancellor estimated that, if inflation was to be avoided, the accounts of the Central Government as a whole would need to show a true surplus of at least £300 million instead of the small deficit which, on a true reckoning, they showed in 1947-48). That was in fact approximately the surplus which seemed in sight on the existing basis of taxation. After reducing the fixed debt charge from £525 million to £500 million, Sir Stafford was confronted by prospective ordinary expenditure totalling, on the conventional basis of accounting, a little under £3,000 million. His estimate of ordinary revenue, on the same basis, was £3,754 million, promising an "ordinary" surplus of £778 million. This was a much larger sum than unofficial estimators had envisaged, for most of them had made insufficient allowance for the effects (which Mr Dalton always strenuously denied but Sir Stafford now frankly admits) of past inflation upon the levels of personal incomes. In consequence of this inflation of last year's incomes, the yield of income-tax this year was put as much as £205 million higher than in 1947-48—despite the loss of tax through the operation, for the first full year, of the

reliefs granted last April and of the increases in profits tax. The influence of inflation is, indeed, apparent right through the structure of revenue. After allowing for the effect of tax changes made in earlier budgets, the only items from which any significantly smaller yield had to be expected in 1948-49 were those fed by abnormal receipts arising from the war—Miscellaneous receipts (which will decline by £174½ million), sales of Surplus War Stores (a decline of £95 million) and receipts from Trading Services (a decline of £44½ million).

More than half of the unexpectedly large "ordinary" surplus was, however, absorbed by expenditure which, on the customary accounting basis, is charged below-the-line. Such expenditure is this year expected to amount to £473 million, compared with £711 million gross or £692 million net in 1947-48, as the following table shows:

BELOW-LINE EXPENDITURE

	1947/48 (Actual net)	1948/49 (Estimated)
	£m	£m
War Damage Payments	280	140
Postwar Credits	56	20
EPT Refunds	28	20
Advances for New Capital Development ...	103*	59
Local Loans Fund	225	234
	692	473

* Principally for coal, housing, cotton, and overseas development.

Allowing for these outgoings, and after making certain other adjustments, the conventional surplus of £778 million above-the-line was reduced to £319 million for Exchequer receipts and payments as a whole. On the new alternative basis of classification set out in the Financial Statement, whereby capital items are more strictly segregated from revenue items, the prospective "revenue" surplus would be £598 million, compared with £338 million in 1947-48.

Despite the prospective buoyancy of the revenue, therefore, the surplus which confronted the Chancellor was only just sufficient to comply with his formula for non-inflationary finance. The scope for giving tax reliefs to reduce the disincentive effects of the current high level of taxation was therefore strictly circumscribed, for the cost of any concessions in one direction had to be made good by additional imposts in another. But within the narrow limits which anti-inflationary budgeting dictated, the Chancellor has exploited the opportunities to the full.

His first concern has rightly been to ease the pressure of PAYE upon incentive and effort, and he has done so by the only practicable means—suggested, indeed, in these columns last week—of raising the income limit at which tax first becomes payable at the full standard rate. The first £50 of income will still bear tax at the minimum rate of 3s. in the £; but the 6s. rate, which in the past applied to only the next £75 of income will in future apply to the next £200—a change which, in conjunction with other concessions, will have the effect of putting most wage earners outside the range of the full standard rate. This concession will cost the Chancellor £44 million in the current year, and £50 million in a full year. It is coupled, at a cost of a further £40 million (£46½ million in the full year),

by a raising of the earned income relief from one-sixth to one-fifth, thus restoring the prewar proportion. In giving this second "incentive" relief, the Chancellor has shown real statesmanship, for he frankly admitted the need to offer some succour to administrative, professional and scientific workers, and has unexpectedly raised the maximum allowance of earned income relief from £250 to £400, or £100 above the prewar limit. Thirdly, as a more specific inducement to married women to respond to the appeal to them to re-enter industry, the employed wife, as well as her husband, will in future receive the benefit of the reduced rates of taxation which operate for the first £250 of taxable income.

These three important sources of relief will cost a little under £85 million this year, or £103½ million in a full year. To finance them, the Chancellor looked first to those sturdy pillars of postwar budgeting, beer and tobacco. The beer duty is raised by 8½d. per barrel for each degree of strength, equivalent to an increase of 1d. per pint on beer of average strength. This is estimated to produce £30½ million this year. In view of the swinging increase in the tobacco duty twelve months ago, the additional demands upon the smoker are designed, as the Chancellor said, merely to bring home to him again the need to reduce his consumption. The increase in the duty on leaf tobacco is therefore the relatively modest one of 3s. 4d. a pound, equivalent to 2d. on the price of a packet of 20 cigarettes of standard size; but it should produce the not inconsiderable sum of £19½ million this year. Of this additional revenue, £2 million will accrue from a special excise duty levied on stocks held by manufacturers on Budget day. The principle of this charge is undoubtedly sound, for it is not right that manufacturers should make an adventitious profit out of the needs of the Exchequer and the misfortunes of the smoker. It ought to be emphasised, however, that if manufacturers are to be denied a profit when the duty is increased, they should equally be protected against loss when, eventually, the duties are reduced—after allowing for their existing cushion of past profit.

Increases in the duties on potable spirits and wines follow naturally from the additional burden upon the beer drinker. The duty on spirits is raised by £1 per proof gallon (equivalent to an additional 2s. 4d. on a standard bottle of whisky) while the duty on heavy wines is raised by the equivalent of 1s. per bottle and that on light wines by 6d. The increase on heavy wines, however, applies only to those of foreign origin, since it was agreed at Geneva recently that heavy wines of Empire origin were entitled to a wider margin of preference; after allowing for this concession, they will bear the same duty

as before. This is no doubt a reasonable and necessary concession, but it may have the odd effect of increasing British expenditure in the now extremely "hard" South African currency. The increased duties on spirits and wines will produce £10½ million this year and a little more than that in a full year.

Mr Dalton's experiment in taxation of football and similar pools having proved even more productive than was envisaged twelve months ago, Sir Stafford found here an "easy and profitable" source of additional revenue. The duty is accordingly doubled, at 20 per cent, to yield £5½ million this year. In addition, an entirely new duty is to be imposed, indirectly, on cash betting on dog racing courses—betting which has, of course, escaped the taxation imposed on tote betting. This is to be achieved by a new and graduated licence duty imposed upon bookmakers operating ring betting, the duty to be collected by the occupier of the racecourse at each meeting. This new tax is expected to produce £3,000,000 this year and £5,000,000 next.

These four measures of additional taxation—on beer, spirits and wines, tobacco and betting—which spread the burden where it can be borne with minimum hardship and without undesirable repercussions, together provide all but £17 million of the sum needed this year to finance the reliefs in income tax. The difference could readily have been provided by the increases which have been effected in purchase tax, for these should yield £26 million in a full year or, say, £21-22 million this year, thus leaving a margin of about £4 million which would have neatly financed the aesthetically desirable, but scarcely necessary, relief given to "live" entertainment (at a cost of £3,750,000 this year).

But the increases in purchase tax were not designed for this objective. They are part of the promised comprehensive plan for rationalisation of the purchase tax, which had been made even more chaotic by the measures that Mr Dalton had to devise so hastily last autumn. The 125 per cent category has been withdrawn (on the ground that so high a rate was simply provoking evasion) and so have the 50 and 75 per cent categories, leaving only four categories—exempt, 33½ per cent, 66½ per cent and 100 per cent. As part of this plan, certain items are shifted from the 50 per cent to the 66½ per cent category—notably non-utility cloth and non-utility furniture; clocks, watches and radio sets; photographic gear; smokers' requisites, and musical instruments (except church organs). But these increases serve another purpose besides simplification. They tend to mask the effects of the concessions which Sir Stafford has felt obliged to make—giving thereby just one sign

	REVENUE (£'000's)		Estimates for 1948-49	
	Budget Estimate 1947-48	Actual Receipts 1947-48	On Basis of Existing Taxation	After Proposed Tax Change
Income Tax	1,086,000	1,189,728	1,395,000	1,309,150
Sin. Tax	80,000	91,220	90,000	90,000
Death Duties	155,000	172,029	160,000	160,000
Stamps	57,000	56,280	55,000	55,000
Profits Tax	206,000	36,120	250,000	250,000
Excess Profits Tax	1,000	252,568	1,000	1,000
Other Inland Revenue	...	715	...	50,000
Special Contribution	...	...	...	...
	1,585,000	1,798,660	1,951,000	1,915,150
Customs	742,450	791,101	798,000	820,600
Excise	688,540	629,700	704,000	726,550
	1,411,000	1,420,801	1,500,000	1,547,150
Motor Duties	50,000	49,108	50,000	50,000
Total Tax Revenue	5,046,000	5,268,569	5,501,000	5,512,300
Sales of Surplus War Stores	95,000	197,231	102,000	102,000
Receipts for Trading Services	55,000	101,281	57,000	57,000
Wireless Licences	11,000	11,200	11,000	11,000
Crown Lands	1,000	950	1,000	1,000
Receipts from Sundry Loans	21,000	23,044	14,000	14,000
Miscellaneous	270,000	242,604	68,000	68,000
Total Ordinary Revenue	5,499,000	5,844,859	5,754,000	5,765,300

	EXPENDITURE (£'000's)		
	Final Estimate* 1947-48	Exchequer Issues 1947-48	Budget Estimate 1948-49
Interest and Management of National Debt...	525,000	502,626	500,000
Payments to N. Ireland Exchequer	23,000	24,314	26,000
Other Consolidated Fund Services	8,000	7,291	8,000
	556,000	534,231	534,000
Supply Services:—			
Defence Votes	921,655	853,850	692,632
Civil Votes (excluding M. of S., Defence)	1,935,091	1,769,060	1,708,613
Revenue Dept. and P.O. (Revenue Deficit)	31,232	29,963	40,434
Total Supply	2,887,978	2,652,873	2,441,679
Total Ordinary Expenditure	3,443,978	3,187,104	2,975,679
Sinking Funds	...	22,374	...
Self-Balancing Revenue and Expenditure:—			
Post Office	144,230	143,300	150,200
E.P.T. Refunds (part deducted for tax)	49,000	23,183	16,000

* After Budget of November, 1947.

* Including Supplementary and Excess Votes.

of a weakening in the sound austerity of his policy—to the noisy pleadings for tax abatement which he himself had aroused by launching the drive for voluntary restraints against inflation. He declared himself to be "most anxious to make some contribution to a lowering of prices" by reducing purchase tax on the goods which most concern the "hard-pressed housewife," and therefore moved a miscellaneous range of articles from the 50 to the 33½ per cent category. The reductions include gloves and haberdashery, carpets, washing and sewing-machines, cutlery, stationery, tooth brushes and paste, razors and blades, lighting fittings, and most domestic hardware and kitchenware. The list of concessions presents some odd anomalies and certainly does not suggest any coherent underlying principle; but it will cost £50 million in a full year and, according to Sir Stafford, may involve roughly a 10 per cent price reduction in the £500 million worth of goods over which it is spread.

These paradoxical concessions, which will increase public spending power and can hardly be regarded as necessary for the purpose of buttressing the drive for voluntary deflation (which is in any case of much lower priority than the need for direct action against inflation), perhaps help to explain the one remaining main feature of this complex Budget—the special levy on investment income where it exceeds £250 in 1947-48 of a total income of at least £2,000. The levy is 2s. on the first slice of investment income (£250 to £500); 4s. on the next slice (£500 to £1,000); 6s. on £1,000 to £2,000; 8s. on £2,000 to £5,000; and 10s. over £5,000. The unpleasant implications

of this measure are discussed in a separate Note, on page 598. This article is concerned only with its strictly budgetary effects. Without this source of additional revenue, the Chancellor, after making the purchase tax concessions, would have found his prospective surplus whittled down by nearly £39 million, to well under the minimum objective of £300 million. But the levy is expected to provide a total of £105 million eventually, and £50 million this year. On balance, therefore, the tax changes actually raise the original surplus from £778 million to £789 million on the conventional reckoning, or from £319 million to £330 million on a true reckoning, including all Governmental outlays, thereby achieving Sir Stafford's anti-inflationary target. Here, then, is an apparent financial justification for seeking additional revenue in a direction which otherwise seems to serve only a narrow political end. But it is not a real justification, for the £40 million or so of purchase tax concessions to be financed this year will clearly generate additional inflationary pressure, while the £50 million which comes from the special levy will impose no equivalent counter-inflationary pressure, for these funds will be produced mainly or wholly by drafts upon the inadequate stream of private savings. It is a pity that so courageous and realistic a budget should be marred by this unworthy reversion to the very techniques of spurious accounting which Sir Stafford himself has so successfully unmasked. But perhaps even the most eloquent and objective Chancellor must make some gesture to those of his colleagues who are less objective.

The National Income

THE annual White Paper on the National Income*, with its profusion of statistics and estimates of what the nation earns and how it spends, is never easy statistical going. If the figures were mere figures, there would be every excuse for the informed layman to leave this document to the specialists. But the White Paper is nowadays far more than a mere record of facts and guesses. Complex it most certainly is—in some respects unnecessarily so—but simple it can never be. Its complexities arise mainly because the White Paper also presents a relatively new technique of economic thinking. And its importance, even for the layman, arises because that technique is rapidly becoming the determining factor in the terms of reference of the Government's broader economic policy—on capital programmes, import cuts, and this week, at the very pinnacle of policy, in the Budget itself.

No one can assess the full significance—and the full merit—of Sir Stafford Cripps's first Budget without at least some general idea of the main categories of the structure of the National Income in the back of his mind. It is essential, therefore, that a wider public should, in the course of time, be able to understand the broad drift of the White Paper, despite its technical complexities. The main purpose of this article is to expound what is in the document, and its secondary purpose, left to the end, to comment on some of its technical difficulties and weaknesses.

The first table in the White Paper, reproduced in the next column, is fundamental. Its concepts are relatively simple. It shows the money value of what the community produced (Gross National Product), what it earned after providing for the maintenance of its capital assets (National Income) and the total resources which it could use at home—that is, its output plus the proceeds of borrowing from abroad or selling assets to

foreigners. The other side of the account shows the use to which these resources were put—the shares which the three claimants, personal consumption, Government spending, and capital investment, respectively absorbed.

GROSS NATIONAL PRODUCT AND BORROWING FROM ABROAD (£ Mn.)

	1938	1946	1947		1938	1946	1947
National income of the United Kingdom....	4,707	8,100	8,770	National cost of:			
Provision for depreciation and maintenance	450	725	775	Personal consumption	3,713	5,573	6,161
Gross national product	5,157	8,825	9,545	Government	767	2,411	2,115
Borrowing from abroad and sale of assets to foreigners	70	380	675	Gross capital formation at home	747	1,221	1,944
Total resources available for use at home	5,227	9,205	10,220	Total resources used at home	5,227	9,205	10,220

Last year, total resources available for use at home increased by over £1,000 million to £10,220 million, an apparent increase of 11 per cent. But over 6½ per cent of these resources were provided, not from output at home, but from borrowing abroad to the extent of £675 million. The money value of national output increased by a little over 8 per cent to £9,545 million, but this does not imply a corresponding increase in the volume of real output. The White Paper does not attempt to estimate how far national output increased last year in real terms, but it does disclose that the average cost of that part of national output which entered into personal consumption—which is by far the largest of the three shares—rose last year by 7 per cent, and the average prices of the physical output used for capital investment may have increased still more steeply. It would be surprising if the real national output last year, as distinct from its money value, increased by more than one per cent, though that indeed represents a considerable improvement on what seemed possible twelve months ago.

* National Income and Expenditure of the United Kingdom, 1947. Cmd. 7371. 1s.

In 1938, personal income absorbed 72 per cent of national output, Government spending 15 per cent and capital investment 14 per cent; there was thus overspending to the extent of one per cent, which was made up by a draft on overseas assets. Last year, personal consumption absorbed 65 per cent of total output (against 63 per cent in 1946), Government spending 22 per cent (against 27 per cent), and total capital investment 20 per cent (against 14 per cent). Very roughly, this is the kind of distribution which had been suggested in the Economic Survey for 1947, and it had to be supplemented to the extent of 7 per cent by overseas borrowing. That is the extent to which Britain exceeded its income last year. It is the simple demonstration of what happens when too much is attempted too quickly—and when overseas countries are prepared to come to the rescue. It also exposes what must happen if Britain cannot obtain assistance on the same scale this year—the prospect with Marshall Aid. The three claimants cannot be satisfied, this year, by the same shares that they received last year. If the volume of capital investment is to be maintained, personal and Government consumption must fall. But if nothing is done to reduce the money demand of the public and the Government for real resources, their prices will rise, and the volume of investment work carried out must therefore be reduced. Those are the simple logistics of inflation. That they should have conditioned the shape of the Chancellor's Budget so directly is a great step forward in the campaign against its evils.

If the first table is fundamental, there are others which are scarcely less interesting. Much has been made in recent months of the respective shares of the various factors of production in the national income. The figures are given below, before and after direct taxation:—

TOTAL PRIVATE INCOME BEFORE AND AFTER TAX (£ Mn.)					
	1938	1941	1945	1946	1947
<i>Income from work and property:—</i>					
Wages	1,735	2,840	2,780	3,095	3,530
Salaries	1,110	1,465	1,530	1,630	1,729
Pay and allowances of the Armed Forces	78	1,175	1,221	512	535
Rents	380	385	394	398	400
Profits and interest*	1,570	2,787	2,851	2,942	3,242
Total private income	4,873	8,652	8,776	8,577	9,227
Social security benefits, &c.	270	344	490	878	684
Total private income before tax	5,143	8,996	9,266	9,455	9,911
less Direct taxes	531	2,175	2,119	1,739	1,725
Private income after tax	4,612	6,821	7,147	7,716	8,186
less Undistributed profits	170	210	230	260	320
Personal disposable income	4,442	6,611	6,917	7,456	7,866

* Including farmers' profits, professional earnings and national debt interest.

This table shows the effect of the redistribution of private incomes since before the war. Wages, which absorbed 36 per cent of gross civilian income in 1938, absorbed 40 per cent last year; after meeting income tax, their proportion increased from 39 per cent to 44 per cent of net civilian income. But on the same construction, salary incomes fell proportionately from 24 per cent to 20 per cent, and the *omnium gatherum* item "Profits, interest, rent, farmers' profits, professional earnings and national debt interest" from 37 per cent to 36 per cent after tax. It is regrettable that the White Paper still makes no distinction between interest, profit and professional incomes; in the popular view, the 36 per cent consists of "profits" and nothing else. Why is the Board of Inland Revenue still unable, or unwilling, to provide adequate details? The composition of the national wage bill is known with considerable accuracy—indeed, it is one of the most important items of raw material in the entire computation of the national income. It is possible to say that total wages rose by 14 per cent last year, of which nearly half was due to increases in average earnings. But it is quite impossible to say, with any precision, what happened to rentier and entrepreneurial incomes.

The next stage is to examine how far the total disposable

income shown in Table II was spent, and how far saved. The figures are given below:—

PERSONAL EXPENDITURE AND SAVING					
	1938	1944	1945	1946	1947
	£mn.	£mn.	£mn.	£mn.	£mn.
Personal expenditure at market value	4,288	5,544	5,996	6,739	7,421
Personal saving	154	1,057	921	717	445
Personal disposable income	4,442	6,611	6,917	7,456	7,866
	%	%	%	%	%
Personal expenditure at market value	90.5	83.9	86.7	90.4	91.3
Personal saving	3.5	16.1	13.3	9.6	5.7
Personal disposable income	100.0	100.0	100.0	100.0	100.0

Personal expenditure at market prices jumped by £682 million, though incomes rose by only £410 million; personal saving fell by £272 million to £445 million, which represented 5.7 per cent of total income after direct taxation. Personal savings have in fact shown a rapid tendency to return towards the prewar proportion—a point which has great significance for capital investment. The public spent almost exactly 10 per cent more on consumption than in 1947, but that is a figure which has no significance until it is adjusted for changes in prices. The following table shows the total of personal expenditure at current market prices in each year, then revalued at 1938 prices, and the index number of prices of the goods and services which have been bought:—

EXPENDITURE ON CONSUMPTION					
	1938	1944	1945	1946	1947
	£mn.	£mn.	£mn.	£mn.	£mn.
Personal expenditure on consumers' goods at market prices	4,288	5,544	5,996	6,739	7,421
Personal expenditure on consumers' goods at 1938 prices	4,288	3,706	3,921	4,292	4,424
	%	%	%	%	%
Index of expenditure	100	120.3	140	157	173
Index of "consumption"	100	86.3	91.4	100	103
Index of prices	100	150	153	157	168

For want of a better shorthand term, the index for consumers' expenditure revalued at 1938 prices has been labelled an index of "consumption." But it is necessary to be very careful in using this index for comparative purposes. It might be interpreted as showing that real personal consumption is now 3 per cent higher than in 1938. Even if that were so, it would still be necessary to allow for the increase of about 4 per cent in the population since 1938. Nor does it allow for changes in the composition of personal "consumption"—the reductions in quality which are impossible to measure, and the limited selection of foods and other goods and services which is now available. It makes no allowance for the fact that some people, because they cannot buy steaks now buy imported fruit, or smoke more because they eat fewer sweets. The standard of living of vast numbers of the population has undeniably improved, compared with 1938, but to infer from this index that the standard of living of the country as a whole is now higher than it was in 1938 assumes that consumers are to-day equally satisfied by the collection of goods and services which is allotted to them under rationing or is made available by controlled production as they were by the collection which they bought of their own choice in 1938. That is manifestly not so.

Indeed, the figures must be regarded as a measure of the attempt by consumers to substitute less desirable satisfactions for those which are now denied them. This point is illustrated in the next table, which shows the movement of actual expenditure on different classes of consumers goods and services, between 1946 and 1947 and the same expenditures recalculated at 1938 prices—a much more accurate comparison, incidentally, since the character of the items entering into personal consumption is unlikely to have shown any radical change during the two years:—

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES
(1938=100)

	At current market prices		Revalued at 1938 prices	
	1946	1947	1946	1947
Food	137	155	96	102
Alcoholic beverages	238	238	96	95
Tobacco	341	390	133	117
Rent, rates and water charges	109	115	104	106
Fuel and light	148	157	111	117
Durable household goods	129	168	65	81
Other household goods	111	122	74	84
Clothing	137	158	139	155
Books, newspapers and magazines	164	186	56	59
Private motoring	95	106	56	59
Travel	166	182	143	145
Communication services	186	193	145	145
Entertainment	286	273	163	155
Other services	134	148	94	99
Other goods	175	212	86	95
Total personal expenditure	157	173	98	102

There may be ground for doubt whether food consumption increased by 2 per cent compared with 1938, but it is much more plausible to suppose that it did increase by over 6 per cent last year. The table shows the pressure of purchasing power seeking an escape into every channel that presents itself. It is no accident that those goods and services which have increased less in price compared with 1938 (disregarding changes in quality) have enjoyed the greatest patronage from consumers. The price of coal has increased by 66 per cent and its consumption has been reduced by 30 per cent largely as the result of rationing. But electricity has fallen 13 per cent and its consumption has increased by 132 per cent. The same interplay of price and demand is shown by books and publications, and travel. This table, indeed, provides much evidence to support the assertion that inflationary demand has diverted resources of raw materials and manpower from uses where they were urgently needed into many less essential ends of personal consumption.

There are many other descriptive features of the national economy which could be brought out from the White Paper. But space must be left to turn to a few of its more technical aspects. This year there are omissions which, it will be hoped, may be made good later—continuous series of figures since 1938, and the enterprising statement, given in Appendix V of last year's White Paper, on the social accounts of the United Kingdom. Again, some explanation might then be given of several disconcerting changes in the figures of earlier years which appear in the latest issue, particularly as they affect capital investment. There is room, too, for greater standardisation of the concepts employed in the White Paper. When it talks of gross capital formation at home, it should mean the same

thing on different pages, and show the same figure. Moreover, since the national income technique runs through other discussions of Government economic policy (such, for example, as the White Paper on capital cuts, and the Economic Survey for 1948) the public has a right to expect a common method of treatment in all the documents. This point applies particularly to the equation of capital investment and savings. It should be possible to carry forward the discussion in the Economic Survey on this crucial determinant of inflation with the aid of the latest figures in the White Paper. But unfortunately the treatment is in several respects quite different—and for no obvious reason. Again, while the national income estimates in the Economic Survey were necessarily tentative—for it appeared several weeks ago—it is disconcerting to find so great a margin of difference between the figures then published for depreciation allowances, private savings and undistributed profits (to cite three examples only) that some doubt is inevitably thrown on the margin of error which may be inherent in the projected capital account for 1948.

A full discussion of this question must be postponed. But it is so important that it deserves serious emphasis now. If the national income technique is to be successfully used as a guide to inflationary (or deflationary) potentialities in the economic system, a radical improvement will have to be made in the estimates about savings and the cost of investment. The White Paper frankly admits that these are undoubtedly the most vulnerable estimates in the whole paper. Indeed, that must be so because they are derived from differences in much larger figures of personal and Government expenditure compared with the national income. One of the results of this process is to add a sum of £100 million to home investment which more properly belongs to overseas investment (and would therefore increase last year's investment in the sterling area, already put at the high figure of £181 million in the White Paper on the Balance of Payments, to no less than £281 million).

But although this is extremely hazardous statistical territory, an attempt must sooner or later be made to survey it, if the framework of information about capital investment is to be made sufficiently strong to bear the superstructure of financial policy which is now—quite rightly—built upon it. This is in no sense a criticism of the labours which have gone into recent economic documents issued by the Government, though at some points these appear to have lacked the fullest support and information which might have been expected from certain public departments. But if planning is to have any meaning, it must repose upon far more reliable information about capital investment than is now the case.

Business Notes

Budget Reactions

The City's reaction to the Budget was a compound of respect for its firm handling of the problem of inflation, and of sharp criticism of the "Special Contribution." Some days before the Budget speech, fears had gradually subsided about a stiff increase in profits tax or statutory limitation of dividends, and the confirmation of these hopes was marked by some relieved buying of ordinary shares—with particular emphasis on the higher-yield groups—rather than by any outburst of excitement. Tobacco shares inevitably reacted to the increase in duty, but not very much, and brewery shares seemed wholly unaffected by the extra 1d. on the pint—a plausible calculation, since direct tax reliefs will enable many consumers to pay the new duties without any noticeable tightening of belts. The outlook for ordinary shares cannot have been changed so radically by the Budget, however, as some commentators appear to assume. Economic and industrial problems have not lifted. Dividend limitation is an accomplished fact over a large range of industry, and who can say when it will end? Yet the range in average yields between gilt-edged and

ordinary shares is little more than one per cent on the blue chips and 1½ per cent on a mixed industrial portfolio. The only remaining scope for equity investment, while these circumstances last, is to find ordinary shares with a greater than average yield whose dividends are not vulnerable—an arduous and not very rewarding task.

But if equities showed a measure of relief over the Budget, gilt-edged were distinctly depressed. The market argued that the levy would fall on capital in the case of large incomes and that the necessary sales of securities would comprise more gilt-edged than equities. The argument has some force, but it could easily be exaggerated. The revenue from the levy during this financial year is no greater than £50 million, and the total yield £105 million. Some large investors may see some advantage in settling the greater part of their liability before next January (at a discount of 2 per cent net per annum). But even if the whole contribution were provided out of capital (which will not be the case) and that only gilt-edged stocks were affected (equally not the case) it is difficult, on the basis of a "once for all" contribution, to

14th, it should be possible to take a clearer view of what Marshall dollars may be available to Britain to make offshore purchases from Canada, and in the light of that information longer term arrangements may again be possible. The matter is now under discussion not merely between London and Washington but between Washington and Ottawa. Meanwhile the very short term arrangements provide for further drawings on the Canadian credit. The maximum of these drawings for the first three months of this year was \$45 million. If that rate were maintained it would be open to Britain to draw nearly \$8,000,000 during the fourteen days of the interim agreement. It is thought that the permissible releases are somewhat in excess of this figure. For the rest Britain continues to fill the Canadian deficit in US dollars but can do so with less anxiety now that Marshall assistance is assured.

The position regarding offshore purchases, as this issue goes to press, is that the United States authorities have asked the British to state their Western Hemisphere requirements under Marshall aid. These particulars have been furnished, together with details of British contracts for supplies from Canada—all of which are at prices which are favourable compared with American prices for the same commodities. It is therefore expected that these contracts will be taken over by the United States as offshore purchases, but the final decision rests with the American administrator of ERP. As for other supplies, like wheat from Argentina or South American cotton, there is distinct doubt whether these will qualify for inclusion, at least at present.

* * *

American Plans and British Studios

American film producers, as was to be expected in view of the film agreement, have begun to show a renewed interest in British studio space. Various signs of this have appeared, and one definite arrangement: Mr J. Arthur Rank, in New York, has made an agreement under which Universal are to make two films in the studios and using the technical resources of the Rank Organisation. These productions will be financed ("to the extent permitted by the tax settlement," of which the terms have still to be published) from the American company's non-remittable British earnings.

Of the major American film-producing companies, Warner Brothers and Metro-Goldwyn-Mayer already command studio space in this country. For Universal (since they distribute in the United States a part of the Rank output) the Rank Organisation is the obvious channel. Mr Rank has been at pains to point out that this is the only commitment of the kind into which he has entered. It remains to be seen where the remaining American producers will look for British studio space in which to spend their sterling. Some of them have already announced programmes of production.

The amount of empty British studio space has lately been increasing; so has unemployment in the film industry. The prospects that American producers will be able to get the space and the personnel which they will require (for they will want to employ some British staff) seem to be good; and this very fact is aggravating the hesitations and difficulties of British producers. The Association of Cinematograph and Allied Technicians, which was already suffering from unusually heavy unemployment among its specialist members, has suffered two new blows with the closing of the British National Studios at Elstree and the cutting of staff at Sir Alexander Korda's studios at Shepperton. The reduction of staff at Shepperton may not mean a fall in production, since extra personnel had been employed there on expansion and improvements. But the Association now has 500 or 600 members out of work; unemployment among the technicians means a much larger volume of unemployment among less skilled workers as well; and it seems unlikely that British producers in their present despondent mood will be able to find them work. Only the Americans, it seems, have the capital in sight to expand film production in the near future. Their superior resources, together with the larger markets they can command, are enough to frighten away the backers on whom so much British production depends. But there must be a limit to the extent to which the Americans wish to enter film production in Britain, and the present wave of pessimism about the future of British film production may yet prove to be overdone.

* * *

A Bottleneck Answers Back

The British Iron and Steel Federation, understandably nettled by the description of steel as "the worst bottleneck" in the popular edition of the Economic Survey, defends itself with some

vigour in the March number of its *Statistical Bulletin*. Both editions of the Survey (the *Bulletin* points out) create the impression that shortage of steel is limiting British recovery and compels special efforts elsewhere:

An example of this occurs in comments on the export targets for 1948, where it is suggested that shortage of steel has made it necessary to reduce export targets for certain types of machinery and vehicles. Why this is so is not clear, since these targets were fixed after the fixing of the 14 million ton target for steel production. Either, therefore, there was some miscalculation in fixing the original targets, or the closing of overseas markets, which is also referred to, is, in fact an over-riding factor in their adjustment.

As to its own target, the *Bulletin* points out that the steel industry is doing well; production was at the rate of 14.5 million tons in January and at the rate of 15 million tons in February. It naturally admits the need to make more steel if possible, but adds:

There is, however, a great difference between stressing the importance of expanding production at a time when the crucial problem facing the country is how to increase production generally, and branding some particular expanding industry as a bottleneck holding back the rest of the economy.

Its defence (or, rather, counter-attack) is that the steel industry is supplying more steel than it has ever supplied before, and that if this is not enough, it is because of extraordinary demands, caused by deficiencies in other products. To the suggestion that textiles are to be called upon to make good the deficiencies of steel in the export trade, the steel industry replies that even the new target for textile and clothing exports is only 99 per cent of prewar exports, while the new "reduced" export target for machinery and vehicles is 199 per cent.

So far from other industries having to carry increased loads because of shortages of steel, the position is that claims on steel are so high because supplies of many products, some produced at home and some imported—for example, coal, timber, and textiles—are still below the prewar level.

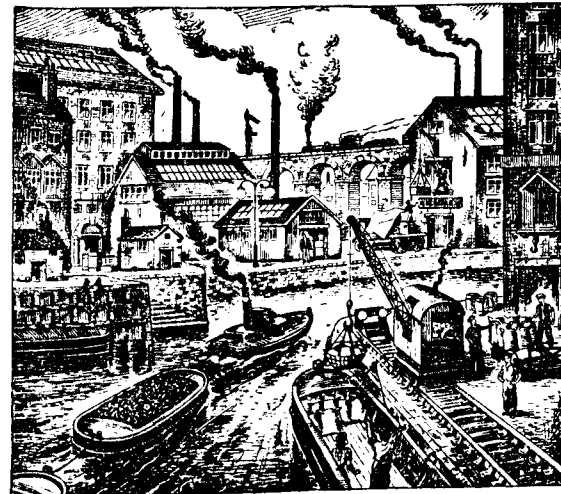
The *Bulletin* draws attention to the particular shortages of components (ball-bearings, precision chains, electric motors) which are mentioned in the Economic Survey. Here, it suggests, the real bottlenecks are to be found—not in the general supply of steel. In the ball-bearing industry, for example, "there is no question of output being hampered by shortage of steel." But there is an abnormally heavy demand, aggravated by the requirements of conveyor-belts for colliery re-equipment, and there is a shortage of labour for additional ball-bearing production. The *Bulletin* doubts whether such things were remembered when steel was described as "the worst bottleneck." It adds a discreet but not ineffective thrust at the Government system of allocating steel: "It may be that difficulties here, which certainly characterised 1947, have not yet been overcome." It is a lively polemic, which certainly succeeds in proving that there is more than one aspect from which inflation of demand and its consequences can be regarded.

* * *

Can Germany Spare Scrap?

In the same publication the German scrap position is discussed. The main contract which Britain has been seeking for a million tons of German commercial scrap has never been put into final form, and the current contract for 100,000 tons (to be delivered by July) to which the *Bulletin* refers is hardly even a stop-gap. Two difficulties remain to be overcome. First, on prices; the contract price is £6 10s. a ton f.o.b., but this goes to the Joint Export-Import Agency; what the German dealer gets, according to the *Bulletin*, is fifty marks. Attempts to express the value of fifty marks are a waste of time; the *Bulletin* hazards "anything from £1 5s. to £3 15s. a ton"; the German dealer would probably say "ten cigarettes." The high price paid to JEIA has obviously not solved this difficulty. The second difficulty that has been raised is Germany's own need for scrap; against this the *Bulletin* states the British case in some detail.

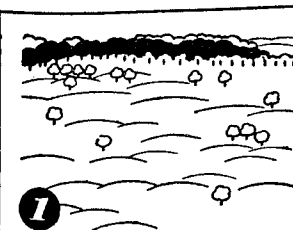
Bizonia's maximum permitted output of steel under the revised level of industry plan is 10.7 million ingot tons a year. But this cannot be attained at once; according to the Marshall Plan forecasts it should reach 4,075,000 tons this year and 10 million tons in 1951. About half is to be made by the Basic Bessemer or Thomas process, and half by open-hearth and electric furnaces; the division is determined by such factors as the existing structure of the German industry, the raw materials expected to be available, and the important German demand for Thomas slag, a by-product of the Thomas process, as fertiliser. While 72 per cent of scrap—obtained within the industry itself and from its associated engineering and fabricating shops—is to be



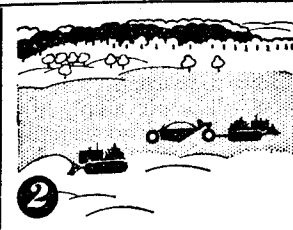
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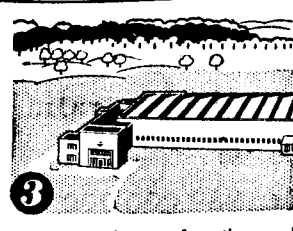
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used in the open-hearth furnaces, the Thomas steel is to be made mainly from pig iron in accordance with ordinary German practice. The following table, reproduced from the *Bulletin*, shows the steel production programme for Western Germany under the Marshall Plan, the requirements of scrap for steel production, and the estimated tonnages of scrap arising from within the industry.

ESTIMATED GERMAN STEEL PRODUCTION AND SCRAP REQUIREMENT
(Thousands of Metric Tons)

	Year			
	1948	1949	1950	1951
Steel production.....	4,675	5,500	7,500	10,000
Thomas.....	2,057	2,750	3,750	5,000
Open hearth, &c.....	2,618	2,750	3,750	5,000
Scrap required :—				
Thomas.....	30	40	55	75
Open hearth.....	1,590	2,145	2,925	3,900
Total.....	1,620	2,185	2,980	3,975
Scrap arising :—				
Steel works.....	856	1,430	1,950	2,600
Engineering and fabricating.....	407	770	1,050	1,400
Total.....	1,263	2,200	3,000	4,000
Surplus or deficit.....	— 357	+ 15	+ 20	+ 25

Only in 1948, according to this programme, will extra scrap be needed to bridge the initial time-lag. The scrap requirements for pig-iron production are separate, but they are limited. In blast furnaces making Thomas iron only about 5 per cent scrap can be used if basic slag for fertiliser is to be maintained at the necessary quality. In other furnaces up to 22.5 per cent scrap is expected to be used during 1948-49, 20 per cent in 1950, and 18 per cent hereafter. On these assumptions, scrap requirements for blast furnaces are 416,000 tons, 540,000 tons, 686,000 tons and 851,000 tons in the four years 1948-51. These figures result in the following total requirements of scrap for German iron and steel production from sources external to the iron and steel industry itself:—

	Metric tons.			
1948	1949	1950	1951	
773,000	525,000	666,000	826,000	

These needs, the *Bulletin* maintains, can be comfortably met by the existing stocks of 880,000 tons in the hands of steelworks and the scrap merchants, together with the quantities, estimated at 550,000 rising to 1,000,000 tons, which should become available from industry year by year through normal wear and tear. And German steel production will have no need of the vast quantity of scrap (estimated at 5 or 6 million metric tons) in the British Zone not yet collected by the scrap merchants.

Overtime in the Mines

The decision reached at last week's special delegate conference of the National Union of Mineworkers to continue working overtime for another twelve months was expected, but is none the less welcome. It is estimated that some 4,000,000 tons have been added to production since the overtime agreement was originally reached last November, and if this year's agreement can be accompanied by a concerted drive against absenteeism, the

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addition to output should be even greater. This, however, is a rather large assumption. In recent months, absenteeism at weekends has been rising. The experience of Northumberland and Durham which chose to work an extra half hour rather than the Saturday shift suggests that this method is more economical and effective, as the Government originally held, and districts where Saturday absenteeism has been exceptionally high may well consider switching over to the half hour a day practice.

Coal output has recently been running at about the rate required to fulfil the 1948 target, and deep-mined output had in certain weeks exceeded the 4,000,000 ton mark. Last week, however, 1,000,000 tons were lost through the Easter holiday, and deep-mined output fell to 2,816,600 tons. A spurt will be needed to recapture lost ground. Opencast working had been steadily improving until the holidays, and with the warm weather should improve further.

The chief danger-point in the industry still lies in the number of unofficial strikes. In January and February, more than half the number of strikes and a third of the working days lost were in the mines. A stoppage is now threatened by the Yorkshire winding enginemmen which would upset production in this important coalfield. The negotiations over craftsmen's wages are still dragging on, and even though the Board has given an assurance that any increases will be retrospective from January 1st, there is a growing sense of frustration and impatience at the slow procedure. Miners' hopes that the negotiating and conciliation machinery established under nationalisation would lead to speedier settlement of disputes and thus avert the danger of unofficial stoppages have so far not been realised.

Capital Movements to South Africa

Two important notices dealing with the movement of capital to South Africa and exchange arrangements with that country emphasise the increasing momentum of the drift which, in certain technical respects, is taking the Union outside the sterling area system. The new capital arrangements apply to sales of securities on behalf of non-residents and reinvestment of the proceeds in South African securities. The Bank of England has announced that such switching requires the prior approval of the Bank. For the purpose of this notice, non-residents are persons residing outside the sterling area, and it is understood that the tightening of the regulations is aimed at controlling the switching of investments by Continental and American holders of securities who have recently found their confidence in sterling sufficiently shaken to transfer capital to South Africa. Such switching has throughout been subject to permission of the Bank of England, but this permission has in the past been given so automatically that some stockbrokers had been inclined to take the matter as a pure formality and on many occasions sought permission from the authorities after the business had been transacted. The presumption is that, in future, permission will be given only in very exceptional cases.

It should be added that the tightening of the regulations does not affect switching by residents in the sterling area. It is from these quarters that the main movement of capital from Britain to South Africa has been initiated, but presumably the authorities on this side feel that the discouragement of that movement is being effectively achieved by the initiative recently taken by the South African Reserve Bank.

The main British objection to this shift of capital is that it is placing in South African hands sterling resources which can be

used to finance current imports from the sterling area and which to that extent make it unnecessary for the Union of South Africa to replenish its sterling holdings by sales of newly-mined gold to the British Government. Over the past year the sterling holdings of the South African Reserve Bank have risen from about £10 million to nearly £70 million. This accumulation of sterling, which is largely the product of capital transactions, is a measure of the gold that would otherwise have accrued to the sterling area central reserve.

The second notice affecting payments arrangements with South Africa is an amendment to the arrangements by which facilities have in the past been granted under Foreign Exchange Notice No. 257 for selling dollars or other foreign exchange to South African importers. Under the former system a resident in South Africa could open a credit in London for an import to be paid for in non-sterling currencies, including dollars. He was not allowed to cover his commitment by a forward purchase, but in effect his bank was entitled to buy the dollars spot and hold them for him until such time as his commitments fell due. It is this procedure that is now no longer allowed. Any sale of dollars for other currencies by London banks to finance imports into South Africa must now receive prior sanction by the South African Reserve Bank. This change merely formalises recent developments under which South Africa has ceased to have access to the sterling area dollar pool and has become directly responsible for its own dollar and other hard currency deficits.

Industrial Production

The index of industrial production, now in its second month of publication in the *Monthly Digest of Statistics*, is given for January (the latest month covered) as 122 (1946=100). The latest calculation is, however, given only provisionally, and the reservation is real: the index for December, assessed provisionally at 117 in last month's *Digest*, is now corrected to 115. Of the main industrial groups which the index covers, manufacturing industries for December are corrected from 117 to 114, and gas, electricity and water from 126 to 119. The corrected picture for December, 1947, is given below.

INTERIM INDEX OF INDUSTRIAL PRODUCTION
December, 1947 (1946=100)

	December, 1947	December, 1947	January, 1948
		Revised	Provisional
Total	115	115	122
Mining and quarrying	104	104	115
Manufacturing industries (total)	114	114	123
Chemicals	104	104	...
Metals, engineering and vehicles	120	120	...
Textiles and clothing	105	105	...
Food, drink and tobacco	105	105	...
Other manufacturing industries	117	117	...
Building and contracting	128	128	120
Gas, electricity and water	119	119	121

Last November (the index for which is now corrected to 123) still stands as the best month since the war.

In its statistics relating to iron and steel production the *Digest* includes for the first time stocks of pig iron and scrap—a useful addition (urged in *The Economist* on March 13th) which tends to show how far the success of steel production has been achieved at the expense of stocks. Pig iron stocks in February stood at 388,000 tons compared with 814,000 a year before and 997,000 in February, 1946. Scrap stocks were 352,000 tons, compared with 534,000 in February, 1947, and 492,000 in February, 1946. The Economic Survey referred to “continuous and ominous falls” in these stock levels; the figures now published show the position more precisely, if not less ominously.

The Volume of Bills

Amid the mass of information contained in the latest report of the Commissioners of Inland Revenue, that for the year ended March 31, 1947, an item of particular interest to the money market is the revenue from duties on bills of exchange. These figures make it possible to frame an approximate estimate of the amount of bills outstanding in the fiscal year 1946-7 and to compare them with those for the preceding year. Receipts are shown separately for inland and foreign bills. The estimates of the amounts outstanding are based on the assumption that on the average the bills drawn are for periods of three months, and that they are all in excess of £75 and therefore bear stamp duties at the rate of 1s. per £100. The resultant estimates of inland

and foreign bills outstanding in the last pre-war year and in each of the three latest fiscal years are as follows:—

			£ 000's	
		1938-39	1944-45	1945-46
Inland	...	135,339	32,787	40,432
Foreign	...	123,626	9,454	11,085
				30,912

The revival of the inland bill in the year 1946-7 was striking, and market experience suggests that the growth in this type of paper has continued since March, 1947, and that the volume outstanding must now challenge comparison with what it was before the war. The comparative revival in foreign bills was even more marked, but the amount outstanding in 1946-47 was still less than one quarter of what it was before the outbreak of the war. The above figures of bills outstanding should not be regarded as a measure of the volume of commercial bills circulating in the London market. A considerable proportion of the bills drawn go straight into the holdings banks and commercial houses and do not appear in the market. The volume of inland bills, for example, has been appreciably swollen by hire purchase paper.

How to Streamline

It may be urgently necessary to reduce imports and to expand exports, but it is often easier to obtain a licence to import than to export. Last November, the President of the Board of Trade set up a "working party" to consider whether the forms required for export trade could be simplified or even eliminated. It was a committee of the talents, including representatives of the Association of British Chambers of Commerce, the Federation of British Industries, the Institute of Export, the Institute of Shipping and Forwarding Agents, the banks, the National General Export Merchants' Group and the National Union of Manufacturers. In addition, the Bank of England, the Treasury, Customs and Excise, the Board of Trade and the Ministry of Transport were represented.

If radical improvements could be made, such a committee was certainly well qualified to discover them. But it has completed the first stage of its inquiry—the examination of forms required by the Government—and is unable to recommend any major changes, given the existing export and exchange controls. Export licensing, originally devised to prevent the starving of the home market by excessive exports of necessities in short supply, at present covers only about 30 per cent by value of Britain's total export trade, and the "working party" could offer no improvement in the system already in operation. Similarly, it endorsed the use of form "C.D.3" for the purpose of exchange control which covers over 50 per cent by value of the total export trade. A suggestion to amalgamate the two failed, because only 20 per cent of total exports calls for the completion of both forms, and the increased complexity would be a nuisance to other exporters. On Customs forms, it had to accept the contention of the authorities that the present forms—unchanged since 1939—are essential to safeguard the revenue.

Thus, the "working party" has laboured without producing even a mouse to lighten the exporter's burden. And indeed it was doomed to failure because it had to take for granted the existing background of controls. Forms may indeed be a nuisance. But absence of forms would not automatically sell more British exports.

Cunard Steam-Ship Capital

At the annual general meeting at the end of this month the Cunard Steam-Ship Company is to seek approval to increase the authorised ordinary share capital of the company from £5,570,241 to £12 million. This is as far as the chairman, Mr Frederic A. Bates, is at present prepared to go in elaborating the board's plans to issue more capital. The decision has been dictated largely to fund the group's short-term finance, represented in the consolidated balance sheet at December 31, 1947, by a liability of £4,881,300 for unsecured loans to bankers (and since reduced to £4,581,300).

This liability arose from last year's purchase by Cunard Steamship of the outstanding 38 per cent of the ordinary shares of Cunard White Star from O.S.N. Realisation Company at 40s. a share—a transaction described by Mr Bates in his statement as one which enables the Cunard Company to retain "all that might be called the built-in strength which a prudent company requires to meet its varying fortunes in the future." Although the liquid position of the group was not known at the time of the purchase, it was evident that the parent company (judging

by its resources at the end of 1946) could not have financed the deal without external assistance. The accounts for 1947, which have now been issued in consolidated form for the first time, show that the group enjoys a position of great strength, with reserves of £18,069,422 and a written down book value for the fleet of £25 16s. per gross ton. In this situation the low level of net liquid assets is a striking anomaly. If short-term loans in the consolidated balance sheet are offset against liquid assets, there remains a surplus of only £113,162. Quite apart from its expressed desire to repay the outstanding indebtedness to the banks, Cunard is clearly in need of some replenishment of resources. These have been heavily depleted since the war; it is now revealed that up to the completion of the "Caronia," building contracts and purchase of tonnage have cost the group more than £14½ million.

Another reason for the proposed increase of capital is to "pave the way for any future expansion or development of the company's business." Does this imply a further expansion of building plans? Presumably not, for Mr Bates' views on the inadequacy of depreciation allowances, the exorbitant cost of building, the weight of taxation and the uncertain trading conditions which lie ahead, especially on the Atlantic route, in which the group has such a commanding interest, are well known. But Cunard is unlikely to be wholly deterred by these factors. Cautiousness has always been the keynote of Cunard pronouncements, but the group has been most enterprising in its postwar efforts to re-establish British shipping on a peacetime basis, especially on the important dollar-earning routes, and no doubt it does not regard its work as wholly finished. In 1947 profits of the group totalled £9,474,785, and provided earnings of 85.3 per cent to cover the 10 per cent dividend which has been paid for each of the last three years.

* * *

Relief from Rice

Prospects for the world rice crop this season are encouraging, and if large grain harvests are secured in both Europe and North America, much of the physical distress caused by the shortage of staple foods will be alleviated. Abundance, however, is still not yet in sight. The US Department of Agriculture has estimated world production of rough rice in 1947-48 at 7,086 million bushels; this represents 96 per cent of the average prewar output, but there are many more mouths to feed. The current crop is nearly 150 million bushels larger than in 1946-47 and the greatest gain occurred in Asia, where production is gradually recovering from wartime destruction. Both India and Japan, however, are expected to have smaller crops than last season.

Before the war the major exporting countries, in order of importance, were Burma, Siam, Indo-China and Korea. Output is expanding in each of these countries, but it is well below the

this season from Burma, Siam and Indo-China—some 100 million bushels more than in 1946-47—will reduce Asia's demand for grain substitutes, but total supplies from these sources will still be 250 million bushels lower than before the war. Production in other areas of the world is also increasing and only in Europe is output below the 1935-39 average. The great expansion which has taken place in North and South America and Africa will help to swell world rice supplies, but they will still be insufficient to offset the smaller crops in the Far East. Asia alone still accounts for 93 per cent of world production, although before the war the proportion was 96 per cent.

Full recovery of rice production in the Far East depends to a large extent on political stability. Acreage is only 98 per cent of the prewar level, and in the major exporting countries it is nearer 70 per cent. Lack of internal security, lack of confidence in currency, and lack of consumer goods still play their part in restricting output; but at least the general prospect is not so bleak as it was nine months ago. More adequate rice supplies in Asia would do much to improve political conditions there and help indirectly to relieve the world's food shortage.

* * *

Base Metals from Dollar Sources

American demand for base metals has continued strongly since the turn of the year despite recurring apprehensions of a business recession. Lead advanced early this week by 2½ cents to 17.30 cents a lb. (equivalent to £96 a ton compared with the British price of £90)—a new record level for common grades. A rise had been anticipated for many weeks and last week foreign lead was offered in the United States at 16½ cents a lb. The strike in the Mexican mines may have been a contributory cause to the recent rise, although Mexico's annual production is not a major factor. World supplies, however, are still well below requirements. In the last week the world export price of electrolytic copper in New York has declined from 22.00 cents a lb. to 21.75 cents (or £121 a ton, against the British price of £132), but fundamentally the market is still firm. American tin has remained unchanged despite the new premium on Straits metal. The Ministry of Supply has agreed after nearly three months' negotiations with Malayan tin representatives to raise its buying price from £500 to £504 a ton ex-smelter (Penang or Singapore), while its ex-smelter selling price is increased from £504 to £505 10s. a ton. This new price pays little more than lip service to the Malayan claim for a premium over Bolivian tin, but it was probably the best concession which could be obtained without altering the whole structure of world tin prices.

Britain is still very dependent on dollar sources for copper, zinc and lead. This month the first supplies of electrolytic copper refined in the United States from Rhodesian blister should arrive in this country. Although this copper will provide a welcome contribution to British supplies, it will cover barely a tenth of Britain's electrolytic requirements. The British demand for high-grade zinc rose sharply last year, and consumption totalled 110,000 tons out of a total virgin zinc consumption of 223,000 tons for the year. Most of this high-grade metal has to be imported from the United States, which with Canada supplied over two-thirds of British imports of slab zinc in 1947. Moreover, dollar countries also supply this country with between 25 and 30 per cent of its lead imports.

Europe, of course, is equally dependent on Western Hemisphere non-ferrous metal supplies, even though demand has been restricted to essential uses by the scarcity of foreign exchange. Marshall aid will not be so lavish that an uncontrollable boom in base metal prices is likely to result. And it still remains to be seen whether, with Marshall aid, it will be possible to avoid some curtailment of the British and European demand for copper, lead and zinc, even at some threat to industrial activity.

Shorter Note

The selling price of platinum in London was recently raised from £19 to £22 10s. per troy ounce. This increase is in conformity with price advances announced by a leading American smelting company. The present price level compares with £15 a year ago and the increase of £7 is due to the cessation of exports from Russia since the first half of 1947. The new London price applies to sales for manufacturing purposes which are conducted in very small lots. There is also a free market price in London of about £26; this premium results from speculative holdings owing to the cessation of imports

WORLD PRODUCTION OF ROUGH RICE ('000 bushels)				
	1935-36— 1939 40 Average	1945-46	1946-47*	1947-48*
Asia :	7,111,700	5,964,200	6,499,400	6,593,000
of which—				
Burma	348,534	134,455	194,114	269,114
French Indo-China	316,038	220,000	200,000	210,000
Siam	213,079	120,000	128,000	143,000
India	1,904,819	1,961,877	2,104,781	2,050,000
China	2,623,383	2,159,964	2,328,736	2,348,082
Korea†	195,763	117,321	110,112	128,650
Japan	595,845	457,007	561,082	545,447
Philippines	104,877	88,580	107,689	108,858
Europe (including USSR)	69,325	34,200	41,000	54,200
North America	62,900	88,600	91,600	100,400
South America	89,500	181,800	162,400	159,400
of which				
Brazil	66,424	135,799	118,000	111,000
Africa	106,000	134,600	136,600	154,300
Oceania	2,700	4,700	4,900	4,800
TOTAL	7,442,000	6,419,000	6,950,000	7,086,000

* Provisional. † South Korea only from 1945 onwards. The pre-war production of this area was 150 million bushels.
Source: US Department of Agriculture.

prewar level. And although production has increased in those countries which have always depended on imported supplies, their requirements are larger than in 1935-39. India's rice crop, for example, is now 7 per cent larger than before the war, but its import requirements, as distinct from actual imports, are estimated to have increased by at least 5 per cent. Larger exports available

THE CUNARD STEAM-SHIP COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1947

Depreciation of Ships, Properties, Plant, Machinery and Office Furniture	1,850,997	Operating Profit, Bank and other Interest after providing for Deferred Repairs and Maintenance of Fleet	9,093,432
Interest on Loans secured on Freehold Property (gross)	34,978	Dividends from Trade Investments (gross)	23,367
Interest on Loans from Bankers (gross)	86,072	Dividends and Interest from Government and other Investments (gross)	172,221
Domination and Foreign Taxes	156,062	Net Profit on sale of investments and other properties	185,765
United Kingdom Taxes including provision for taxes on Current Year's Profit	4,160,418		
Balance—Profit for the Year	3,186,280		
	£9,474,785		£9,474,785
Proportion of Profits for the year attributable to Minority Shareholders	350		
Transfer to Reserves	2,305,998	Balance—Brought forward from 31st December, 1946	403,296
Dividends on the Preference Stocks (net)	74,251	Balance—Profit for the Year	3,186,280
Ordinary Stock Interim 2½% (net)	76,590		
Proposed Final Dividend on the Ordinary Stock 7½% (net)	229,774		
Provision for Accumulation of Pension Funds	310,000		
Balance—carried forward to next account	362,590		
	£3,589,556		£3,589,556

CONSOLIDATED BALANCE SHEET 31st DECEMBER, 1947

ISSUED CAPITAL of The Cunard Steam-Ship Company, Ltd.	£ 8,070,261	FIXED ASSETS	£
RESERVES	17,476,832	Ships at cost less Depreciation, and Payments on account of New Tonnage 23,126,463	
Capital, Ship Replacement, General, and Contingencies Reserves	25,547,093	Freehold and Leasehold Properties at cost less amounts written off	2,736,085
		Plant, Machinery and Office Furniture, at cost less Depreciation	84,113
DEBENTURES AND LOANS		Trade-rights and Goodwill at cost	100,413
Loans secured on Freehold Properties	970,639		26,041,076
Unsecured Loans from Bankers	4,881,300	TRADE INVESTMENTS	
	5,851,939	At Cost less amounts written off	225,474
DEPOSITS WITH THE COMPANIES		CURRENT ASSETS	
Superannuation and other Funds	£37,292	Ships' Stores, Provisions, Coal, Fuel Oil, Wines, Linen, etc.	416,182
CURRENT LIABILITIES RESERVES AND PROVISIONS		Debtors, Agents' Balances and Open Voyage Accounts	4,532,399
Creditors, Open Voyage Accounts, Provisions for Deferred Repairs, Maintenance of Fleet and Taxation	18,767,273	Investments—quoted (Market Value £5,880,291)	5,906,791
Dividends on the Preference Stocks paid 1st January, 1948 (net)	37,125	Tax Reserve Certificates	2,914,000
Provision for Proposed Final Dividend on the Ordinary Stock 7½% (net)	229,774	Cash at Bankers and in hand	11,230,910
	19,034,171		24,999,272
CAPITAL, RESERVES AND UNDISTRIBUTED PROFITS			
ATTRIBUTABLE TO MINORITY STOCKHOLDERS	2,787		
PROFIT AND LOSS ACCOUNT			
The Cunard Steam-Ship Company, Ltd.	592,590		
	£51,285,822		£51,285,822

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the Consolidated Balance Sheet set out above with the Balance Sheets of The Cunard Steam-Ship Company Ltd., and of its Subsidiary Companies which have been duly audited. In our opinion the Consolidated Balance Sheet is properly drawn up so as to exhibit a true and fair view of the state of the affairs of the group as a whole as shown by the audited accounts so far as concerns the members of The Cunard Steam-Ship Company Limited.

London, 31st March, 1948.

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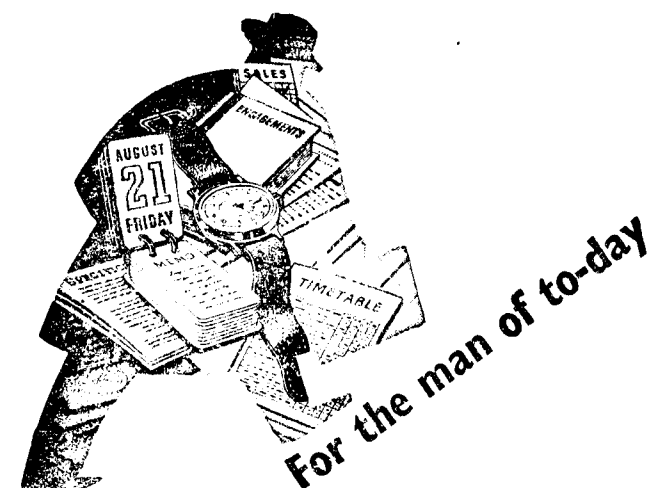
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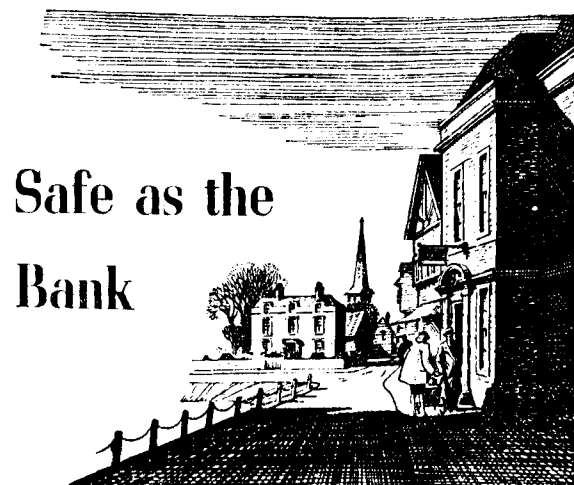
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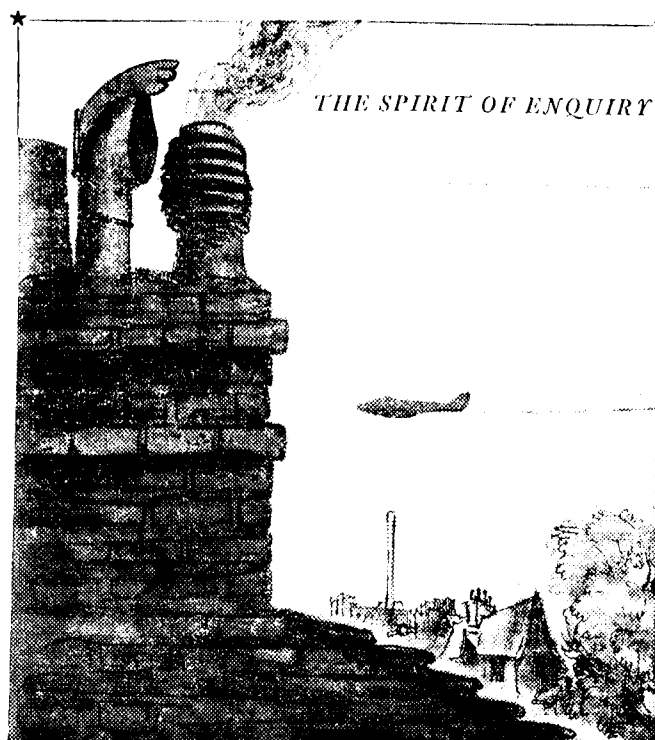
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THE CUNARD STEAM-SHIP COMPANY, LIMITED

STATEMENT OF THE CHAIRMAN

ACQUISITION OF CUNARD WHITE STAR SHARES

GROUP CONSOLIDATED ACCOUNTS FOR FIRST TIME

Mr F. A. Bates, chairman of the company, in a statement issued to stockholders for submission at the seventy-first annual general meeting to be held on the 28th instant, says:—

The report and accounts submitted to you on this occasion are, I think, of unusual interest to the stockholders and indeed noteworthy in the Cunard Company's long history. For the first time, we are enabled to present consolidated accounts for the whole of the group of companies whose capital is owned by the company in addition to the customary annual accounts of the Cunard Company. This has only been possible by the remarkable spirit of co-operation which has inspired the directors and staffs of all our companies to give you accounts in this form.

CHANGES ON THE BOARD

The directors of the Cunard Company presenting the report are the same as last year, with two exceptions. Sir Thomas Brocklebank, acting under medical advice, is curtailing for the present some of his business activities and has resigned his seat on the board, much to the regret of his colleagues. In Sir Richard Hopkins we welcome a new director already well-known to us for his valuable services on the board of Cunard White Star. There will be also present with us at the annual meeting some of the directors of the associated companies responsible for our combined trading results, now for the first time consolidated in one set of accounts by the skill of our grouped accountants.

Many of those most actively engaged in the direction of our affairs are men who have grown grey in the service of the shipping industry, and it is with great regret that I tell you that Mr Herbert Corry, who has been a director of the Port Line for over thirty years and chairman all through the war has decided to retire during May from the Cunard board of which he has been a director for nearly 22 years. He will then also be retiring from the board of Cunard White Star, but the Port Line will, I hope, prevail on him to retain his directorship of that line and to continue to give them the benefit of his long experience in that trade. Sir Arthur Cauty and Mr W. R. Roberts are also retiring in May from the board of Cunard White Star. I cannot speak too highly of their services to the Cunard White Star Co. from its formation until now, nor indeed of their personalities and organising abilities, which have been devoted to the service of British shipping all their lives. They have earned retirement by merit as well as seniority and we wish them well. While referring to age, I would like to say that it is abundantly evident that the value to a company like ours, of maturity and ex-

perience in matters of policy and direction, knows no limit solely by the years of a man. The advice of the older directors is of inestimable value in the work of our board and as chairman I can ill afford to lose their contribution.

ACQUISITION OF CUNARD WHITE STAR SHARES

Before commenting in detail on the accounts, I will refer first to a matter which last summer created a good deal of public interest, namely, the arrangements which resulted in the Cunard Company acquiring the whole of the share capital in Cunard White Star, Limited, of which previously we had owned only 62 per cent. For 13 years in the North Atlantic trade there has been a fruitful and smooth-working partnership within Cunard White Star, Limited, between the Cunard Company and The O.S.N. Realisation Company, Limited, together with certain interests of H.M. Treasury and the Government of Northern Ireland. This partnership, which was cemented by the early and difficult years through which we have passed, has ended, not because the Cunard Company asked for a change, but because the Realisation Company sought the fulfilment of its destiny—a right which could not be denied to it. When the approach to us was made, the circumstances pressing on the Realisation Company to seek retirement brought a grave responsibility to the Cunard Company to offer fair terms, so that the retirement might take place in concord and continuing friendship. The Cunard Company did not wish to gain an advantage at the expense of their partners, nor did the latter wish to lay an over-heavy burden on the shoulders of the partner that would be left to carry on the company in the future.

It will be remembered that the shares in Cunard White Star, Limited, were held as to 62 per cent. by the Cunard Company and 38 per cent. by our partners—and so, after considering all the bearings of the matter the Cunard directors laid down the principle that we would pay for this 38 per cent. of the shares at a price worked out on the book value of the assets in the Cunard White Star balance sheet at December 31, 1946. Thus was a round price of 40s. per share decided as the fair figure to complete the deal. In addition, we paid to our retiring friends the dividends in respect of the 1946 operations. In fact, the retiring partners received full value for the built-up strength, as exhibited in the balance sheet without inflation, while the Cunard Company retained all that might be called the built-in strength which a prudent company requires to meet its varying fortunes in the future.

The most enduring form of credit of a company is that quality of confidence engendered by the men who have made its

history and in this respect the Cunard Company is fortunate in finding itself well endowed, so when we desired to consummate the deal, our several bankers jointly gave us the necessary facilities. Our unsecured overdraft at December 31st last, as you see in the accounts, amounted to £4,881,300 after reduction by payments from our current resources, and by transfer to Cunard White Star, Limited, of real estate assets originally acquired by the Cunard Company primarily for the housing and conduct of its business on both sides of the Atlantic. At the time of the formation of Cunard White Star, Limited, in 1934, these large assets, here and in America, would have been transferred to that company together with the ships, but for the fact that their inclusion in the deal at that time would have disturbed the agreed percentages of capital as between the respective parties. The continued use by Cunard White Star, Limited, of these premises was secured by tenancy agreements, but from many points of view it is desirable that such properties should be in the ownership of the operating company. The Cunard Company's purchase of the minority shareholding of the operating company provided the occasion to effect this change.

Since the end of the year, the overdraft has been further reduced out of our current funds, to £4,581,300, at which figure it now stands.

CUNARD BALANCE SHEET

Turning to the Cunard balance sheet, you will observe the important and beneficial changes which have been brought into effect, firstly on the assets side by the purchase of the additional Cunard White Star, Limited, shares and secondly, on the liability side, by the financial co-operation of our associated companies in arrangements to cancel certain internal indebtedness as explained later.

On the assets side, our additional investment in 3,800,000 Cunard White Star shares has increased the book value of our holdings in subsidiary and other companies; and on the same side our real estate interests at home and abroad set up for the operation of the Atlantic business, have been transferred to Cunard White Star, Limited, as already explained. Independent and expert valuations were obtained in order to fix a sound and reasonable basis for the transaction. The difference between the book values and the transfer valuations has been used to write down our investments in subsidiary companies which now stand at £18,581,625 in the balance sheet.

On the liability side of the balance sheet at December 31, 1946, there was an amount of £3,700,000 representing loans from Port Line, Limited, and Thos. and Jno. Brocklebank Limited. It may be recalled that the Cunard Company borrowed this money in order to redeem the 5 per cent. mortgage debenture stock in 1942. These loans have now been cancelled for the purpose of simplifying the accounts and of reducing indebtedness within the group as circumstances make possible. As the book value of the subsidiary investments has always been on a conservative basis, the cancellation of the debts has been dealt with in the Cunard Company's balance sheet by transfer of the amount to reserve, the book value of these investments remaining unaltered.

CUNARD PROFIT AND LOSS ACCOUNT

In the profit and loss account the figures run on similar lines to those of the previous year. The item £17,005 on the right-hand side is a non-recurring profit in the books resulting from the sale of some overseas assets which we no longer required to hold for our business. The balance of profit for the year is £769,908 against £699,064 in 1946. It is proposed to transfer £100,000 to the reserve and £100,000 to contingency reserve.

**THE TELEPHONE AND GENERAL TRUST,
LIMITED**

THE ECONOMIC CRISIS

SIR ALEXANDER ROGER ON A VITAL TASK

The twenty-second ordinary general meeting of this company will be held, on the 12th instant, at Derwent House, 2, Arundel Street, London, W.C.2.

The following is an extract from the statement by the Chairman, Sir Alexander Roger, K.C.I.E., which has been circulated with the report and accounts for the year ended December 31, 1947:—

The profit amounts to £137,705, being an increase of £11,360. Dividends and interest received amount to £200,996, an increase of £19,947. After providing £6,000 for profits tax, as against £325 last year for National Defence Contribution, £62,000 for income-tax and £53,163 net for the preference and ordinary dividends of 7 per cent. and 8 per cent. respectively, £118,794 is carried forward as against £96,252 brought in—an increase of £22,542.

VALUATION OF INVESTMENTS

The valuation shows an appreciation of 33.76 per cent. on the figure of £2,139,987. Quoted investments as usual are valued at middle prices at December 31, 1947, and the unquoted investments, amounting to £738,268, mainly in the British West Indies, Portugal and Venezuela, are in the aggregate valued on what the directors consider to be a fair and reasonable basis.

TELEPHONE OPERATING COMPANIES

Portugal—The Trust became associated with the Anglo-Portuguese Telephone Company in 1927 when telephone stations numbered about 20,500. Today there are over 80,000 stations, and the demand steadily grows.

Venezuela—British telephone equipment is being despatched to Venezuela as rapidly as it can be manufactured, and the Trust and its connections are doing everything possible to assist the Nacional Company to meet demands, which show no sign of falling off. Stations in 1928 numbered about 11,200, and have increased to date to over 46,000.

West Indies—I am pleased to be able to record a year of steady progress in the telephone companies in Jamaica, Trinidad and Barbados and Tobago, in which we are so largely interested. In Jamaica, the company's application for increased telephone rates was approved by the Telephone Rates Board, and these were introduced at October 1, 1947. As a consequence, it has been possible to plan the development of the Jamaica company over the next five years. The Trinidad company has made excellent progress during 1947, and is a healthy and developing concern. In Barbados, the capital expenditure programme designed to relieve traffic congestion and to provide telephones for those on the waiting list is proceeding as rapidly as possible.

It is the constant endeavour of your directors to develop telecommunications in the West Indies; both within and between the islands and also internationally. We are ready to investigate the possibility of expanding our telephone business in other parts of the world, either on a concessionary or managerial basis, in both of which we have large accumulated experience.

The Economic Survey for 1948—the Black Paper—is truly a grim document. It admits that whatever we do in 1948 we cannot pay

SERVICE AND INVISIBLE EXPORTS

The facts relating to the development of our various services, which are briefly set out in the report of the directors, tell their own tale. The year has been one of great activity in all the trades in which we are engaged. There have been many difficulties to overcome as the ships have been introduced gradually into commercial service, but the reputation of our companies, I am glad to say, stands high with both passengers and freight shippers in all parts of the world. The staffs, both ashore and afloat—seasoned and skilled teams as they are—have given every evidence of their old skill and efficiency in meeting and satisfying the wants of our patrons and developing the interests of the group in the face of increasing competition. In this connection I am sure it must afford the stockholders no little gratification to realise that the operations of the group contribute very materially to the export drive and in national goodwill. The hard currencies and invisible exports which our ships earn are of inestimable value to the country's economy.

OPERATING COSTS

Among the problems we have to face in every trade are the heavy increases in expenses in all directions. Notably oil fuel has greatly increased in price and this factor alone will have considerable effect on voyage results during 1948. The continued delays in handling ships in port are another depressing feature with which we have to contend. To illustrate the consequence of these delays in our Indian trade the comparable picture is that in 1947 twenty ships made 33 round Indian voyages as against 60 similar voyages in 1938, notwithstanding that the sea speed of our modern ships has considerably increased. It is a serious fact that the major part of the delay occurs in our home U.K. ports.

PROSPECTS

Finally, you may wish me to say something about our prospects. A year ago I expressed the perplexity of the times by the question "and who would be a prophet?" Perhaps it is easier to practise foresight this April, because there is less fog when seas are stormy and there is no need to-day of prophetic gifts to enjoin a cautious outlook. It is a serious thing at any time to draw attention to the risks of one's trade, but particularly so when we may shortly be offering new shares to our stockholders. Nevertheless, I would be uneasy in mind if I failed to warn you of growing risks and dangers ahead, most of which are quite outside the company's control.

During 1947 there was a "low ebb" in passenger accommodation in relation to the peak demand for it and in all our cargo trades there was satisfactory employment. These factors have produced exceptional figures in our consolidated accounts, which would be unwise to take as a standard. 1948 is still likely to be exceptional, but in different ways, and its changing factors bear small resemblance to those of 1947. So different in fact are the circumstances that I do not feel able to attempt a prophetic comparison.

We have a big stake in the Atlantic passenger and cargo business. How big will be

Provision for pension funds at £310,000 is made up of allocations for different schemes by several companies in the group. The payment of £95,578 by the Cunard Company to which I referred earlier, is not included in this figure, because it was debited to that company's contingency fund.

With regard to the consolidated balance-sheet, the items are in form compiled from all the companies as though the group were a single company, and are largely self-explanatory.

The investments, £5,905,781, are almost all Government stocks. The tax reserve certificates, £2,914,000 are our preparation for paying the liability for taxes shown in the profit and loss account.

On the left-hand side, the mortgage loans, £970,639, are mainly on Cunard House in London and on the New York building at 25, Broadway. The small item £2,737 attributable to minority stockholders (with a counterpart item of £356 in the profit and loss account) represents small outside shareholdings in sub-subsidiary companies. They are insignificant figures and the fact that they have special lines of their own is evidence of our accountants' care in presenting these consolidated accounts.

UNITY OF OPERATION

When reporting on these matters, it is well to remind you that though this is the first year of union of the figures we have four years enjoyed consolidation of operations. The Brocklebank ships operate freely with those of Cunard White Star on the home-ward Atlantic berths and the Cunard White Star cargo ships are to be found in the ports of Australia and New Zealand, while Port Line ships are operated on the Cunard White Star berths in the Atlantic. The sum of this is that the co-operation between the associated companies is as excellent on the seas as in accounting, to the great benefit of all concerned.

TAXATION AND BUILDING COSTS

The figures in our consolidated accounts reflect the present financial strength of the company due to long continued and careful husbanding of our finances. But not so obvious is the danger inherent in the position when both constructional and taxation costs are alike swollen to their present degree. Ships are wasting assets and adequate provision out of the profits for replacement is as essential to a continuing shipping company as any other expense. But burdensome indeed is this essential provision when post-war replacement costs are more than doubled and the dues to the collector of taxes are as large as £4,160,418 shown in the consolidated profit and loss account. The handling of the tax liability is now a major problem. It must be remembered that the current depreciation allowed on our prewar ships against profits is less than half what is required for replacement at current building levels and on top of this factor, the renewal monies set aside and invested in earlier years have lost a great part of their buying value expressed in tonnage. Reserves are good, but if the reserve to buy a ton of shipping will only buy half a ton when expended, the reserve has lost its savour and twice as much reserve is needed.

When anyone assures me that the difficulties to the shipping industry arising from the 9s. in the £ income tax, plus profits tax, plus ever-expanding replacement costs, will be a figment of the imagination, my inclination is to consider the translation of "Expert's Creed" and to say to myself "You have been warned."

our way or avoid a further fall in our reserves.

The Prime Minister himself stated at least a year ago that the Government alone could not achieve success and that the job must be mainly one for industry itself, yet the ponderous growth of controls, licences, inspections, directions and red tape goes on relentlessly, and there are still today men in the Government who used to speak gleefully of the disappearance of our foreign investments and to sneer at the concern of experienced men about our export trade. The Economic Survey tells us much about our difficulties while being strangely silent concerning the Socialist failures and unredeemed extravagant promises. The continued upward trend in coal prices, the warnings of further rises in railway charges, and forecasts of rises in electricity prices, surely call for explanation.

The Survey also refers to the great changes which have been and must continue to be made in the pattern of our trade and in our lives, and it calls these changes "signs of progress." I should think that more than half the country would say they were signs of retrogression. There is very little reason why many steps now recommended by the Survey should not have been taken a year or more ago, especially while we still had our sheet anchor, the Washington credit. The results of Government policy can no longer be hidden from the nation, and no artifice can now cover the bankruptcy of their planning.

INFLATION DANGER

It is more than ever necessary to stop the inflationary rise in prices and wages which, while bringing no benefit to the worker consumer, greatly damages our prospects of selling at competitive prices in overseas markets. Every control or restriction which can be dispensed with should be boldly abandoned and, at the same time, every assistance which the Government can give by international agreements, currency pacts, tariff adjustments, etc., should be made available. Such a policy would help to free the industrial machine from much of the clogging deadweight of unproductive administration which has been set up in a vain endeavour to make the Socialist schemes workable.

The Socialists are perfectly right in advocating savings, but steps should also be taken to stop the Socialist campaign against the rentier, who largely consists and will in the future consist of men and women who save for a rainy day at much personal sacrifice. Savings should not be used by the Government for nationalisation experiments.

CO-OPERATION ESSENTIAL

This is not a time for more party politics, or for ideological partisan experiments, which divide the electorate into two camps; the necessity is for co-operation by men of all parties and all walks of life to save the country from an economic disaster which even war was not able to bring about. By all means let us have a plan—a plan free of party ideologies, but giving a clear lead to industrialists, manufacturers, directors, managements and workers which will enable them to work out themselves how they best may make use of their knowledge and experience so as to increase and accelerate the flow of goods to overseas markets and eventually to meet the needs of the home market so sadly starved of goods during the last ten years.

BRITANNIC ASSURANCE COMPANY, LIMITED

RECORD NEW BUSINESS, PREMIUM INCOME AND FUNDS

LARGER ALLOCATIONS TO POLICYHOLDERS

FUNDS NOW OVER £57,000,000

Mr J. A. Jefferson, F.I.A., presiding at the eighty-second ordinary general meeting, said:

The year 1947 was the most successful in the company's history from the point of view that new business, increase in premium income and increase in funds all reached their highest levels. The total income was £10,838,000—an increase of £711,000—while the funds at £57,597,000 showed an increase of £3,846,000. The sums assured in force at the 1947 valuation were approximately £150,000,000. The total claims paid to date amount to £79,213,000.

The valuation was greatly strengthened, and the sum allocated to policyholders was the largest in the company's history. After the 1940 valuation, I was proud to report that we had valued both life branches at 2½ per cent. interest, which was a big forward step. This year, we have gone further along the road of financial strength by valuing both life branches at 2 per cent. interest.

ORDINARY BRANCH

During 1947 over 20,000 policies were issued in the ordinary branch, assuring £8,011,000. The premium income increased by £271,000 to £2,726,000, and the fund by £1,694,000 to £20,642,000. In all three respects—new business, increase in premium income, and increase in funds—1947 was a record year and the £20 million funds form a notable milestone.

The net rate of interest was £3 4s. 5d. per cent., while the expense ratio of 13.29 per cent. was moderate, and only slightly above the prewar rate despite the much larger amount of new business.

The average sum assured of new policies continues to increase, and last year was £390. The new business shows a marked increase in policies of £1,000 and over; in fact in 1947 no less than £2,800,000 of the new business was in this group.

INDUSTRIAL BRANCH

The premium income in the industrial branch amounted to £5,968,000, the increase over the previous year being the record one of £408,000. The fund at the end of the year was £31,642,000, having increased by £2,110,000.

The net rate of interest was £3 15s. 3d. per cent., while the expense ratio at 27.42 per cent. was .27 per cent. below that for the previous year. We regard this as very satisfactory in a year when a record increase in premium income was achieved.

The Industrial Assurance and Friendly Societies Bill has been made necessary by the inclusion of a death grant in the National Insurance Scheme. Under the Assurance Companies Act, 1909, and the Industrial Assurance Act, 1923, powers were granted to the Industrial Assurance Offices to issue policies to persons desirous of insuring near-relatives for the purpose of covering funeral expenses. The amount for which the policies might be issued had to be reasonable, and now that a sum of £20 is being provided under the National Insurance Scheme, it is logical that some restriction should be placed

on the issue of these policies. The Bill limits the issue of such policies to the children, step-children, or grandchildren of the life to be assured, and limits the total sum for which such a life may be assured by any one proposer to £20. The proportion of funeral expenses business has been gradually declining for many years past. Last year our new premiums in the industrial branch consisted of 80 per cent. endowment assurances, and 20 per cent. whole life assurances. None of the endowment assurances, and only about a half of the whole life assurances were effected for funeral expenses. This means that only a tenth of our total new premiums was in this class. Frankly, if we did not transact any funeral expenses business, I do not think it would have any adverse effect on the company.

MORTGAGES

Mortgages have increased by just over £1,000,000 to £4,500,000. This represents a net increase in our house purchase advances linked with life assurance protection. We have been operating this scheme for forty years, and have assisted over 20,000 people in buying their houses by advances totalling over £10,000,000.

Some people who spend their time planning how others should live, deprecate the desire of a thrifty man to own his own house. The global figures of monies advanced by offices like ours and the building societies show conclusively that these planners do not represent the general view.

BRITISH GOVERNMENT SECURITIES

An increase of £438,000 in British Government securities is the next item for comment. I would remind you that on January 5 last year 3 per cent. Local Loans were redeemed at par, and the Government offered in exchange 2½ per cent. Treasury stock. We held £700,000 of 3 per cent. Local Loans, and had we converted we should by now have suffered a capital depreciation of more than £140,000—not, I submit, a very gilt-edged transaction, or one that would have helped our millions of working-class policyholders. I do not claim any credit for the fact that we were not "caught out" by this piece of market "rigging," and towards the end of the year, when it appeared that the 2½ per cent. goal had definitely been abandoned, we invested some money in the gilt-edged market.

NATURAL RE-ADJUSTMENT OF ORDINARY SHARES PRICES

Last year I made the statement that many ordinary shares then appeared to stand at prices "unjustified by past records and future prospects." The truth of that can now be demonstrated by these figures from the Actuaries' Investment Index:—

Ordinary Shares	Price Indexes	
	Feb., 1947	Feb., 1948
Bank and Discount companies	128.6	109.4
Insurance companies	138.5	109.3
Commercial and Industrial companies	160.6	144.7

What you have been seeing is just what was expected, and is a natural re-adjustment towards more normal values from an artificially created peak. To select ordinary shares

under these conditions is no easy task. One must take a favourable view of the country's long-term prospects—if one doesn't one might as well "shut up shop"—and one must have a prospect of a reasonable yield in the immediate future that will carry us through any period of painful adjustment in our national economy. Bearing all these factors in mind, we did, during 1947, increase our holding of ordinary shares by £1,602,000, bringing up the ratio of our assets under this heading to 14.6 per cent.

Although a valuation of our securities by today's lower prices still shows a considerable margin over book values, you will not be surprised, in view of what I have just said, that we are again increasing our investment reserve funds by £275,000, bringing them up to £3,800,000.

EFFECT OF NATIONALISATION OF INTEREST EARNINGS

Next year our interest earnings will be affected by the conversion of our holdings of railway, electricity and gas stocks into Government securities. The drop in revenue will not be quite so severe as I anticipated last year, when 2½ per cent. appeared to be the rate the Government were aiming to give us, but it will nevertheless be quite substantial. One man's loss is usually another's gain, but I have as yet failed to discover who has gained by these transactions.

ORDINARY AND INDUSTRIAL BONUS ALLOCATIONS

Out of the ordinary branch surplus we have allocated £342,293 to declare a bonus addition to all with-profit policies in force at December 31, 1947, of £1 per £100 sum assured. The allocation to policyholders a year ago was £287,831.

Out of the industrial branch surplus we have allocated £400,000 to policyholders, and the present bonus scheme is continued for a further year. This year's allocation of £400,000 compares with £330,000 a year ago.

We continue to increase our business in the fire and accident branch, and the premium income of £435,000 was £47,000 greater than that of a year ago. There was a profit of £11,560 for the year, compared with £9,160 in 1946.

NATIONAL AMALGAMATED APPROVED SOCIETY

1947 was the last full year of operation of the National Amalgamated Approved Society, with which we have been associated for National Health Insurance since 1912. The work of the Society is to be absorbed gradually by the Ministry of National Insurance, and so we shall no longer be assisting to provide a home service to the 3,542,000 members of the National Amalgamated Approved Society.

As the existence of the National Amalgamated Approved Society draws to a close, we view with pride the grand work the Society has performed for the benefit of the insured person. Tribute has already been paid to the quality of this work by successive Ministers of Health and National Insurance, and we shall maintain that quality in the best traditions of the Society until the end. It is with much regret, coupled with serious doubts as to the wisdom of the change, that we face the termination of our 36 years' association with this great scheme of social insurance.

STAFF PENSION FUND

We have again transferred the sum of £175,000 to the staff pension fund. These transfers year by year express to the staff, in a very practical way, our appreciation of the excellence of their work and of the spirit in which it is invariably carried out. The results which we have been able to place before you would not have been possible, but for the continuance of that happy relationship between the board and all sections of the staff which is a tradition of this company.

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

SUCCESSFUL RESULTS

RECORD NEW BUSINESS

SIR GEORGE BARSTOW'S REVIEW

The ninety-ninth annual general meeting of this company was held, on the 1st instant, at 142, Holborn Bars, London, E.C.1. Sir George Lewis Barstow, K.C.B., chairman of the company, presiding.

The Chairman, in the course of his remarks, said:—

RETIREMENT OF A DEPUTY CHAIRMAN

I have first of all an announcement to make which I am sure you will all hear with great regret. Since the report was issued to shareholders, Mr Guy Harben, O.B.E., has found it necessary, in view of his continued ill-health, to resign his seat on the board.

Mr Harben has been a director since 1918 and a deputy chairman since 1936. He and his family have served the Prudential with great distinction since its foundation. He will be greatly missed here, where his many fine qualities have endeared him to all. We hope that he will be restored to better health during his retirement.

In the ordinary branch the number of policies issued during the year, including overseas and group life business but not group pension business, was 169,000, compared with 145,000 in 1946, assuring sums of £99,700,000 compared with £73,200,000. Of the total new sums assured in 1947 the home business produced £77,500,000 compared with £53,200,000 in 1946, and the overseas business produced £22,200,000 compared with £20,000,000. The average sum assured per policy for the home business further increased from £446 to £512.

In the industrial branch the number of policies issued during the year was 2,166,000 compared with 2,231,000 in 1946, assuring sums of £103,500,000 compared with £101,900,000. The average sum assured per policy further increased from £45 to £47.

LIFE ASSURANCE AND THE NATION'S PROBLEMS

Last year I commented in my speech on the fact that some of the excess of purchasing power over the amount of goods available was finding a healthy and non-inflationary outlet in life assurance. This factor continues to operate and I have no doubt accounts, at least in part, for the record new business in 1947.

The country is engaged in a stern economic struggle. Apart from the external difficulty of earning dollars, there are two primary internal problems: the physical problem of increasing production to satisfy the desire for consumption; and the financial problem of absorbing the excess of monetary purchasing power over the value of goods available. While life assurance may have little part to play in the first of these two, it has an important part to play in the second.

The significance of life assurance business in counteracting any inflationary trend is perhaps not immediately apparent. It is true that the premium income from a single year's new business may not be large when measured as a proportion of the national income, but it should not be forgotten that life assurance represents long-term saving. The cumulative result of successive years of new business soon becomes substantial and has an appreciable stabilising effect on the national economy.

INVESTMENTS

I expressed the opinion last year that the cheap money policy had been carried to

excess, and it now seems that the Government have been forced by events to take a similar view. The fall in prices consequent upon the change in interest rates has of course reduced the substantial margin by which the market value of our investments exceeded their ledger value at the end of 1946. It is, however, more important to the prosperity of an expanding life assurance company that its new money should be invested at a reasonable rate of interest than that there should be substantial appreciation on its existing investments.

The movement to a 3 per cent. long term basis was confirmed at the beginning of the present year when the Government issued the 3 per cent. British Transport Stock to holders of Home Railway securities. Such a rate of interest was not foreseen a year ago and, in consequence, the income from our holdings of these securities will not suffer as great a decrease as I then indicated. Nevertheless, the total reduction in our interest income as a result of the full implementation of the Government's nationalisation programme will be considerable.

During 1947 there were greater opportunities of obtaining investments on reasonable terms outside the gilt-edged class and as a result our purchases of British Government securities have not been so great as in recent years. These securities now stand in our balance sheet at £244 million, only £1,670,000 more than a year ago, and the percentage to total assets has declined from 51.5 per cent. to 48.7 per cent. On the other hand, our holdings of the nationalised railway and electricity stocks, amounting to some £25,000,000, still appear under their old headings in the balance sheet now before you, as they did not become vested in the Government during 1947. This nationalisation involves a compulsory transfer of investments of that amount into British Government securities.

EFFECTS OF NATIONAL INSURANCE LEGISLATION

Consequent upon the new scheme of National Insurance, several changes affecting our business are imminent. The Prudential Approved Societies, which since 1912 have administered National Health Insurance, will come to an end during this year, when their functions will be taken over by The Ministry of National Insurance. Although we hope that our members will continue to receive satisfactory service, I am confident that the Ministry will find it difficult to improve upon the standard we have always maintained.

The anticipated legislation affecting industrial assurance, consequent upon the incorporation of a death grant in National Insurance, has now been introduced. Under the Bill now before Parliament the powers to issue funeral expense assurances will be withdrawn, but the right is substituted to insure the lives of parents and grandparents to the extent of £20. The existing legislation regarding children's assurances is also being amended. Certain other provisions of the Bill will involve alterations in our administrative procedure, and their effects are being closely examined.

ORDINARY BRANCH

In the ordinary branch the premiums were over £25,000,000, an increase of £4,200,000. The total sums assured in force, including bonuses, exceeded £484,000,000; the actuarial liabilities exceeded £173,000,000. The

death claims amounted to £2,900,000 and claims by maturity of endowment were £8,200,000.

The expenses were 15.83 per cent. of the premiums as compared with 17.01 per cent. for the preceding year.

The surplus in the ordinary branch, including £482,687 brought forward from the previous year, is £3,587,517. The allocation of this amount is set out in the directors' report. The directors have declared a reversionary bonus of £1 per £100 sum assured on participating policies in force on December 31, 1947.

OVERSEAS LIFE BUSINESS

Included in the ordinary branch figures to which I have just referred are sums assured and bonuses in force of £123,000,000 in respect of overseas life business, that is to say, about one-quarter of our total ordinary branch business. Progress in the territories overseas in which we operate continues, in general, to be highly satisfactory.

INDUSTRIAL BRANCH

In the industrial branch the premiums were £35,600,000, an increase of £3,600,000. The total sums assured in force, including bonuses, exceeded £862,000,000; the actuarial liabilities exceeded £292,000,000. The death claims amounted to £9,600,000 and claims by maturity of endowment were £7,800,000.

The expenses were 24.84 per cent. of the premiums, as compared with 25.59 per cent. for the preceding year.

The surplus in the industrial branch, including £1,029,611 brought forward from the previous year, is £6,998,376. The allocation of this sum is set out in the directors' report.

The directors have declared a reversionary bonus at the rate of 16s. per £100 sum assured on participating policies issued by the Prudential which were premium-paying policies on December 31, 1947. This bonus is subject to completion of payment of one year's premiums.

GENERAL BRANCH

The exceptional growth in business to which I have referred in the life branches has been paralleled by a record increase in the general branch premium income from £4,448,000 to £5,487,000. The 1947 figure was more than double the 1938 figure of £2,692,000.

The surplus for the year before the inclusion of the sum brought forward is £177,000, compared with £217,000 for the year 1946.

The underwriting results in the separate accounts showed considerable variations from the previous year.

The fire account, which comprises nearly half of our general branch business, suffered abnormal losses in 1947. Included in these losses were heavy claims under insurances against flood risks included in certain fire policies.

The sickness and accident account and the marine account continue to show favourable results. The employers' liability account produced a small profit compared with a loss for the previous year. The profit in the miscellaneous account was considerably higher than in any of the three preceding years, but the motor account against disclosed a substantial loss.

The total underwriting profit for 1947 is £206,000, compared with £223,000 for 1946.

On turning now to the other items in the profit and loss account, it will be seen that interest has increased, that items of arrears of interest and accrued interest appearing in the 1946 accounts are non-recurrent, that profits tax has increased and that income tax has decreased. The decrease in income tax is due partly to the very heavy increase in profits tax, which falls to be treated as an expense for income tax purposes, partly to a non-recurrent tax relief of £25,000 and partly to reduced profits. The final result, after excluding non-recurrent items, is a decrease of about £15,000 in the true net profit.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 24 per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.) (i) To latest redemption date. † Free of tax.

hour traffic by cutting fares? And if it is admitted that "postalisation," the disregard for particular purposes of the cost-price nexus, can thus be a convenience of genuine economic value, then the door is opened to just those vague considerations of "public benefit," "national interest," and so on, on which Professor Jewkes (and the ultra-liberal school in general) pour such scorn. There are areas, in fact, where the frontier needs to be drawn with reference to the relative costs of operating the price system in its full nicety of detail (say with an auction, at the platform gates, of tickets for the "Bournemouth Belle") and of working the cruder, but less time-wasting, device of arbitrary commonsense decision.

★

Enough has been said to show that the extremist case for laming all Government economic activity outright and pushing its frontiers back into the sea is, at least, unrealistic. But the exact drawing of any frontier is, as postwar statesmen have painfully found out, considerably less important than a proper relationship between the entities on both sides of the frontier. In the last resort, Professor Jewkes's quarrel, and the quarrel of other sensible people far less Right-minded than he, is not with the attribution of any particular region or function to the sphere of Government planning; it is with the claim of the planners to exercise detailed authority, at their own convenience, wherever they choose. Eighty per cent of economic

activity in Great Britain, as Mr Morrison has said, remains in the hands of private enterprise; but the degree of its independence is just about comparable to that of the satellite states east of the Iron Curtain. Business men outside the nationalised industries may retain their trade name on their notepaper, as Rumania or Bulgaria retain a national flag; but their activities are as subject to veto, their judgment as liable to supersession, their essential supplies and markets as dependent on the good will of the predominant Power, and their separate existences as precarious, as those of any Soviet ally. Under no definition can this be described as freedom.

That the state must have ultimate authority goes without saying. But the planning machine is a lesser thing than the state. Its business is to plan within its own limits, beginning with a monetary policy which does not frustrate both its own plans and those of the public; to have the courage of its own expertise, without respect of persons or of pressure groups; and to remember on the other hand, with due humility, that plans are made for men and not men for plans. Its expedient frontiers are not immutably fixed by supernatural wisdom. They may expand; they may quite possibly shrink. What is essential is that they should conform to present realities, and that beyond them liberty, under the rule of law, should be genuine and not a sham. Freedom and planning can co-exist; but the prime conditions of that harmony is that planners shall respect freedom—and know when to keep their hands off.

The Economy of Europe

WHEN the third session of the Economic Commission for Europe opens at Geneva on April 26th, it will have on its agenda the consideration of the Report on the European economic situation prepared by its Research and Planning Division. In one sense this lucid and exhaustive survey says little that is new, since the gravest economic problem facing Europe—the profound disequilibrium in its balance of payments—has been under the researcher's microscope for the last nine months, but in pursuing its analysis, the Report reaches clearer and better documented conclusions on the nature of the problem and suggests more apparently practicable methods of meeting it than any previous survey has been able to do. In particular, it brings out with alarming clarity the most disturbing feature of the disequilibrium—its potential permanence.

The pattern of multilateral trade that was created before the first World War and continued to be the basis of prosperity until the second was based primarily on three factors—the first was the large income derived by the European nations in general and by Great Britain in particular from overseas investments and from such invisible items as shipping. In this way, for the two years 1919 and 1920 taken together, Europe earned \$4 billion (at today's rates), Britain's share being about \$2½ billion. This cushion of investment enabled Europe to afford a surplus of imports over exports which in the two years after the first war was in the neighbourhood of \$12 billion—a figure about as great as the deficit for 1946 and 1947.

The second factor was the trading relationship of Europe with Germany and Britain. Germany's balance with the rest of Europe was almost invariably favourable, whereas Great Britain consistently imported more from the European nations than it exported to them. Their prosperity was therefore based in part on their ability to buy German goods—of which the bulk were the products of heavy industry—and to offset the deficit by their trade with Britain. The third factor was a similar relationship in world trade. Europe did not balance its trading account with the United States, but had a surplus with the rest of the world, while the rest of the world tended to export more to the United

States than it imported from there. In this way a species of triangular balance was maintained.

The most disconcerting fact about the aftermath of the second World War is, as the Report clearly brings out, the almost complete disappearance of these three essential features of the pre-war trading system. The period after the 1914-1918 war in many ways resembled the present troubled times. There was the same vast surplus of imports over exports. Then as now productivity fell. Then as now inflation distorted the nations' economies and aggravated the tendency to import more and export less. But the reason why the crisis is more serious and more apparently insoluble today is that the foundations of the old system have crumbled. Europe's income from overseas investments, shipping and other invisibles has dwindled away. In 1946 and 1947 it was a minus quantity, the deficit running at the level of \$1.4 billion. As shipping is restored, tourism begins again and emigrants' remittances start to flow, the income derived from invisible items will certainly rise a little, but Europe's overseas investments cannot be recreated—at least not quickly. There the change is almost certainly permanent.

This fact helps to explain the second fundamental change—the disappearance of the European balance between Germany and Britain. Britain can no longer afford large adverse trade balances. In 1946 it exported to Europe more than it imported. As for Germany, its elimination is the chief cause of lowered levels of production, of bottlenecks and disintegrated trade relationships in Europe. The fact that Eastern European nations have participated in the drafting of the Report has not led it to minimise the catastrophic consequences for Europe of Germany's collapse.

The last factor—the old triangular balance between Europe, other non-European areas and the United States—has also vanished. Not only has Europe a gigantic deficit with the United States. The non-European nations have an equal one and there can be no question for years to come of Europe earning dollars by selling to nations with a dollar surplus. All are equally indebted and equally in need. And the likelihood that this

represents a permanent trend is shown by the fact that the proportion of United States imports from any country to its own productive capacity has declined sharply since the first World War. Producing more and buying relatively less is an unmistakable trend in the American economy.

From this analysis certain conclusions follow which the Report underlines, either explicitly or by implication. Europe must achieve a balance in its trading accounts. So much is clear, but should it be achieved by cutting imports or by expanding exports or by increasing production or by what proportions of all three? The Report analyses the character of Europe's present imports and finds that in the categories of foodstuffs and industrial raw materials, a percentage (of which the bulk comes from the United States) belongs to the category of relief shipments and may be expected to decline as European production, which at present, largely because of Germany's ruin, is nearly 20 per cent below the prewar level, recovers its normal output. Another category—heavy equipment—may also decline when the exceptional period of postwar reconstruction comes to an end. But even when these favourable developments are allowed for, the loss of overseas investments, the destruction of capital in Europe and the growth of about 5 or 6 per cent in the population make a return to the prewar pattern of imports and exports improbable.

What then can be done? The Report examines the possibilities of expanding exports and believes that only in the category of heavy industry can a really large increase be secured. Any sufficient contraction of imports is still more difficult, since the food and raw materials habitually imported are the basis of the European economic system; but any expansion in European-grown food and in European production of coal, iron and steel and timber would ease the strain. And the category of imports of manufactured goods could be drastically cut, if the proposed expansion in European heavy industry took place. That German recovery is an essential part of this programme is not underlined, but is implicit in the Report.

This main thread of inquiry—the origins, nature and possible cure of Europe's disequilibrium—is naturally accompanied by a number of supporting studies, some of which break relatively new and interesting ground—for instance, the comparison of the "terms of trade" for Britain and for Europe respectively and the analysis of the impact of inflation upon the nations' internal economy and foreign trade. Altogether the Report is a sober, comprehensive and, within the limits imposed by the doubtful character of many Governments' statistics, a reliable piece of work. But many critics, while admitting its academic value, nevertheless regard it as a waste of time and energy. What is the use, they argue, of discussing Europe as a whole when Europe is irrevocably divided? Why keep a large Commission in being in Geneva when no Government will either listen to or act upon its recommendations? Inevitably, when

the Report comes up for detailed discussion at the end of this month, not only its substance will be called into question, but also its *raison d'être* and that of its parent body, the Economic Commission for Europe.

Admittedly, the Commission was not designed for a divided Europe in which one half would be undergoing reconstruction with dollars on a basis tending towards free enterprise and the other with roubles on the basis of total control. It is perfectly legitimate to question whether, in the conditions of 1948, the attempt to maintain the fiction of a single Europe is worth making and whether, if it is not, there is any useful role for the Commission to perform. The Commission's critics have two main arguments. On the one hand, there is the practical circumstance that the supply of competent technicians, economists and analysts capable of supplying the data for reconstruction in Western Europe is far too limited to permit any diversion of resources to Geneva. The experts at Geneva should, so the argument runs, be withdrawn and set to work in the domain where not only analysis but action will be possible.

The other argument is wider and consists simply in the belief that continued contacts, even trade contacts, with Eastern Europe weaken the West and should all be broken off. This second argument is clearly decisive one way or the other. Is or is not Eastern Europe to have any economic part to play in the West's Recovery Programme? A glance at the Paris Report gives the answer. Active trade with Eastern Europe was there assumed as one of the prerequisites of the Western plan. In one crucial sector—coal—Polish exports are the key to achieving Western targets of production. In another, timber, an expansion of Eastern output could revolutionise the construction programme of the West. And in the vital question of European food supplies, there is little hope of restoring prewar standards of diet to an increased population without a revival and expansion of the traditional food exports from the East. And these economic arguments are reinforced by the political argument—that the Western Powers are determined to maintain, especially within the framework of the United Nations, whatever peaceful contacts they can across the barriers in Europe. It is Russian, not Western, policy to impose isolation.

If this is the case, there is a strong case for maintaining the Commission at Geneva and making use of its undeniable competence. Rightly used, it can do much of the economic intelligence work for the Continuing Organisation, particularly where problems of Eastern European production are involved. Should its objectivity or its reliability at any time decline, a new policy would be necessary, but meanwhile there is everything to be said for establishing regular links between Geneva and the Continuing Organisation in Paris, using the Commission wherever practicable, maintaining its functioning machinery of allocation and ensuring that as far as possible the resources of both Eastern and Western Europe are drawn into the struggle for recovery.

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Local Government Reform

THE second annual report of the Local Government Boundary Commission (HMSO, 1s.) contains a plan for the complete recasting of local government units in England. Wales is left for further consideration, and Scotland, having a distinctive system of its own, is not covered. Local government is the chosen instrument for administering the great bulk of the nation's social services and many of its public utilities. Upon its proper functioning depends not only their efficiency but also the maintenance of the vital democratic principle of local self-government. But at present it is under a great strain, with duties piled upon it by an impatient Parliament in excess of its ability to execute them. To some, the strain itself is an argument against initiating reform at present. But unless reform is undertaken promptly, the local authorities will find their functions taken right out of their hands—as has happened with health and public assistance—and entrusted to new centralised services whose local roots are shallow and whose democratic accountability is at best remote. If life and vigour can be restored to local government, it will be well worth while.

The Commission, one member dissenting, states quite frankly that, without a considerable extension of its powers and a fresh authorisation from Parliament, it is unable to perform its statutory function of creating "effective and convenient units of local government administration." It then proceeds to set out in some detail the plan of reorganisation which it would introduce if authorised to do so. This plan represents a fine achievement in the admixture of reforming zeal and political realism. Some drastic changes are involved, but these are framed in a way that should cause the minimum of discontent among the existing local authorities, and do the least possible harm to tradition and sentiment. The plan, therefore, has some chance of winning Parliamentary acceptance. But this strength is also its weakness. While the proposed new system is undoubtedly an improvement, it contains failings of its own which might become fatal with the passing of time.

The top authorities of English local government in the present system—those that have no authorities above their heads but the state itself—are the 80 county boroughs and the 49 administrative counties. The county boroughs are "all-purpose" authorities, administering all services within their boundaries and having no common administration with the counties surrounding them. The counties, on the other hand, are "two-tier" authorities, sharing their authority with the municipal boroughs, the urban districts and the rural districts beneath them. The chief defect in the system is the enormous variation in the size of these "major authorities," the county boroughs ranging from 1,085,000 to 25,000 and the administrative counties from 2,270,000 to 18,000. As a result, many of these major authorities are far too small for efficient administration.

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The Commission's main object has been to reduce these extremes of population. To get an efficient operating unit for the major services, and the rateable value to pay for it, necessitates a certain minimum of population. As services become more specialised and more costly, the desirable minimum rises. The Commission have put it at 200,000—they could hardly have chosen a lower figure, and most administrative experts would have gone higher. Their proposal is that the whole of England should be redivided into 67 new counties, none of which should have a lower population than 200,000. Twenty of these would be "one-tier counties"—that is to say, large towns whose status would be precisely the same as that of a county borough today. The remaining 47 new

counties would be administered on the two-tier system, with lesser authorities beneath them.

This is a sound starting-point for reform. It enables the number of major authorities to be halved from a total of 129 counties and county boroughs to a total of 67 two-tier and one-tier counties, to the general benefit of administrative efficiency and financial solvency. It does this without destroying the map of England, for the only administrative counties which would disappear are Herefordshire (united with Worcestershire), Rutland (to Leicestershire) and the tiny units of the Isle of Ely, Soke of Peterborough, and Huntingdon (joined with Cambridge). In addition, the two present divisions of Suffolk would be re-united and the three "Parts" of Lincoln reduced to two administrative counties, and Westmorland would be joined to the northernmost part of Lancashire. At the same time, the plan enables the virtues of all-purpose government—that is, one authority running all services—to be preserved in some of the largest towns. But just as there is to be a minimum population for an all-purpose authority, the Commission also argues that an all-purpose authority is normally too large and remote from its citizens if it exceeds 500,000 population (Birmingham is allowed to be an exception to this rule). Its chief practical problem was how to treat the great provincial concentrations of population and industry, such as Merseyside and the Black Country, where joint administrative needs and closely related housing and planning requirements point to a two-tier form of government, with a single major authority for each conurbation. The difficulty facing the Commission was that while some large cities, such as Manchester or Liverpool are not unwilling to forgo their present all-purpose form of government in the interest of forming a centre for the surrounding region, others—such as Sheffield or Bradford—emphatically oppose the idea. Moreover, there is the practical difficulty of what constitutes a conurbation. For instance, the industrial grouping of the West Riding of Yorkshire is less closely concentrated than that of South Lancashire, while in the Commission's view—but contrary to the opinion of a prewar Royal Commission—the North and South banks of the Tyne do not require joint treatment.

The Commission has therefore treated the problem on an empirical basis. It suggests that Lancashire (except the northernmost part) and North Cheshire should be divided into four two-tier counties, two of them concentrated on Manchester and Merseyside and the other two consisting of the mainly industrial portions of central Lancashire. (These proposals are illustrated in the accompanying map.) The Black Country would also be turned into a new two-tier county of South Staffordshire. In Yorkshire and on Tyneside, on the other hand, the large towns of over 200,000 population would be left on their own as one-tier counties. Greater London is effectively outside the Commission's terms of reference.

Despite its respect for varying local conditions and local feelings, it may be doubted whether this treatment takes a sufficiently firm hold of the pressing problems of the provincial conurbations. For one thing, the Commission has too timorous a distaste for large units, arguing that even a two-tier county should not (outside London) exceed 1,000,000 population. On this basis, it prefers its own plan to the better scheme of dividing Lancashire into three counties, and it insists on dividing the West Riding of Yorkshire, bringing into existence a "South Riding." It also, on somewhat flimsy evidence, allows to Tees-side what it denies to Tyneside, and includes the whole of it inside Yorkshire, thus enlarging the resources of the North Riding.

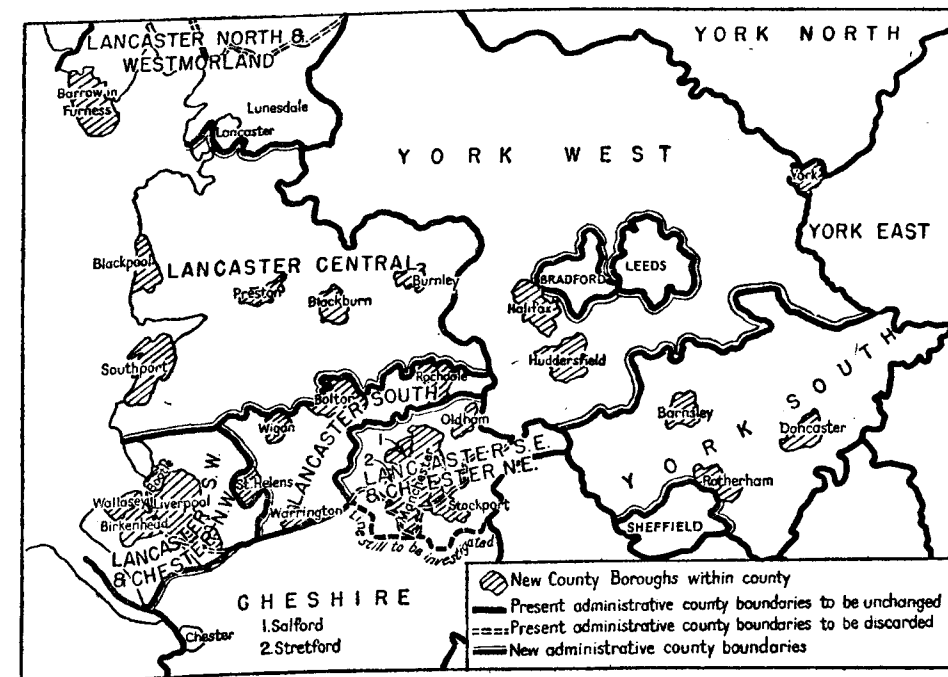
The complete picture thus involves the elimination of seven counties, most of them indefensibly small units, and the insertion of five new two-tier counties. This is not a proposition to antagonise a majority of the existing counties—indeed it represents an extension of the two-tier system. The case is different, however, with existing county boroughs, three-quarters of which would, under the Commission's proposals, cease to be all-purpose authorities. The only ones left in full possession of their autonomy, and rechristened "one-tier counties," are the large towns of over 200,000 population (other than Liverpool and Manchester). Although the list of these has been drawn generously, to allow for desirable boundary extensions, it comprises only 17 members (outside three doubtful towns in Greater London), namely, Birmingham, Bradford, Bristol, Coventry, Derby, Hull, Leeds, Leicester, Newcastle-on-Tyne, Nottingham, Plymouth, Portsmouth, Sheffield, Southampton, Sunderland, with the Potteries (Stoke-on-Trent and district) and Central Sussex (Brighton and district).

These towns have every reason to feel satisfied. But if the plan was left at this, the other existing county boroughs would

strongly object and very likely secure its rejection. To meet the case of the medium-sized town, a new category of local authority is introduced by the Commission, occupying a privileged position within the framework of two-tier county administration, and called, cunningly but confusingly, by the old title of county borough. This new-style county borough is described as a "most-purpose authority"—that is to say, it would

be under the administration of the surrounding county for certain major services including police, fire brigades, and for certain aspects of town and country planning, but it would be a completely independent authority for education and health. The lower population limit for this new sort of "county borough" is put at 60,000, thus enabling all but seven of the existing smaller county boroughs to qualify (and all of these existing smaller county boroughs, would have their case further investigated) together with eleven other towns which do not at present enjoy the status of county boroughs. The total number of new county boroughs would initially be 63.

This ingenious idea, by making a bid to appease the medium-sized towns as well as the big cities and the existing counties, may make the decisive difference to the plan's acceptability. Nevertheless it will create serious weaknesses and dangers in two-tier county administration. It will reduce the minimum administrative unit for education and health to one of 60,000 population—quite contrary to the view of the experts. It will seriously weaken the counties' administration of these and other services in areas outside the county boroughs. Indeed it will mean that the area coming under the full control of the county will, in very many cases, be smaller and more awkward than at present. It will not, as the Commission hopes, put an end



to the struggle between different types of local authority, for the counties will have to resist the encroachments of both one-tier counties and new "county boroughs," actual or aspiring. Indeed many towns are already encouraged to hope that it will be easier to get county borough status of the new variety than of the old. Finally, the unevenness in power and prestige between the new-style county boroughs, who will have considerable independence, and the other authorities within the counties—municipal boroughs and county districts—who as now will have very little to do, will be cause for much jealousy and dissatisfaction. To take one instance, presumably under the plan the inhabitants of the county borough of Reading would elect a third of the members of the Berkshire County Council, even though their interest in the efficient administration of the county would be limited to the police, the fire brigades and part of town planning.

In brief, the chief weakness of the Boundary Commission's plan is that it tries to please too many existing authorities—with the result that, just like the 1888 Act, it may beget further unprofitable struggles among local authorities and become somewhat weak and anomalous within a short space of time. It is also a weakness—though it would be unfair to criticise the Commission for not going still further outside their terms of reference—that the report says virtually nothing about finance. The basic dilemma of local government to-day is that an increasingly large part of its activities has to be financed by grants from the central government, with a consequent divorce between administrative responsibility and ultimate authority. The Commission quotes the Minister of Health to the effect that it is nonsense to talk about boundaries without talking about functions, and it might have added that it is nonsense to talk about functions without talking about finance.

Nevertheless, even when these things are said, the Commission's plan for a new upper tier is vastly preferable to the existing position. It is in the plan for the new lower tier of authorities that the chief weakness emerges. If the new category of "most-purpose" county borough was to be introduced at all, it should surely have been confined to towns of over 100,000 or 150,000 population—otherwise the fabric of county government will again slowly be destroyed. But the real task in this direction—that of securing a more homogeneous lower tier of authorities with some worthwhile jobs to do—is not properly tackled, except in the vague suggestion that there should for each county be a scheme of delegation of functions to its constituent county districts.

To conclude, this is an important report. It is better that the Government should implement it completely rather than do nothing. But it is very much better that the Government should have the courage to turn the half-vision of the Commission into a fully effective scheme of reform.

The Foreign Assistance Act

(A Summary)

THE Foreign Assistance Act of 1948, passed by Congress and signed by President Truman on April 3rd, is primarily concerned with the financing of foreign aid. It lays down the totals which shall be made available for various purposes and establishes the procedures by which further funds shall be obtained later. It is much less specific on the vital field of actual supply and administration, for here, it is clear, the aim has been to leave as much responsibility as possible to the Administrator, Mr Paul Hoffman. The kinds of agreement he may reach with the participating nations are outlined and their general aims are laid down. But the actual content is left to his discretion. Another striking feature of the Act is the absence of political or economic conditions. If this is America's "imperialist plot," it must be admitted that the capitalists are content to roar "like any sucking dove."

Among its specific provisions, the Act authorises military aid to Greece and Turkey (\$275 million), a \$60 million contribution to the International Children's Fund, economic aid to China (\$338 million) and an additional untied grant of \$100 million to China to permit military purchases without involving the United States. But the bulk of the Act consists of Title I, the Economic Co-operation Act, better known as the Marshall Plan. Recognising that postwar disruption is not contained by national frontiers, and endangers not only peace, but the welfare of the United States and the attainment of the objectives of the United Nations, the preamble concludes that the situation in Europe calls for a plan of recovery to "achieve that economic co-operation in Europe which is essential for lasting peace and prosperity." The three chief aims of the Act are the promotion of production, the restoration of sound currencies, and the stimulation of international trade.

The Administrator, Mr Hoffman, is directed to review and appraise requirements for aid, to formulate and approve programmes of aid, including specific projects to increase production, and to terminate aid or take "remedial measures" if he is dissatisfied with the performance of any participating country or if changed conditions make further aid inconsistent with the foreign policy of the United States. For this section of the Act there is authorised (though not yet appropriated) \$4.3 billion, plus an increase of \$1 billion in the lending authority of the Export-Import Bank, making a total of \$5.3 billion for the twelve months following the enactment of the Act. The Administrator is also empowered to extend "convertibility guarantees" of up to \$15 million in the first year to encourage the investment of private American capital in approved European enterprises. These guarantees may not exceed \$300 million throughout the life of the programme, and to the extent that they are made—that is, to the extent that private funds are forthcoming—the lending power of the Export-Import Bank is reduced. Although references are made to a four-year programme, the present authorisation is only for a twelve-month period, and a fresh authorisation and appropriation will be necessary each year. No limitations are placed on the amount of "off-shore" purchases—that is, the use of US dollars to buy supplies from countries other than the United States. The proportion of loans to grants is left to the decision of the Administrator and the National Advisory Council, of which he becomes a member. The decision on whether repayment should be requested will be determined partly by the nature of the help extended, and partly on whether there is a reasonable assurance of repayment, considering the capacity of the country to make such payments without jeopardising the general purposes of the plan.

Although the shipment of interim relief supplies is permitted and is already under way, the first task will be the negotiation, by the Secretary of State with the advice of the Administrator, of agreements with the individual participating countries or with an organisation representing them. Matters

that might well be the subjects of these more precise undertakings are listed as:

1. Promotion of industrial and agricultural production, including the submission of specific projects for increasing the production of coal, steel, food, and transport facilities.
2. Measures to stabilise currencies and exchange rates, and to balance budgets.
3. Co-operation with other participating countries to stimulate the interchange of goods and reduce trade barriers.
4. The best use of resources of individual countries, including assets of their citizens in the United States, to further the common aims.
5. Facilitating the transfer to the United States, "by barter, sale, exchange, or otherwise, for stockpiling or other purposes, on reasonable terms and in reasonable quantities," of commodities deficient or likely to become so in the United States.
6. The placing in special accounts of local currencies equivalent to the sum contributed in grants by the United States, these funds to be used chiefly for internal stabilisation and the stimulation of production, as agreed by consultation between the country concerned, the Administrator, the National Advisory Council and the Public Advisory Council.
7. Publishing quarterly accounts and furnishing any information needed to guide the Administrator.
8. The protection of the access of American industry to an equitable share of commodities needed by the United States. Where practicable, the Administrator is to use funds at his disposal to promote the production in participating countries of commodities deficient in the United States. He is also directed to ask the Secretary of State to obtain the agreement of the countries concerned to halt the removal of capital equipment as reparations if the retention in Germany of the equipment will assist European recovery.

The specific protection of America's economic interests and security has been kept to a minimum. Beyond provisions for obtaining foreign supplies of scarce commodities, already mentioned, the Administrator is directed to carry out the procurement of supplies in such a way as to minimize the impact on the American economy; he is to obtain petroleum and its products abroad to the greatest extent possible and discourage the installation of oil-burning equipment where the use of alternative fuels is practicable. American ships are to transport at least 50 per cent of the supplies procured in the United States. Agricultural commodities declared "surplus" in the United States shall not be bought outside the United States, unless American surpluses are insufficient for European needs.

Three provisions are aimed at Russia. One is that no export shall be authorised to a non-participating country wholly or partly in Europe of a commodity the supplies of which are insufficient for the needs of the participating countries unless such export is considered essential to the national interests of the United States. Another directs the Administrator to refuse delivery, insofar as possible, to participating countries of commodities used in producing goods for sale to Russia and its satellites when the end-product would have been refused an export licence, had it been produced in the United States. Finally the Administrator may appeal to the President if he finds the granting of American export licences conflicts with the Recovery plan.

The Act recognises the close relation of the Administrator with the Secretary of State, urges on them the closest consultation, and provides that when conflicts arise, either between these two, or the diplomatic and economic co-operation missions in each of the participating countries, the disagreement shall be resolved by the President. Two additional bodies are created to aid the Administrator in the formation of policy. One is a Public Advisory Board of twelve citizens of "broad and varied experience," not officers of the Government. The other is a joint Congressional Committee of ten men drawn from the appropriations and foreign relations committees of the House and Senate which will exercise continuous supervision.

NOTES OF THE WEEK

The Sixteen Meet Again

The Foreign Secretaries of the Sixteen are meeting in Paris for the first time since the American Foreign Assistance Bill became law. The means of achieving their aim—the co-operative reconstruction of Western Europe—are assured. All attention must now be concentrated upon the machinery which will be used to deploy the resources to the best possible advantage, and the chief business of the new Conference will be to bring into being the continuing organisation upon which the main responsibility will fall.

Yet even at this late hour it is difficult to be certain either of the shape or of the prospects of the Sixteen's great venture. It is true that they are signing a multilateral act committing themselves to the utmost co-operation; that in this act they avoid a marked extent all safeguarding references to national sovereignty and put their emphasis on pooling, on consultation, on expanding production and trade, and on fulfilling every condition necessary to ensure the success of the Plan's joint operation. It is also true that, broadly speaking, the framework of the continuing organisation is also fixed. A council under Mr Bevin's chairmanship will be its formal and ceremonial head. The work will be done by an executive committee of seven nations which will represent the separate interests of the Sixteen in Paris. Of this vital committee, Sir Edmund Hall-Patch, a Deputy Under-Secretary of State in the Foreign Office and chief British delegate, will be chairman. The committee will in turn be served by a secretariat, of which the Secretary-General may be, in spite of Benelux opposition, a Frenchman.

So much is clear, but until the Sixteen Governments have concluded their separate agreements with the Americans, and until the continuing organisation has started its work, the actual shape and content and working methods of ERP will remain obscure. There are, moreover, two general factors making for uncertainty. The first is the attitude of the British Government. Belief that it prefers a national to an international approach has been revived by the strength of the team it is sending to Washington—which includes not only Sir Oliver Franks, but also two of the ablest officials in Whitehall, Mr Frank Lee and Mr Hoyer Miller. Only practical experience of British policy will dispel this fear.

The other factor is considerable uncertainty over American plans. Mr Hoffman's first statements have all been encouraging and on the right lines. It is perfectly true that Europe needs nothing so much as the philosophy and practice of economic expansion, and it is in this field of production and productivity that America has most to offer. But the fundamental difficulty has still to be faced that if the Sixteen Nations are to achieve independence of dollar aid by 1951—an aim which both they and the Americans devoutly support—they may be compelled to do a number of things which discriminate against America in the meantime—for example, by substituting non-dollar imports for American imports, by seeking other sources of supply and by building up exports to other countries, sometimes in competition with American goods.

In other words, the real drama of ERP lies all ahead. Paris will only ring up the curtain.

War in Palestine

In all but name, there is war in Palestine. The Special Assembly of the United Nations, convened to reconsider its decision on partition, will meet in the shadow of the week's fighting and massacre on the roads to Jerusalem where a desperate fight is being waged by the Arabs to cut off the com-munity of some 100,000 Jews who live in the Holy City and by the Jews to enable convoys of supplies to reach their beleaguered fellow countrymen. The fighting has been bitter but indecisive. One fact has, however, emerged clearly. The British are no longer in full control of the situation, and from now until May 15th the pressure towards full-scale war will steadily increase.

These are the facts before the Assembly, and no passing of resolutions or laying of blame upon the retiring British will alter the situation. To impose partition would require force. To re-impose trusteeship would require force—the Jews have all their plans laid to announce an independent Jewish state on May 15th.

Even to impose a truce would now require force, for both sides are fairly launched in warfare. It is therefore totally unrealistic to discuss a "solution" for Palestine except in terms of force, and the choice before the Assembly lies between imposing by military means its own solution (provided it can agree on one) or leaving the future of Palestine to be decided by the military supremacy of either Arab or Jew.

Since the British will in no circumstances stay to execute the Assembly's will, and the prospects of any other kind of force are virtually nil, it seems likely that, United Nations or no United Nations, the final decision in Palestine will be reached only by civil war. It is difficult to conceive of an uglier outlook or to remember a more shocking example of diplomatic bankruptcy on the part of two supposedly friendly powers—the Americans and the British—but the wretchedness of the prospect does not make it less real.

Berlin Parleys

The collapse on Tuesday of the Anglo-Russian inquiry into the Gatow air disaster makes clearer than ever the Russian determination to make mischief in Berlin. The British, with their belief in finding the facts before passing judgment, have behaved with a moderation which bordered on weakness. They climbed down from their original demand for a Four-Power inquiry and conceded the point that only British and Russian members should sit on the commission. Even the remarks of the Russian member, General Alexandrov, who blatantly prejudged the inquiry, were allowed to pass unrebuked. Such reasonableness could not go on indefinitely, and on Tuesday, when General Alexandrov repeated his refusal to hear American or German witnesses, the British member, Air Commodore Waite, rightly announced Britain's intention to continue the inquiry alone.

Whatever the rights or wrongs of this tragic disaster, the Russians' rejection of every moderate British proposal is but one more proof of their refusal to co-operate in Germany. The British Government must accept the fact that they are dealing with a semi-hostile Power—a Power which will not go to war, but will go as near war as it dares. The tactics of mischief-making will be carried to almost intolerable limits. The British must now decide in collaboration with their American and French allies how much they want to retain—what proportion of their administration and how big a garrison—and then make it clear, unaggressively but decisively, that they mean to take any measures, however forceful, to hold their zones in Berlin.

Budget Debate

Apart from Mr Dalton's egregious accusation of conspiracy against his cheap money policy "in the press and in other circles," the debate in the House of Commons on the Budget and the Economic Survey provided no headlines. Opposition criticism, as was only to be expected, was mainly directed against the special levy. Even if Sir Stafford Cripps's repeated assurance of its "once-for-all" imposition could be believed in, it would still be impossible to justify. In spite of the Chancellor's assurance that it will largely be paid out of income, there can be no doubt that, since it is so steeply progressive, it will in fact be paid in the higher ranges out of capital, and this at a time when the encouragement of private savings is of the first importance. The best that could be said of it, is that it must be excused politically as a sop to Left-wing opinion—a task which was certainly not made any easier by Mr Dalton's demand for a genuine capital levy.

The only other serious objection to the details of his proposals on their positive side was met by Sir Stafford Cripps with a concession restoring the exemption of children's non-utility clothing from purchase tax. This was wise—though it makes his purchase tax changes, still less in accordance with his general disinflationary purpose. For the rest, though there was some criticism of the increase of taxation on tobacco and beer, the income tax changes could hardly fail to be welcomed by the Conservatives as providing much-needed incentives by relief from direct taxation where these are most necessary. It is on the score of omission that the Budget is more vulnerable, and Sir John Anderson's criticism of the policy of stabilising food subsidies at £400 million was made all the more pertinent by Mr Dalton's qualification of the £500 million interest charge on

the national debt—a gross figure from which income tax receivable must be deducted—as an intolerable national burden. Mr Stanley rightly criticised the failure to reduce the enormous volume of expenditure, but his plea for an economy inquiry recalls the not altogether happy results achieved by the Geddes axe, the crude amputations of which would scarcely be appropriate today. Nevertheless, after the financial laxity inevitable in wartime, extravagant habits die hard, and an inquiry by a suitably selected body might very well help the Treasury in restoring a proper degree of control.

On the Government side of the House there was little evidence that back bench members have learned the lesson so clearly expounded in this year's White Papers—with one conspicuous exception. Mr Benson, with a clear-sighted independence all too rare among his colleagues, hit the nail square on the head when he pointed out that the inflationary pressure from which the national economy is suffering is due to a steady refusal to recognise the physical limits of the standard of living which the country can afford, and that the attempt to improve the standard of living by forcing up wages is the source from which the major problem of inflation arises. But this insight did not enable him to draw the obvious practical conclusion in respect of the food subsidies.

The Death Penalty

A hundred years ago, the abolition of capital punishment was being energetically and persistently pursued by a band of penal reformers, and *The Economist*, commenting in its issue of October 21, 1848, on the case of Smith O'Brien, an Irish rebel who was found guilty but recommended to mercy, stated that the abolition of the death penalty, for all crimes, was inevitable.

There are grand moral epochs in the history of mankind, when some great truth that had long been dormant in the minds of the community, is recognised as it were by common consent, and becomes at once established firmly and for ever. . . . The present seems such an epoch in relation to capital punishment.

Yet it was not for a hundred years that the youthful prophecy of *The Economist*, which looked forward to the early abolition of all "sanguinary laws and cruel punishments" as a mark of the "great progress of mankind," was fulfilled, and then the House of Commons carried an amendment to the Criminal Justice Bill, suspending the death penalty for an experimental period of five years, by a majority of only 23.

There is something ironical in the fact that the proposal was carried by such a small margin at a time when the party in power, with a large majority, is a party that in the past has consistently supported the abolition of capital punishment. If in this case the Labour Party had been true to its programme, the proposed abolition would have been carried without difficulty. But the Labour Government has changed its mind; or rather the Labour Home Secretary has changed his mind, and, in spite of the fact that the question was supposed to be settled by a free vote, Ministers were expected to support his view.

Mr Chuter Ede justified his change of mind by the violence of the times. It is not opportune, he argued, now that crimes of violence are on the increase, and the police force is undermanned, to remove the deterrent effect of the death penalty. He thus went straight to the heart of the matter. For, if the rights and wrongs of judicial killing and all humanitarian considerations are left out of account, the justification for capital punishment can only rest on its power as a deterrent. On this, the balance of evidence is that the power does not exist. The evidence is inconclusive; but the very increase in crimes of violence since the war, when the death penalty is still in force and is carried out for such crimes, is a fundamental weakness of Mr Ede's own case. The real deterrent is certainty of detection and conviction, and Mr Ede would have been in a stronger position if he had not previously shown himself so half-hearted in his measures to strengthen the police. Now that Parliament has decided to remove, in the words of 1848,

a punishment which revolts public feeling . . . and being in its own nature an evil . . . loses all justification the instant it becomes inefficacious,

the Home Secretary should do all in his power to strengthen the forces of law and order, without which any form of punishment is largely ineffectual.

The Bill in Committee

Like the debate on capital punishment, the debates in standing committee on the Criminal Justice Bill were a non-party affair.

In fact, there were so many lawyers on the committee that the proceedings often read like proceedings in the High Court of Justice, the honourable and learned members vying with one another to point out technical flaws in the Bill's clauses and to find legal points which would defeat their opponents.

But in spite of the large overlay of counsel's opinion, it is possible to discern along what lines the standing committee was usually divided. There were those members, exemplified by Mr Silverman, whose views were mainly prompted by sympathy, sometimes sneaking, sometimes open, for the wrongdoer; who felt that he is sinned against rather than a sinner, and that humane and sympathetic treatment is all that is necessary to reform him. Ranged up against them were those who felt that the protection of society must come first and that, in any case, the majority of criminals are quite simply wicked people whom it is impossible to reform. From reading the debates one has the impression, which may well be mistaken, that the Home Secretary falls into this group and that he is personally very half-hearted about the clauses in the Bill which enable the courts to call for reports on an offender's state of mind and to prescribe treatment for his mental condition, and about other clauses concerned with the rehabilitation of an offender by sending him to a special institution, instead of merely punishing him by sending him to prison.

In between these two sections of opinion comes, as always, a middle point of view typified by Mr Benson. A great many offenders, according to this view, can be restored as normal members of society. They may be, but not necessarily are, mentally and emotionally unstable. Mental treatment may, but often may not, do them any good. On the other hand, some offenders, including children, are quite incorrigible and have to be dealt with accordingly. This is the commonsense view which should commend itself to the general public. It also inspires the Bill which, in its provisions for employing psychiatry to help the penal code, for the most part only regulates what is in fact the present practice. But there is urgent need for research into the real causes of crime, and a new clause, allowing public money to be spent on this purpose, added to the Bill on Report may in the long run prove to be one of its most useful provisions.

Interregnum at Bogotá

After a violent interlude of several days of riot and bloodshed in the Colombian capital of Bogotá, the Inter-American Conference resumed its work there on Tuesday. The delegates are on their mettle. They have not only to regain lost time but to retrieve their countries' Pan-American reputation—Colombia, where these outrages occurred, has long been considered a model Republic. In order to meet the first objective, the agenda has been shortened by the transfer of economic items to a conference which is to be held at Buenos Aires later in the year. To meet the second, a scapegoat is being vigorously sought to explain Colombia's surprising misbehaviour and the rods are ready for the conveniently broad backs of the Communists.

Mr Marshall has likened the pattern of events in Bogotá to Communist disturbances in France and Italy. The Bogotá riots, he says, must be regarded as a world affair. Certainly the speed with which the Communists occupied the broadcasting station and exploited Dr Gaitan's assassination could be evidence of sinister preparation. Nor would one expect a mob to destroy the records of the Conference on its own initiative. At any rate, two "Soviet agents" have been arrested. The increasingly anti-Communist tone of the Conference—Mr Marshall had had the agenda modified to permit the discussion of "foreign-inspired subversive activities"—may have provoked a counterstroke and what better place for a demonstration than the town where were assembled the delegates of states which are taking ever stronger precautions against Communism? In Costa Rica, for example, a civil war has been going on since the middle of March against a Communist supported Government, which, for that reason, is not represented at Bogotá. Only last week a Communist plot was thwarted by the Paraguayan police. The previous week the garrison of Sao Paulo State had been put on the alert after the alleged appearance there of the Brazilian Communist leader, Prestes. And at present Chile is debating measures to outlaw Communists.

Given this explosive background, it is very likely both that there was a Communist element in the Bogotá rising but also that the Pan-American delegates will be likely to over-emphasise its importance. The danger is increased by the fact that the Bogotá Conference has decided to concentrate henceforth on political problems to the exclusion of Latin America's economic difficulties. Yet these in many ways present the most urgent issue. Mr

McCloy, the President of the World Bank, in perhaps the most important statement made at the Conference so far, pointed to the South American nations' lack of capital and affirmed that the Bank's policy in Latin America was to blaze the trail for private international investment. This is an implicit challenge to the Republics to reconcile their over-ambitious plans for exploiting their undeveloped resources out of their own totally inadequate savings with their need to admit foreign capital on reasonable terms. Until they meet this economic challenge, they will lack political stability and be vulnerable to Communist or anti-Communist manoeuvres.

Last Act in Prague

The announcement by Mr Fierlinger last Saturday that the Socialist Party was to be merged with the Communist Party ends any pretence there might still have been of democracy in Czechoslovakia. The arrest on the same day of seven journalists charged with producing an anti-Government newsletter and facsimiles of the former National Socialist newspaper *Svobodné Slovo* underlines the police-state methods of the new regime and marks the beginning of the last "monolithic" stage of their revolution. Single electoral lists are now to be prepared for this fact election due to take place on May 30th. In view of this disenfranchisement and since known opponents of the regime are being discredited, the Communists are certain to get a very high percentage of the votes, thus acquiring the familiar cover of popular support for their dictatorship. Those Czechs who remained silent during and after the Prague coup in order to record their protests legally at the elections later have now lost all hope of being able to do so. As some of them have said: "The Italian elections must now be our elections."

The precedents set by Communist leaders in Rumania and Bulgaria are being faithfully followed in Poland, Czechoslovakia and Hungary. It is the Socialists who must be eliminated before the countries is the same: first the Social Democrats or similar left-wing parties are forced to purge themselves of their more liberal members, then those extreme socialists who remain are absorbed into the Communist Party and effectively muzzled. It



The fable of the man-at-arms

There was once a Soldier home from the wars, with more fame than fortune. 'Fine words butter no parsnips,' observed his allies, 'but virtue brings its own reward . . . moreover, every flow must have an ebb, and charity begins at home. How will you live on your island, now all the fighting's done?' 'By force of arms,' answered the Soldier, as he unbuckled his sword.

Britain's outlook cannot be less adventurous or determined than it was four years ago . . . we are still under arms. TI is helping to forge the weapons for our prosperity — precision tubes, light-alloy extrusions, bicycles and parts by the million, electrical equipment, pressure chambers and traffic signs for the world's markets.



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is never enough for the Communists to have the pledged support of Socialists; for them there are no Socialists except those who look only to Moscow for inspiration.

Apart from Moscow's strongly-felt need to line up the countries of eastern Europe in a solid, all-Communist front, the fusion of Socialists and Communists reveals a psychosis which is the real tragedy of eastern Europe. Men give up the fight before they have to. Exhausted and frustrated in their own efforts to achieve positive results, they seem unable to resist the prospect of peace which they see as the reward for joining the strong. The continual compromise between the conflicting interests of left, centre and right undermines their strength and saps their fortitude; then, when the Communists gain control, fear of what might happen if they stand aloof drives them like sheep to seek the safety of the herd. It is at this point that men of integrity, like Jan Masaryk, are driven to assert their final independence by suicide.

Developing Inventions

The Development of Inventions Bill which was given its first reading in the House of Lords on Tuesday should certainly be welcomed as a genuine effort to assist the exploitation of scientific discoveries. The Bill sets up a National Research Development Corporation under the general direction of the Board of Trade, which is empowered to provide it with working capital in the form of advances up to £5,000,000 in five years. The functions of this body will be to secure the development and exploitation of inventions resulting from Government research or any other invention which is not being adequately developed or exploited. The normal method envisaged is the licensing of a particular invention or process to an industrial undertaking, the Corporation fixing the royalty to be paid, but powers are to be given it to promote or conduct any business necessary for the exploitation of an invention in the public interest. The object of these rather widely drawn powers, is not intended to enable the Government to compete with private industry, but to enable the Corporation to establish pilot plants which will ensure the commercial possibilities of inventions being practically explored. The Bill also lays down that the Corporation should as soon as possible meet its expenditure out of income "in so far as this

MR. WINSTON CHURCHILL

writes:

"The Royal Cancer Hospital is doing work of which the Nation should be proud. It is fighting this fell disease—trying to establish its cause and discover a cure—providing beds for patients and keeping those who are inoperable free from pain. If those who have contemplated even for an instant, the possibility of being one day themselves in the clutch of cancer subscribe to the fund, the present difficulty of raising sufficient money to continue the work should be easily overcome."

Although the State will become responsible for hospital maintenance after July 5th, it will still be necessary to seek voluntary support for research on the scale required. Please mark your gift "RESEARCH FUND" and send addressed to the Secretary.

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(Photo: Walter Stoneman, London.)

is consistent with the fulfilment of its purposes," but repayment of interest on advances made by the Board of Trade may be waived during the first five years.

With the general object of the Corporation few will feel inclined to quarrel. In the past many inventions and discoveries made by British scientists have been seized upon and patented abroad, such as the much quoted ultra-violet radiation of ergosterol to produce vitamin D, which was invented here but patented in the United States. Moreover, the inventor with no capital resources of his own has too often been notoriously unsuccessful in obtaining commercial backing. The National Corporation should give both him and his invention a much fairer chance of success. At a time when the Government has been doing so much to discourage the taking of risks by the private individual, it is certainly appropriate that it should assume such special risk-bearing functions on behalf of the public. The powers of erecting and running pilot plants at the public expense will, however, need careful scrutiny. Without in any way distrusting the genuineness of the present Government's intentions, it is impossible, in view of certain currents of left wing opinion as exemplified, for instance, in Mr Mikardo's programme for the next five years, to avoid the suspicion that these powers might some day be misused. That does not condemn the Bill, but it does mean that it may be advisable to introduce some amendments.

Wages and the Budget

If the special conference of trade union executives had been held after, and not before, April 6th the minority against the TUC General Council's acceptance of the White Paper on personal incomes might well have been very much larger. For although the Budget has had a fairly friendly reception in labour circles generally, certain aspects of it are causing trade unionists to think fast and furiously. One is that the increased price of tobacco and beer will bear most severely on lower-paid workers, who will be hardly touched by the income-tax concessions. The main complaint, however, is that the Chancellor has failed to take drastic action to "curb" profits, which action, the unions say, was implicit in their acceptance of the White Paper. Both these points will be taken up when the TUC Economic Committee meets Sir Stafford Cripps next week.

It is, of course, only logical that if the limitation of wages is to be on a voluntary basis, the voluntary principle should equally apply to the limitation of profits, and Sir Stafford's decision to give the FBI scheme a year's trial is only fair and reasonable. But the average trade union leader who has a rank and file straining at the leash is hardly likely to be swayed by logic. The truculence of the vehicle builders, whose talks at the Ministry of Labour have resulted in complete deadlock, is symptomatic of the temper of a certain section of the unions. Mr Isaacs's third, and it is to be hoped final, letter to Wages Councils, reminding them of the terms of the White Paper, is not likely to make very much difference to anybody, and is really more of a formality than an injunction.

In the meantime, the engineers' big claim for an increase of 13s.

Economic Intelligence

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a week has been laid before the engineering employers. Engineering wage negotiations are notoriously unhurried, and in this case the process of claim, counter-claim and final resort to arbitration is likely to run its full course. The engineers composed the bulk of the opposition at the TUC conference, so presumably they do not feel themselves bound by its decisions. Mr Tanner's case, as set out in the current *AEU Journal*, is that engineers have not had any wage increase for two years and that the cost of living has increased considerably. It is rather difficult, however, to fit this claim into any of the "exemption" categories suggested by the TUC. Engineering is not an undermanned industry; it is not badly paid in relation to other industries, and wages are certainly not "below a reasonable level of subsistence." Moreover, the claim for a flat-rate increase for all workers can scarcely be said to provide an additional incentive to output and higher productivity. The only practical argument in its favour, though it is not a very honourable one, is that if the engineers are not given an increase there will be widespread trouble in the workshops.

When Will the Brabazon Fly?

The Report of the Select Committee on Estimates on the Cost of Construction of Brabazon I and other Similar Types of Civil Aircraft* arouses melancholy reflections. The Report itself is straightforward and informative. But nearly all its information of current importance relates to further delays and increased costs. One can accept the technical reasons for this. It would have been remarkable in the present state of aeronautics if there had been no delays in the development of the enormous Brabazon I, with its highly specialised design for the London-New York route, or of the even bigger SR45 flying-boat. Some increase in their cost thus seems reasonable. No precise estimates are published for the three SR45s, which are expected to cost about £5,000,000. The cost of the two Brabazon I prototypes, however, has risen by 40 per cent to just over £11 million.

But are the technical reasons a full explanation? The impression that a part of the rise in costs is due to a lack of drive in the higher direction of civil aviation policy cannot be avoided. The Committee agrees—and few would disagree—that the importance of these projects makes it reasonable for the Exchequer to bear some of their cost: in the United States the Army Air Force has assumed responsibility for similar costly experiments. As early as 1943 construction of the Brabazon was "top priority." The Committee is justifiably surprised that neither it nor the SR45 was on the Prime Minister's priority list, and recommend that they should be. Their continued omission may further delay a development which is already retarded enough by unavoidable delays. One would have expected such important projects to be treated with a greater sense of urgency.

These delays are thrown into relief by the expectations raised by what the Bristol Aeroplane Co. calls the "hopelessly optimistic" estimate of the Ministry that the second Brabazon prototype would fly in autumn, 1949. The impression left by the Courtney Committee's Report returns. Over and above reasonable technical delays progress has been hindered and costs increased by unsatisfactory procedure. While time and money are spent there is no body responsible for modifying these procedures or ensuring that they work as efficiently as possible. There should be. They cause delays when time is vital. And the accumulation of delays threatens to wreck the whole postwar programme for civil aviation.

Communists in India and Burma

Since it has held power in India the Congress Party has suffered the embarrassment of any revolutionary party which suddenly discovers the virtues of order, discipline and obedience to constituted authority. It has to commend these virtues to masses of people whom it has previously led by subversive agitation and see the revolutionary initiative pass to other parties which remain unrestrained by governmental responsibility. In India, in spite of democratic forms, it has been evident since last August that the state authority has only a small margin of strength against the breakdown of public order, and that not only in the areas of high communal tension. For India's stability the Congress Party has relied on its "strong man," the Home Minister, Mr Patel, who shows a marked disposition to use police action against actual or potential disturbers of the public peace. Occasion for

* HMSO, 3s. 6d.

such measures first arose with the murder of Gandhi; drastic action was then taken against the Hindu communal organisation, the Mahasabha, and its "fascist" private army; to hold the balance even, the repression was extended to the para-military formations of the Moslems. More recently it has been the turn of the Communists, who have been promoting widespread strikes of Government employees; on the ground that these strikes have been fomented for political ends and are a danger to public order, mass arrests of Communists have been carried out and in West Bengal, the centre of the trouble, the party has been banned altogether.

The Indian Communists, with control of a group of trade unions, are strong in the main industrial centres, and have also a following among the peasants, notably in Madras. The Socialists, who were formerly affiliated to the Congress Party and have their own trade union organisation, have now also gone into opposition to Congress, but show no signs of co-operating with the Communists, with whom they are in sharp rivalry. In contrast with the Communists, the Socialists have joined the Government in appealing for increased production and industrial peace in order to raise India out of its present economic stagnation.

In Burma also, the Communists, who maintain close contacts with their Indian comrades, have been promoting strikes of a political character and the Government of Thakin Nu has been following the Patel line of wholesale arrests, though without prohibiting the party itself. Both in India and Burma the new Governments, raised to power on a broad coalition of parties in the nationalist cause, have become acutely aware of the threat from the extreme Left. Neither Government appears at the moment to be seriously threatened by an armed uprising, and the semi-violent strike tactics of the Communists have so far been a failure; unfortunately, however, as elsewhere, the police action required for checking Communist disorders can only too easily develop into a general persecution of healthy trade union organisations.

Pakistan and Kalat

The state of Kalat, an account of whose affairs was given in *The Economist* of February 21, has finally acceded to Pakistan on March 28th, after having first refused to surrender its claim to complete independence. There was considerable pressure from Karachi, which took the form both of a military demonstration and of a diplomacy designed to induce the lesser states of Kharan and Las Bela, vassals of Kalat, to renounce their feudal allegiance and join up directly with Pakistan. When Kharan and Las Bela yielded to these blandishments, the position of Kalat was fatally undermined and the Khan had virtually no choice but to come to terms with Mr Jinnah. He made his final decision to accede after the Delhi radio had broadcast a statement that Kalat had offered to accede to India, but that India had declined the proposal. The Khan has publicly denied the truth of this story, and it is probably untrue as it stands, but certain elements in India and on the North-west Frontier are believed to have been playing with the idea of an alliance between India, "Pathanistan" and Kalat, which would hold Pakistan in a nut-cracker grip.

The scheme is not likely to have appealed much to Kalat, partly because the Baluchi feels no sense of solidarity with the Pathan, and partly because the Khan of Kalat is unsympathetic to the Russian influences which support the "Pathanistan" agitation. His accession to Pakistan has certainly reduced the dangers of tribal chaos on Pakistan's western border; Mr Jinnah for his part will be well advised not to press his victory too hard and risk a Baluchi revolt by imposing too much bureaucratic centralisation on the tribes which still acknowledge the overlordship of Kalat.

Algerian Confusion

The Algerian elections are particularly confusing as the names of the political parties are even more misleading than in France itself—where *de gauche* is right of centre and *républicains* nearly always hate the Fourth Republic. Reliable reports from Algeria show that, in the First college, the majority of lists, which won their seats in the name of the Gaullists, were in fact composed of ex-Vichyites or ex-Giraudists who nurse personal grievances against de Gaulle. Canvassers for the Gaullists had, indeed, previously returned to France depressed by the total absence of enthusiasm for the RPF. But they had taken the initiative in amalgamating the parties of the right, who thereupon adopted

the RPF mask for their own principal aims—to keep Moslems out of posts held by Europeans and to safeguard "the French presence." The coalition lists had an overwhelming success and thus created the erroneous impression that Algeria had voted *en masse* for the General.

In the Second college party names were even more confusing. The common characteristic of the victorious "independents" seems to have been their dependence on the French authorities. Unofficially these candidates are more usually called *administratifs*, and it is a tribute to French organising ability that they were elected by such high polls with troubles in only one village.

The failure of the nationalists at the polls is no indication that Arab religious and national fanaticism is less marked in the west than in the east of North Africa. Indeed, the former moderate leader, Fehrat Abbas, has recently changed his tactics and is outbidding the extremist Messali Hadj, in preaching massacre. Local feeling is intensely racial and anti-European. There is little doubt that the elections as a whole revealed the absurdity of applying western standards of democratic procedure to a largely illiterate and primitive mass dominated by a minority of Europeans in constant terror of expropriation and murder. Neither side can nor will accept the electoral rules of metropolitan France. Nor would it be reasonable to expect the French to accept the will of the majority when this might easily be swayed into a will to kill all Frenchmen. The French have invested capital and effort in Algeria which they consider they have a right to protect. Whether that aim can best be served by pretending that Algeria is France and leaving the local administration to conceal the bare facts as decently as they can, is another problem. And when that problem is considered it will be found to be the whole liberal conception of the French Union, the successor of the French Empire, that is at stake.

Another Plebiscite

The British Medical Association is to hold another plebiscite of the medical profession, now that its council has considered Mr Bevan's replies to questions put to him on Monday, when negotiations between him and the Association were reopened. In the light of the changed situation, brought about by the intervention of the Royal College of Physicians and Mr Bevan's generous gesture, another plebiscite is necessary, for the floating voters, having previously registered their complete lack of confidence in the Minister, should now be given a chance to say whether he has reinstated himself or not. But it ought to be a really free vote. After Mr Bevan's climb down, the leaders of the BMA ought to content themselves with placing their questions and his replies before the profession and to refrain from placing a tendentious interpretation upon them.

It is also to be hoped that this plebiscite—the fourth to be held on the National Health Service since 1944—will be the last. In less than three months' time the health service is due to start. The Ministry of Health has been going ahead with the administrative arrangements, and a series of regulations has been issued; but it would be foolish to pretend that the service could have counted on a successful start even if the co-operation of the medical profession had been secured earlier. Has anyone, one wonders, estimated the extent of the new demands which will be placed on the country's health services as soon as they are available to everyone free of charge? The fact that they will only be

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come into bi-polar competition. For the first time in American history the country must guard "live frontiers" which are not only three-directional (he doubts attack from the south) but also three-dimensional. Atomic fission, guided missiles, long-range air transport and new submarines make it possible to approach a landless country by sea and air.

"We face no immediate threat," says Mr Baldwin, and quickly sets forth the imperative demands of the new defence. This would include a "highly trained, completely ready mobile force," and "the most efficient airborne army in the world." This force is to be secured not by universal military service, a device which Mr Baldwin deplores, but by voluntary enlistment in a small regular army and in such civilian reserves as an efficient and co-ordinated national guard; these together would form the skeleton cadres for instant expansion to full strength. Distant bases at key points in the world are essential; another canal across the Isthmus of Panama is desirable. An efficient world-wide intelligence system is, after diplomacy, "the first line of defence."

Not only industry, but the entire economy must be mobilised in the event of another war. Cities must be decentralised, factories, laboratories and key offices put underground. Plans must be flexible and decentralised, providing "the greatest possible autonomy for industry, labour, agriculture, etc." They must be under civilian control. Because total war involves the whole economy and therefore the whole population, peace is to become a state of total and constant readiness for war. But all this is to be voluntary, in the spirit of the frontier Indian fighter, without regimentation, hysteria or witch-hunting. America is to be at once armed, relaxed and ready to spring.

Mr Baldwin obviously believes that this is possible. He thinks that the United States can and must live in a state of total preparedness for total war, and at the same time, avoiding both imperialism and the garrison state, hold to its cherished liberties. To the reader, however, the measures outlined and the conditions imposed would appear to demand a race of trained supermen who might or might not find the life involved worth living. The price of power here sketched is so repellent that one can only hope it will inspire both Russians and Americans to call the whole thing off and go fishing.

From The Economist of 1848

April 15, 1848

A FEW moments will not be ill spent in considering what are the especial lessons of wisdom which we, as Englishmen, may learn from these flagrant errors and these sad misdeeds [in France] . . .

That the true interests of freedom are even more endangered by the government falling into the hands of, or into the control of, the working classes, than by falling into the hands of even a military despot. In saying this, we mean no disrespect, and we feel no disrespect for those classes, especially in our own country. We acknowledge their general good dispositions, we honour their energy and industry. . . . We know that their temper is proof against irritations and oppressions which have driven wiser men frantic. . . . But from the inevitable defects of limited views and imperfect education, as well as from the excitability and mobility which distinguish large masses, it is not in their hands that the reins of power can be safely held, nor to them that the administration of freedom can be safely entrusted. It is not that we believe they are more selfish than other classes, but from their numbers, and from the habit of considering and calling themselves "the People," selfishness with them more easily disguises itself under the semblance of a regard for the public weal. . . . It is because they are less capable than others of postponing present and temporary, to future and permanent, advantage, and of perceiving how closely the welfare of their own body is bound up with that of every other part of the community. It is, in short, because the complicated and delicate construction of the social system is above the comprehension of all but the thoughtful and the instructed; . . . because the science of government, and more especially that most subtle and difficult portion of it, economic science, can only be mastered by the long and patient study of trained intellects; that we feel obliged to pronounce the working classes unfitted for the hard and hazardous task of governing the state, or of controlling and overruling their governors. Granting to them the best intentions and the most unselfish views, their haste, their impressibility, their openness to deception, and their inevitable ignorance, must ever make, and has ever made, the government of the lower classes fatal beyond all others to freedom, to prosperity, to peace.

Economic Research

"Productivity, Prices and Distribution in Selected British Industries." By L. Rostas. 199 pages. 16s. net.

"The Management of Colonial National Incomes." By Phyllis Deane. 173 pages. 12s. 6d. net.

Occasional Papers XI and XII. National Institute of Economic and Social Research. Published by Cambridge University Press.

THE publication list of the National Institute of Economic and Social Research is lengthening in impressive fashion, though it is apparent that the Institute is still handicapped by the delays in publishing its work that present conditions impose. The two latest "Occasional Papers" are among the most important of the series. Dr Rostas's monograph is a further instalment of his work on the distribution of the product of British industry. It is mainly concerned with the variations from firm to firm of such things as prices, costs and gross profit margins. The examples are largely drawn from the cement, tinplate, blast furnace, food processing and wallpaper trades.

Miss Deane's work is an examination of the extent to which the techniques of measurement of the national income that were developed in the Central Statistical Office during the war can be applied to colonial territories. The experiment was tried on Northern Rhodesia, Nyasaland and Jamaica, and the answer is that the method can be made to work, though naturally with wider margins of error than in a country like the United Kingdom, with its much more developed statistical equipment.

Both these pamphlets represent the best type of economic research work, not merely because of the important and practically useful subjects that they illumine but also because they both represent the fruit of collaboration between a private institution and Government Departments.

Malthus was Right

"The Phantom of Plenty." By George O'Brien. (Dublin) Clonnon and Reynolds. 75 pages. 4s. 6d.

MALTHUS was right, after all. That is the gist of this sober and stimulating little book, which places the vast economic progress of the past hundred years, so fatal in appearance to Malthus's argument, in perspective as a unique and non-recurring phenomenon; a process now slowing down through the exhaustion of the possibilities of robber agriculture and of extractive industry generally, and limited in any case by the impossibility of mechanising the "service" element in economic life. Mr O'Brien would not claim to carry guns of Malthus's calibre; beside that dreadnought the "Essay on Population," "The Phantom of Plenty" is only, at most, an MTB. He is, in almost any reckoning, over-pessimistic about the possibility of raising standards in backward countries; remembering what happened to Malthus's predictions, one cannot but feel that he over-discounts the potentialities of science. But in the most general terms his anti-perfectionist argument is unanswerable. "The Phantom of Plenty" deserves a wide circulation.

Keynes Simplified

"Conquest of Unemployment." By E. Victor Morgan. Sampson Low. 182 pp. 7s. 6d.

THIS is an admirable book, the first really satisfactory popular statement on employment theory and the practical policies based upon it. To those already familiar with Lord Keynes's "General Theory," with Lord Beveridge's "Full Employment in a Free Society," and with the controversies to which, at various levels, these have given rise, it presents nothing very new—though even the professional economist would find Mr Morgan's final chapter stimulating, and anyone faced with the appalling job of conveying Keynesian theory in digestible form to the novice will find his book an invaluable ally. But for the student, and above all for the puzzled man in the street, this clear, sound and felicitous statement is a real godsend. Criticism is possible. From the point of view of presentation, one could wish that Mr Morgan had applied his adequate gifts towards explaining, once for all, the context of the word "investment," and had then used that word throughout instead of his ingenious substitute phrase, "borrowing-and-spending"—which is not really a full equivalent. Also, his discussion of the foreign trade aspects of the problem is a little too simple, not to say, in present circumstances, too optimistic. But these defects weigh very lightly in the balance against the merits of this most necessary and opportune book. If succeeding volumes of the *Britain in the Future* series are as good as this, its editor (Mr Hugh Molson, MP) will have reason to congratulate both himself and his contributors.

AMERICAN SURVEY

Spring Strikes

(From Our US Editorial Staff)

CONSIDERABLY over a half a million workers were on strike in the first week in April, and a daily increasing number were unemployed owing to the resulting shortages. The range of occupations affected was exceptionally wide, from the stock market to the stockyards. While one set of pickets kept guard at the entrances to remote Allegheny coal pits, another circled the caverns of Wall Street. Of the strikers, about 400,000 were followers of Mr Lewis. Close to another 100,000 were meat packers. Ten thousand more were from the printing trades. The strike at the Stock and Curb Exchanges concerned directly only about a thousand employees. Their number, however, was augmented by local geography. The lower tip of Manhattan includes not only Wall Street but Battery Park, on whose benches, these warm spring mornings, sit members of the Seafarers Union, close to their Beaver Street headquarters; largely on a sporting basis, they have from time to time made common cause with the pickets in the financial area.

While these strikes take today's headlines, others seem possible-to-probable for tomorrow. The stoppages in part of the atomic energy installations at Oak Ridge, which threatened in March, have been temporarily averted by an 80-day injunction. On the railroads, the engineers', firemen's and enginemen's, and switchmen's unions, which set February 1st as a strike date, but held off after the appointment by the President of an emergency board, have rejected the board's report. If renewed negotiations are unsuccessful, some 140,000 workers may bring to a standstill trains whose schedules were recently cut by lack of coal. In a number of cities, local transportation is either halted or threatened with a halt. In steel, negotiations are in process under a clause in the contract which permits reopening for cost of living adjustments, although the contract prohibits any strike this year. The United Auto Workers' contracts with the General Motors, Ford and Chrysler companies expire within the next few weeks. The outcome of the steel negotiations will probably set the pattern for other industries. Mr Murray may bring up the question of pensions as well as wages, following on the ruling of the National Labour Relations Board that employers must bargain on pension funds if asked to do so.

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The situation has raised issues which involve the constitutionality of the Taft-Hartley Act and larger issues affecting the economy as a whole. At its peak the coal strike unquestionably created a condition of national emergency warranting the use of the powers given the government in the Act to meet just such a situation. This section of the Act, moreover, was written with Mr Lewis in mind. But once more Mr Lewis has demonstrated his ability to side-step the law, this time with the eager aid of Mr Martin, the Speaker of the House and a candidate for the Republican nomination, and Senator Styles Bridges. Mr Martin's suggestion that Senator Bridges be appointed as the public member of the board of trustees for the miners' pension fund has produced a speedy agreement on the pension issue and the ironic command from Mr Lewis to his loyal miners that "your voluntary cessation of work should be terminated."

The agreement is that pensions of \$100 a month should be paid to miners aged 62 and over who have left the coal fields since May 28, 1946. Mr Lewis's original demand was that pensions of \$100 should be granted to miners of 60 and over without regard to when they left the mines. The owners' representative still maintains that the scheme, even as revised, is beyond the resources of the welfare fund. Mr

Lewis is still to be tried for contempt of court for failing to order the miners back earlier. But his technique of evading both the law and the consequences of defying it, which failed so miserably twelve months ago, has been perfected, and has triumphed in an election year when it is so much easier—even for Mr Lewis—to make friends and influence candidates. His shrewd sense of when the time had come to be conciliatory has postponed the long-awaited test of the constitutionality, and effectiveness, of the law's provisions for dealing with strikes affecting the national welfare.

A second major part of the Taft-Hartley Act is being tested in the courts in the International Typographical Union case. A temporary injunction has been issued to restrain the Union from instructing its locals to take action which, in effect, attempts to by-pass the Act's prohibition of the closed shop and which has led to newspaper strikes in Chicago and elsewhere. Wage issues are also at stake in these strikes. The political provisions of the Act are being tested as well. A month ago, a district court judge ruled that the prohibition of the spending of Union funds for political purposes was unconstitutional. This decision has been carried to the Supreme Court, which is also likely to review this week's ruling that it is constitutional to require Union officers to swear that they are not Communists.

*

But whatever sections of the Taft-Hartley Act stand or fall in these court tests, the greatest effect of the current strikes is to increase inflationary pressures. Some of them may peter out: when the meat strike started, the packers had in storage over a billion pounds of meat, bought at prices which made them view a period during which they could unload with something less than alarm. By the third week of the strike, moreover, both receipts at the stockyards and actual slaughter were at 60 per cent of their usual rate. (In this respect, this strike is like last year's strike in the telephone service where the availability of dial equipment, plus the use of supervisory personnel, minimised the outcry that the consuming public might otherwise have made.) The American Federation of Labour packers are not involved in the meat strike; they accepted the 9 cents increase agreed to by the companies while the Congress of Industrial Organisations Union first held out for its original 29 cents demand, then offered arbitration and was turned down.

In 1947, of the 3,693 work stoppages, resulting in 34.6 million man days of idleness, 36.6 per cent concerned wage increases; it seems probable that a similar purpose will stand out in this year's record. In recent negotiations and strikes for wage increases, the rise in the cost of living since the end of the war or since the last contract was signed has been increasingly stressed. The trend in regard to net spendable weekly earnings differs considerably from occupation to occupation, from the service trades through Government service to manufacturing and mining, in terms of the extent to which workers are better

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

off than in 1939. But they have all dropped back from their wartime peak.

Negotiations completed in recent weeks provide hourly increases averaging around 10 cents and ranging from 5 cents to 15 cents. They approximate the increase in consumers' prices since the last contract date. Production workers in manufacturing industries averaged \$51.52 a week in mid-February 1948 as compared with \$47.29 a year previously and \$29.58 in 1941; gross average hourly earnings were \$1.287 in February as compared with \$1.170 in February 1947 and \$0.729 in 1941. These facts may have contributed to the emphasis on the desirability of controls, including wage controls, contained in the report on the first quarter of the year submitted by the Economic Advisory Council, which, in a breach of ordinary practice, was released to the public by one of the Cabinet.

American Notes

Free-for-all in Nebraska

Mr Stassen has made as good a showing in this week's free-for-all fight in Nebraska as in last week's three-cornered contest in Wisconsin. The Republican primary in Nebraska was a straight popularity contest between the seven leading Presidential aspirants, none of whom were "favourite sons." According to the latest figures, which cover nearly 90 per cent of the votes, Mr Stassen has 72,000 to Mr Dewey's 57,000 votes, Mr Taft is a bad third with 18,000 and General MacArthur comes fifth with 6,000 votes. No campaign had been conducted for the other candidates, Senator Vandenberg, Governor Warren and Representative Martin; Mr Vandenberg had been entered against his will, yet he comes fourth with 8,000 votes.

Mr Stassen admittedly was fighting near home in a State where he had shown substantial strength in 1944 and where he had the very active help of his well-developed organisation in the Middle West, but even after his band-wagon began to roll last week, the contest remained very open. Senator Taft had behind him the Butler political machine, which had defeated Mr Stassen's candidate, ex-Governor Griswold, in the Nebraska Senatorial contest in 1946. That defeat was taken, both by the nation and the world, as a sign that isolationism was reasserting itself in the Middle West. Mr Stassen's, and indeed Mr Dewey's, victory over Mr Taft and Senator Vandenberg's over General MacArthur are a more reliable indication that today isolationism has little appeal for the American voter.

Mr Stassen is using the primaries to force his Party to debate the international issues which he regards as vital. This unorthodox challenge has not endeared him to the Party leaders, but his vote-getting ability has made it impossible to ignore him as they had hoped to do. If he makes a good showing on May 4th in Ohio—he does not expect to win—when he challenges Mr Taft on his home ground, and in Oregon on May 21st, when he and Mr Dewey meet, both far from base, he will have proved beyond question his brilliance as a giant-killer.

The Republicans, however, do not expect to be opposed by a giant next November and victories in the primaries lose much of their weight when balanced against the behind-the-scenes bargaining of a national convention. But defeats in the primaries always weigh heavily and Nebraska seems to prove that Senator Taft was wise in his original decision to enter only in Ohio. He changed his mind, it is believed, in order to show that the voters would be more favourable to him than the public-opinion polls, but not even with the able and colourful assistance of his wife could he beat the friendly and positive approach of Mr Stassen or even the last-minute campaign of Mr Dewey. Nor did Mr Dewey succeed in stemming the rout which began in Wisconsin. Many of the uninstructed convention delegates on whom he has been relying must already have at least one foot on the step of Mr Stassen's band-wagon.

* * *

Congress is Airborne

With European aid out of the way, Congress is concentrating on mending America's military fences. The clank and splutter of rusty preparedness machinery changing into gear can be heard on all sides: in the proposal to build fast passenger ships which might serve as troop transports; in the survey of industrial plants to be allocated to each Service; in the halting, for a 30-day survey, of the sale of surplus war plants to industry. The

Republican leaders have promised right-of-way to the preparedness Bills now in committees of both Houses.

But the programme which emerges will follow Mr Truman's recommendations only in part. Congress is spreading its wings and is about to be airborne. The testimony of Mr Symington, the Secretary for Air, that Russia is seeking a decision with America in the skies, and that even with 70 front-line air groups, American air power will be inferior to that of Russia, merely added urgency and confirmation to the vision of air supremacy which has long kindled Congressional imaginations.

Mr Symington's inability to restrain either his imagination, or his enthusiasm for the unilateral expansion of his service, has disillusioned those who hoped that Mr Forrestal had at last made unification of the Services a reality. Mr Forrestal's view, reflecting both those of the Chiefs of Staff and the President's civilian advisers, has been that the target for the Air Force in 1948-49 should be 55 groups, not 70. Funds already requested for the purchase of aircraft in the fiscal year 1948 total \$2,376 million, which will probably be "activated" at once so that orders need not be delayed until the beginning of the next fiscal year in July, Mr Forrestal has struggled, apparently in vain, to make Congress keep its feet on the ground. He has pointed out that 70 ill-equipped groups are less effective than 55 groups fully manned and equipped; that it would create a false sense of security to build up a large air force without providing for comparable increases in the Army and Navy on which the effective use of air power depends; that at its peak, such an enlarged, balanced defence force would add \$15-18 billion to defence costs, now estimated at \$14 billion for 1948-49; and that even the \$2.4 billion which it is estimated a 70-group air force alone would add to defence costs next year might pose a disagreeable choice between a revival of controls and an inflationary free-for-all scramble for materials.

There is a suspicion in Congress, however, that these arguments are prompted to some extent by the jealousy of the senior Services; and the Service Committees are awaiting a fresh report from the Chiefs of Staff and new estimates of the cost of a 70-group force before completing their work on the revival of conscription and Universal Military Training which Mr Truman recommended so strongly. The temporary return of conscription seems to be reluctantly accepted as unavoidable; but all the signs are that UMT may be blown out of sight by the back-draught of the Congressional air armada.

* * *

Building the Aircraft

The Council of Economic Advisers has reported that the additional \$3 billion of defence funds sought by the Administration can be absorbed by a \$200 billion economy without creating significant new inflationary pressures. If Congress insists on outdoing the President in generosity to the Forces, it may, of course, make inevitable the very controls it detests. But a 70-group air force for the United States is not fantastic. The peak for the Army Air Forces alone during the war was 230 groups; and both the Finletter Committee and the Congressional Air Power Committee recommended the creation of a 70-group force by 1952.

It is the timing which is at issue. An effective 70-group air force cannot be created overnight by Congressional fiat. A rich new flow of appropriations could hardly be digested by an air-plane industry accustomed to the lean diet of government orders available over the last two years. Aircraft, too, are larger, more costly, and more complicated than they were in 1940; it may take as long as seven years to bring a new design to the assembly lines. This time could be cut down in an emergency, but it is doubtful whether the automobile industry can ever again make the contribution it did in 1940-45. Military aircraft have become specialist's work. Another argument against premature expansion is the risk that present models may become obsolete before they are needed. Whether this is a greater risk than taking time, thought, and money to produce new models before fixing the assembly line depends on whether one belongs to what *Life* calls the "Act Now" or the "Go Slow" school of thought about Russia. These technical considerations may impose a brake upon the air-mindedness of Congress.

One requirement of air security which is second only to adequate funds, is the regularity of their flow. At present planning is made almost impossible by the financial axe which falls at the end of each fiscal year, and costs are increased by interruptions to production. The Bills now being introduced in Congress to establish a five-year procurement pattern for the Air Force similar to that of the Navy, are long overdue.

Spotlight on Communists

The House Committee on Un-American Activities has approved in principle, although not in detail, a legislative programme recommended by one of its sub-Committees and designed to take away from Communism in America "the cloak of secrecy and fraud and the assistance and direction of a foreign Communist dictatorship," so that it shall have no unfair advantages when the theories of Communism and democracy "clash in the open market-place of political ideas." The Committee rejected various draft Bills designed to "outlaw," that is, to forbid political activity by, the Communist Party. Mr Stassen is the most notable supporter of this policy, on the ground that the Party has been clearly shown to be a subversive arm of the foreign policy of the Soviet Union. Mr Dewey, however, shares the view of government officials that it is better "to keep Communists out in the open where we can beat them." The committee was probably induced to make what is for it an unusually liberal decision by the experts who consider that such repressive legislation would be unconstitutional.

Probably the most important of the Committee's proposals is that all "Communist-front" organisations should be required to register; this carries with it the danger that non-Communist members may be regarded as guilty by association, but they will no longer be able to plead ignorance of the true nature of organisations which have suffered from Communist infiltrations. There is to be a right of appeal from the Attorney-General's designation of organisations as belonging to the "Communist front"; the lack of such a right has been much criticised in the past. There is to be a right of appeal from the Attorney-General's case of similar designations which the Attorney-General has made for the guidance of the President's Loyalty Review Board. This latter list includes Fascist as well as Communist groups and even so contains only 91 names, while the Un-American Activities Committee believes that there are several hundred Communist-front organisations—a difference of opinion about which more will be heard.

Other proposals are for the annual registration of aliens, which the Attorney-General has recently requested, for the denial of passports to Communists and for the banning of Communists from Government employment, a ban which already operates in practice. The sub-committee also recommends that Provision be made for prosecuting as criminals Communist leaders

who conspire against the United States in the interests of the world Communist movement.

Congressmen, with a few obvious exceptions, will be favourably disposed towards the committee's proposals, since they are well aware of the ease with which their political opponents can make capital out of any failure to take action against the Communists. If the programme becomes law, it will certainly turn the spotlight on some aspects of Communism, but it is doubtful whether it will achieve its purpose of eliminating the Communist "menace" in the United States.

Shorter Notes

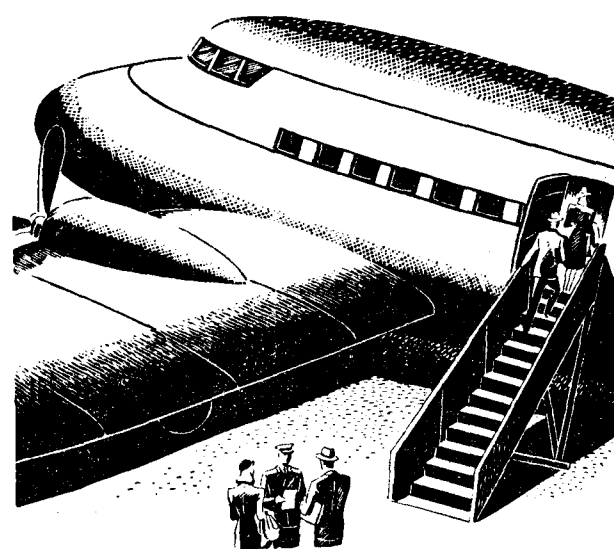
The official welcome for the Havana trade charter has met with a very grudging response in Congress, where the House Ways and Means Committee (also hostile to extension of the Reciprocal Trade Agreements Act) has declared that any action by the President or the State Department cannot "be construed as a commitment by the United States." The warning vote was on straight party lines, though it probably does not reflect the considered opinion of the Republican majority.

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The grain export target for the year ending in June has been raised to 556 million bushels of all grains, following the Department of Agriculture's crop report, which forecasts a winter wheat crop of 8,605 million bushels. It is now practically certain that the 1948 harvest will be over a billion bushels, and it may prove second only to last year's record harvest. Exports of grains may even reach the 570 million bushels advocated by the Cabinet Food Committee last autumn and abandoned in favour of a 520 million goal when bad weather at planting time threatened this year's harvest.

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After some conflict between the two Houses, Congress has approved the continuation, with some modifications, of existing rent control measures for another year. The House Bill would have granted local rent control boards complete autonomy in the imposition of general rent increases or the abolition of controls and, it was believed, would have meant the end of effective rent control. The compromise Bill provides that the Emergency Court of Appeals, made up of three Federal judges, shall review the evidence and make the final decision in cases where the Housing Expediter rejects the recommendations of local boards.



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CANADA

A decisive defeat of Communism can hardly be unaccompanied by a clipping of the claws of the Communist Trade Union organisation which has in the last year held the life of the country to ransom. Whether this process is compensated by the adoption of a vigorous social policy under pressure from the "Third Force" elements of the present Government, coalition is perhaps the deeper question at issue in these elections. It is from the same elements that a foreign policy can be expected which, while resisting Communism, would seek a working arrangement with the Yugoslavia of the future. When the period of American aid ceases, Italy's best hope of a satisfactory trade balance will lie, it seems, in recovering the position of a supplier of manufactures to the Balkans. It is the dogma of the Communists that both in internal and in external affairs the defeat of Communism means the revival of Fascist thoughts and methods. The new Socialists, the Republicans, some of the Liberals and some of the Christian Democrats themselves dispute this fantastic doctrine and make the defeat of Communism a step on the path of progress.

Cold War in Austria

[BY A SPECIAL CORRESPONDENT]

INEVITABLY it is the Russians who appear as the disturbers of the Austrian peace. By claiming, from the individual level of the soldier who steals a watch to the official level of the administrator who takes over 250 factories, an oilfield and a shipping company, that the impoverished Russian is entitled to recompense himself at the cost of the comparatively well-to-do Austrian, the Russians have provoked the natural reactions—hatred and fear. “Bourgeois!” the Red Army troops said when they first saw the comforts of the Viennese workers’ flats, and the Viennese workers have reacted as bourgeois would do, determined to resist a cantankerous liberator who, as they see it, sets out to rob them of their private possessions and to cut their standard of living.

Because the Russians, despite a great tightening-up of discipline, have never been able to overcome the initial shocking impression made by their troops’ wild behaviour, every step that they have taken has been judged by the standards which the Austrians have learnt to apply. It is almost impossible for the Russians to be in the right—“an unknown assailant” in a crime story is automatically read as “a Russian” by every newspaper reader—and so they have given up the attempt. The Russians now obviously feel that they are on hostile territory. Psychologically Austria has been won for the Western allies. Free from outside interference the country would be an anti-Soviet bastion, another Ostmark of western civilisation; whereas for the Western allies a withdrawal of all occupation would mean no loss of influence or interests, for the Russians these can only be maintained by continual interference, backed by the presence of the Red Army. Thus the Russians are in a position where, to maintain what they regard as legitimate claims, they must always put themselves in the wrong and appear as the enemies of Austrian independence. Austrian resistance increases, the Russian attitude hardens further, and a vicious process is started.

National Unity at Stake

It is too late for this to be stopped. The Austrians no longer believe that the Russians are even capable of behaving properly and honourably; the Russians have no faith in Austrian professions of neutrality. If this is a cold war, they feel, then Austria is the sharp end of the icicle. Thus a situation has developed which looks like ending either in a serious Russian diplomatic defeat or in a partition of the country. Because they do not realise that the Russians may quite well prefer the latter—to break off the point of this weapon that is fragile as well as sharp—the Austrians have allowed anti-Russian feeling to become a stronger emotion than their desire for unity; in other words, they are insisting that their existence be independent of the Russians when that existence itself is still in question. At the same time, with starvation still not far from the door, and foreign aid likely to be essential for some years to come, the dependence of the country on American goodwill is obvious to all. Where it is not obvious American propaganda hammers home the point, and no strings are necessary to make the Austrians move in most respects as the Western powers would like. In the cold war Austria is not merely a battlefield but a participant; a role for which the country’s weakness and uncertain future hardly fit it.

Both in the government and among individuals in the street this spirit prevails. Split into eastern plain and western mountains, into huge capital and minute country, into Socialist townspeople and conservative, Catholic peasants, the Austrians tend by their whole tradition of internal jealousies and local patriotism to be blind to any threat to their unity. Few feel this danger to be comparable with the threat which the Russian claims represent to their economic resources, and no one has devised a more constructive way of meeting it than by mere apprehensions. No Austrian leader has made any attempt to create a feeling for national unity, and hatred for the Russians is the only strong universal emotion. The political parties naturally reflect this. No one takes a neutral line. The People’s Party, representing the conservative forces and the peasants, plus a relatively small number of Catholic clerical and industrial workers, is understandably anti-Russian, and with its main strength in the provinces is disinclined to unify the country if that means limiting provincial independence. Loosely bound together, it is unlikely to take any firm political line which will accentuate internal party differences, and it limits its appeal to a vague, semi-religious patriotism. The Communists ask Austrians to be neutral, but it is evident that they would like this neutrality to precede a change of sides; their attempt to replace anti-Russian feeling by hatred of

the Americans and love of the Russians shows how partiality has affected their sense of reality and their sense of the ridiculous.

Only the Socialists might have overcome the temptation to enter the battle on one side or the other, but they have definitely chosen the Western path. For them, as the party’s *Arbeiterzeitung* continually makes plain, Russia and the Communists are the enemy. The People’s Party is merely a rival, and a left-wing resolution demanding that it be treated more roughly not only found little support at the party’s congress in October, but even led to the dismissal of Scharf, the junior party secretary who sponsored it. Thanks to the war and to the German repression—the Jewish intellectual element in the party, for example, has virtually gone—there are few new figures to challenge the elderly party leadership. The former revolutionary Socialist or Marxist wing has little power, and there is no likelihood of any change in the party’s orientation before the treaty question is settled. Even among individual Austrians it is rare to find anyone who feels that Russia has any right to make claims on them. The Russians, they feel, are an Asiatic people, and can stew in their own juice.

Thus, with the Communists in a weak position, the Russians must see any possible Austrian government as inevitably hostile. Originally, the Russians, who had sponsored the Moscow Declaration of 1943, were the champions of Austrian independence and of Renner’s Provisional Government against the Western allies with their huge military government apparatus. Now the situation is reversed. By the Control Agreement of June, 1946, the Allied Council abolished most of its powers and took up a mainly supervisory role. Military government, though much of the apparatus still exists, has been virtually abolished in the three Western zones; colonels, majors and captains sit invigilating over the activities of the Austrian provincial governments and occupying their office space, but they have no real function. Only the military courts still operate, judging all cases where the military are in some way involved. At the centre, the task of the Western elements of the Allied Commission has become one of giving a mixture of prods, advice and help to the Austrian government departments. All this could be withdrawn without difficulty as soon as general withdrawal takes place, nor would this result in any major changes in the Austrians’ conduct of their affairs.

But the Russians, although they brought no military government with them, find themselves interfering increasingly in Austrian administration. Movement of goods, persons and raw materials has to be restricted in an attempt to protect the interests of the Russian-controlled factories; political meetings are regulated because of the fear of anti-Russian agitation; there is a strict Russian censorship, and trial by military courts takes place *à la Russe*, with no publication of charges, no legal representation for the defendant and the minimum publicity for the results. While the Russians still fight for their claims there is no chance that this interference will diminish. It makes agreement daily more difficult, but the causes that produce it will remain until one is reached. The Austrians have taken sides, and there is no influence to prevent the situation from getting steadily worse.

Prosperity in Switzerland

[FROM A SPECIAL CORRESPONDENT IN BERNE]

SWITZERLAND is an oasis of prosperity in a ruined Continent, and the last twelve months have, on the whole, fortified its self-confidence. A year or so ago the Swiss were anxious about the dangers of being undercut in world markets unless the Swiss franc were devalued, but, after watching Sweden’s experiences in the meantime, the Swiss have decided that the value of their currency should on no account be altered. The country is producing as much as it can; there are no strikes, no currency restrictions, and rationing of only the cheaper fats and rice—the recent liberation of cream has smothered the tea-shops in meringues.

Switzerland is not, however, without its worries. The chemical and machine industries have orders which should keep them going for years, but this creates a serious shortage of skilled labour which reacts upon the less flourishing textile industry—textile workers are less well paid and it is difficult to keep them to the job when they can earn so much more in heavy industry. The flow of population from the countryside into the towns is causing grave anxiety. It is easy enough to engage foreign labour to work on the land, but the Swiss are peasant-farmers at heart and do not welcome this solution; meanwhile the builders cannot catch up with the housing demand in the towns.

Some 141,354 foreign workers—about two-thirds of them Italian—came into Switzerland in the first eleven months of

1947. They are the safety-valve. If the foreign markets for which Switzerland works, should for one reason or another suddenly shrink, they could be evicted without the provocation of internal labour troubles. One or two factories have recently dismissed employees on account of tariffs imposed by Brazil and Mexico, or simply because their directors fear foreign incapacity to pay. Moreover, a number of business people succumbed to panic as the result of Czechoslovak events and reduced staff in preparation for their own flight to South America, where they hoped to find shelter from the Communist hurricane which they feared would strip the Swiss countryside bare. Lastly, a serious, though only a small-scale, problem has been created by the winding-up of war-time economic apparatus. This has threatened a number of black-coated workers with destitution at a time when prices have increased quite as fast as in Britain.

The steep rise in prices is part of an inflationary situation which has been causing alarm for some time. The last monthly index showed a tiny drop in the cost of living, but nobody was impressed by it, the less because the basis of calculation is considered by many people to be quite as outdated as that which was recently discarded in Britain. The poorer townspeople are hard hit since there is no subsidising of essential foods; on the contrary, the farmers are a favoured, if dwindling, section of society, so that the Swiss return to liberalism is tempered by the protection, through high prices and duties on food imports, of agricultural and dairy producers.

Mainly owing to the war, the debt of the Federal Government has recently reached unprecedented levels. In order to fight inflation the actual revenue has been increased and is increasing—according to figures published last March—but it has been determined that it must yet be increased by much more in order to reduce the public debt. The Federal Ministry of Finance has been working out a scheme for financial reform which was made public on January 22nd of this year. At present Swiss finances rest upon emergency decrees whose validity expires at the end of 1949. The new proposals, which must be fully worked out by then, involve a constitutional issue, that is whether the Federal authorities shall in future be permitted to levy regular direct taxes. Strong objections to this have been raised in the *Ständerat* or Upper House; the alternative, which is being debated this week, appears to be that the Cantons should contribute lump sums which would allow of local variety of incidence.

Absence of Strikes

Another measure to check inflation is a wages standstill agreement between capital and labour reached towards the end of last year. It has worked satisfactorily on the whole, thanks to an extensive and efficient system of arbitration in Swiss industry. Federal employees like railwaymen and postmen may not strike and therefore depend entirely upon arbitration, and for years the watch-making industry, too, have dropped the strike weapon. In the watch-making industry, however, wages have lagged noticeably behind profits and there has been a certain amount of trouble. The Swiss watch-making industry suffers from constant crises. Its highly specialised character no doubt makes it particularly vulnerable, and for this reason it is the only industry in Switzerland in which Federal permits are now required before a new land in which Federal permits are now required before a new concern may be founded or even an old one extended. At the beginning of 1947 the watchmakers were in despair because American competition was about to cut them out or because it would not do to work for a European market which could not afford to pay for the luxury of new watches. The Federal economic authorities were nevertheless able to report in March, 1948, that it had been possible to sanction a larger expansion of the watch-making industry in 1947 than in 1946, the number of employees increasing by 1,502. So far the fears of the owners of the watch-making concerns have not been justified, but their employees have to some extent been sacrificed to them. Meanwhile the export of Swiss watches continues.

The buoyancy of the Federal revenue is partly due to the increase of imports, which has increased the proceeds from customs. The Government is deliberately laying in stocks in case of war, and imports are therefore likely to remain at a high level, though there was a drop in February after a record figure for imports in January. It has been normal for many years for Switzerland to import more than it exports, but it cannot allow the tendency to go too far, especially when the outlook for the tourist trade is overcast and its past European investments must be written off. In spite of something like anti-Communist panic at the time, Switzerland was glad enough to sign a commercial treaty with the Soviet Union on March 17th by which the export of machines and chemicals to Russia should be stimu-

lated; in return Switzerland will receive some of the raw materials upon which it depends. Coal is still a basic problem for the Swiss. At first Poland seemed to be the successor to Germany as their chief supplier, but a treaty with France on March 20th makes it possible for the bulk of Swiss coal supplies to be imported from that less alarmingly situated country. Apart from coal the expansion of Swiss industry since the war has been such that Switzerland’s production of electric power lags behind consumption, especially if the weather is dry. The construction of the Genissiat power station is but one of many efforts to meet the new demand; indeed, Switzerland’s main contribution to European recovery is expected to be the full exploitation (in conjunction with France) of the hydro-electric possibilities of the Alps. Since the importance of a development of this kind is appreciated by the Americans, it may provide the Swiss with their only direct gain from the Marshall Plan.

Gold Dealings at Macao

[FROM A SPECIAL CORRESPONDENT IN THE FAR EAST]

ONE of the biggest gold markets in the world today, certainly the biggest in Asia, is at Macao, the 400-year old Portuguese settlement at the mouth of the Canton river. It is the main channel for gold entering China and also serves as a distributing centre for the whole of the Far East. It is reliably reported to have absorbed more gold during the past six months than any other market in the world. Most of the gold is coming from Mexico and the United States, while the balance is from various European and Middle Eastern countries. During the week ending February 18th alone, the United States exported gold to the value of US\$900,000—about 26,000 oz.

Gold has always been a popular investment in China. Owing to the inflation and the uncertain political situation, the demand is greater than ever before. The capacity of the Chinese market to absorb large quantities of gold at prices which are 75 and 100 per cent above parity is a puzzling phenomenon. The weakness of the government’s control is illustrated by its inability to prevent a continuing expenditure of foreign exchange on a commodity which is of singularly little use to it in fighting the civil war or rehabilitating the country.

During Dr Soong’s premiership, the Chinese government sold large quantities of gold through the Central Bank of China—estimated at 2,000,000 oz. for the year ending February 17, 1947—as part of a campaign to bolster China’s currency. On February 17, 1947, however, official sales were suspended and unofficial dealings were declared illegal. Owing to the increasing demand, a good deal of smuggling and illicit trading continued. The main problem was how to get the gold into the country. The Hongkong government forbade gold imports, both because Britain is a member of the International Monetary Fund which discourages gold sales above parity prices, and because gold imports would have increased the unofficial exchange rate for US dollars and raised the price of commodities imported from America.

It was at this juncture that the dealers turned their attention to the little half-forgotten Portuguese settlement of Macao. Portugal, not being a member of the United Nations, does not subscribe to the IMF. There was no legal bar to the traffic and the Portuguese authorities were quick to appreciate its possibilities. Macao’s airfield was too small for transport aircraft, but very soon a specially chartered Catalina flying-boat was hauling gold on regular runs from Manila, Bangkok and Saigon. More than 1,100,000 oz. were imported last year and about 350,000 during the first seven weeks of 1948. At the beginning import licences were issued at the rate of one Macao dollar per oz. The rate has now been raised to M\$2 per oz. for direct imports and M\$3 per oz. for imports in transit. A deposit of 10 per cent of the value imported has to be made in Macao dollars with the *Banco Nacional Ultramarino*. This has led to a shortage of Macao dollars and has resulted in the Hongkong dollar, which runs normally at par, being quoted at a discount ranging from 10 to 21 per cent. The importer also has to surrender one per cent of the American exchange required to finance the traffic. Thus the market is proving highly lucrative to the local government, to the dealers and also to those individuals who have been manipulating the money exchanges and re-selling import licences.

Most of the gold is smuggled into China and Hongkong—the current smuggling quotation from Macao to Hongkong is about HK\$12 per tael—but there is also a considerable flow in the direction of Bangkok, Rangoon and other markets in the East. It is thought by some observers that imports into Macao this year may touch 3,000,000 oz.

dealers in gold pointed out that as there was no legislation to prevent their operations in gold at prices higher than the official parity, they would continue to engage in them and abide by the law of the land, even if they infringed the rulings of the IMF.

It was not until the following November that the US Treasury issued new regulations specifically prohibiting the export of gold at these higher prices. For more than four months, therefore, the New York market was picking up the international gold business which London was forbidden to touch. The new US Treasury regulations, however, left an interesting loophole which for a short while allowed the tables to be turned in favour of London and against New York. These regulations still permitted the re-export of processed gold at prices above the parity, and it did not take London dealers long to discover that profitable business could be done by exporting to the United States sheet gold for which more than the parity price could be obtained. This business suited the British authorities admirably, since it yielded dollars at a rate of around \$43 per ounce instead of the return of only \$35 per ounce obtained when gold was sold direct by the British to the US Government. During December, therefore, a considerable business in exports of sheet gold to the United States developed. The US authorities, however, were not slow to see through the thin disguise by which the "processed" gold was able to slip through their regulations. Though ostensibly intended for manufacturers, sheet gold is the perfect hoarding medium—especially as a sheet could be made to any desired thickness. After the US authorities had lodged objections in London, this traffic was stopped early in January, by the simple expedient of refusal by the Bank of England of export licences.

Since the cessation of this traffic, the export of manufactured gold from Britain has been kept down to very small proportions. The exports to non-dollar countries are now regulated by a rigid and minute quota. It may be asked why any gold at all should be made available for export to sterling area and other soft currency countries, merely for the sake of securing, in such currencies, the exceptionally high prices that can be obtained for exports of manufactured gold. The official answer would be that by a small expenditure in gold—and it can probably be reckoned in hundreds rather than thousands of ounces a month—it is possible to maintain valuable connections between the London market and the countries in question. Licences are of course granted more readily for exports to dollar countries,

but this business is neither large, nor, in terms of sterling, particularly profitable.

Although London and New York, the main bullion markets, are temporarily impeded in their international gold business by the restrictions placed on free dealings by their own controls and at the instigation of the IMF, this does not mean that no active international arbitrage business in gold can take place. On the contrary, the gold business in the Middle and Far East has seldom been more active. The basis for it is the exceptional hoarders' appetite, which has been whetted to a fine edge by paper currency inflation and political uncertainty. In satisfying this demand the Syrians, above all others, have come into their own as the champion black marketeers. They are the main agents for this traffic in gold. They buy largely from South America and Abyssinia, and their supplies are also fed indirectly by the coins provided through British and American initiative in Greece and other Middle Eastern countries. They sell largely to hoarders in the Middle and Far East. Most of this traffic involves smuggling and the evasion of every kind of regulation. But that is no deterrent or real handicap to the gentlemen from Damascus. The prizes are considerable. Though the competition is now sufficiently keen to give the semblance of genuine arbitrage the free prices do not approximate to a recognisable uniform parity. The price per ounce in Hong Kong has been as high as the equivalent of \$53 but is now about \$47. In the Middle East the price is now equivalent to about \$41. These are prices on the basis of which arbitrage is taking place and their disparity is a measure of the charges that have to be incurred in this gold traffic. The price paid by the ultimate buyers in China and elsewhere are considerably higher. It is interesting to note that in the free but essentially domestic market for gold in France, coins are now valued at the equivalent of over £20 per ounce. The market in gold therefore bears all the marks of disruption and disorganisation caused by exchange controls and national import and export licensing systems of widely varying degrees of intensity. The principal common thread that runs through the markets is the fact that all free prices are well above the official quotations. Another of their characteristics is that wherever the metal is quoted in terms both of dollars and of sterling, the quotations produce an equivalent of about \$3 to the pound. The significance of that ratio should not be pressed too far, but it cannot be altogether ignored.

Bottleneck in Bearings?

THE fashionable pastime of hunting the bottleneck has drawn attention to the ball and roller bearing industry. "Steel more than anything else," said the *Economic Survey*, "will be the limiting factor in 1948." But the steel industry has repudiated the distinction with some spirit, and suggests (in the *Statistical Bulletin* of the Iron and Steel Federation) that the real bottlenecks arise in particular components such as ball-bearings, precision chains, and electric motors. It is not to be expected that the makers of these things will be any more ready than are the steelmakers to accept the odious label; and the ball and roller bearing trade association, through its chairman, Mr F. J. Pascoe, has stated this week that reports of a hold-up of production through shortage of bearings "are rather exaggerated."

Clearly the bearing industry is, from its nature, particularly exposed to charges of being the limiting factor in a modern industrial economy. For, small though it is, it is a key industry to the key industries: few programmes of industrial expansion are not dependent on it. Cutter-loaders for the mines require

bearings; the conveyor programme requires vast quantities of bearings of a specific type; increased activity in the steel rolling mills puts an increased strain on the production of heavy roller bearings. Re-equipment in textile spinning and weaving is making urgent demands. All these are special demands, abruptly variable, to be met without slackening the supplies needed to maintain countless existing machines and for the current output of a multitude of commodities.

It is not surprising that some of the demands are hard to meet promptly, or that manufacturers who have to strive for flexibility and resource should resent being told that they are holding things up.

Some users (said Mr Pascoe in a speech in London this week) do not give us sufficient time to manufacture bearings. It is a little hard on us when a machine tool manufacturer is quite ready to quote some two years' delivery for a machine tool, but expects to get a bearing within two or three months of placing an order. The industry manufactures many thousands of sizes and to a very large extent uses separate and distinct sizes of raw material for different sizes of bearings.

We cannot be sure of obtaining any new size of raw material under at least six months. Again, economical manufacture depends on careful and detailed planning, and we are urged only to purchase that raw material which we know will be used. We cannot, therefore, manufacture any of our multitude of sizes in the hope that we will get orders for them."

He added that the majority of bearings made fell into the "standard" group of 300 sizes; it was not these, but the unusual sizes only, that were difficult to supply at short notice. This is one half of the defence; the industry's other retort is that abrupt changes in the national industrial plans are bound to create equally abrupt difficulties in the supply of components. The conveyor programme and the latest drive for higher textile production are obvious examples; these place on one section of a factory a sudden weight of demand which the whole factory cannot, without unreasonable dislocation, be mobilised to meet.

Good though the excuses may be, there is still a shortage of bearings. Demand has reached extraordinary levels, and has outstripped supply. It has always been found necessary to import some special bearings for which demand was too small to justify home production; but lately standard types have been imported as well, and imports from the United States have reached the rate of £2,000,000 a year. To dispense with these imports, production of bearings in this country would have to be expanded by about 20 per cent; and this, it seems clear, cannot be done without building more plant. The industry as it stands is new, energetic, and rudely efficient; there is little room here to achieve miracles by simple rationalisation or redeployment.

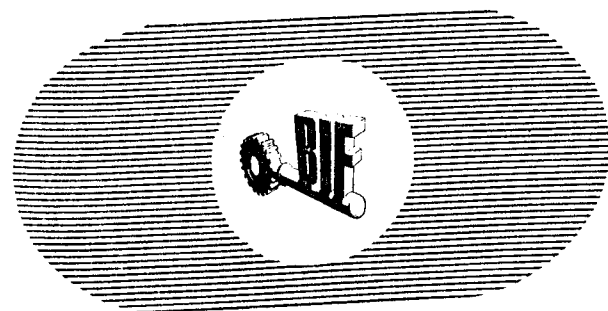
A purely twentieth-century growth, the industry enjoys also a special international background. Of the five firms which represent about 95 per cent of British capacity, four have foreign associations, or have had them in the recent past. One

is a subsidiary of the world-wide Swedish concern; two have American participations and arrangements for technological interchange with the United States; one of these two now controls the fourth, which severed its connection with Schweinfurt at the beginning of the war. It is a specialised industry using its own processes and for the most part specialised plant, either of American or of Swedish origin; the British supply of ball-bearing machinery is, relatively speaking, in its beginnings. Imports of American plant have, indeed, been heavy in recent years; they are expensive, but a great deal cheaper than importing the finished product. One unusual fact about this industry is that it has no complaints about the scale on which it has been permitted to import plant. (Hardly less astonishing, it has no complaints about its supplies of raw material—principally, chrome steel. And members have even said that they find Government supervision helpful and constructive.)

Its international affiliations, then, have had the clear consequence of keeping the industry thoroughly up to date. Its production record, as to quantity, is good; as to quality, perhaps even better. The following figures show employment and production before and since the war:

	1938	1946	1947
Number of employees	11,868	17,058	18,030
Number of bearings delivered to customers (thousands) ...	23,650	33,436	40,062

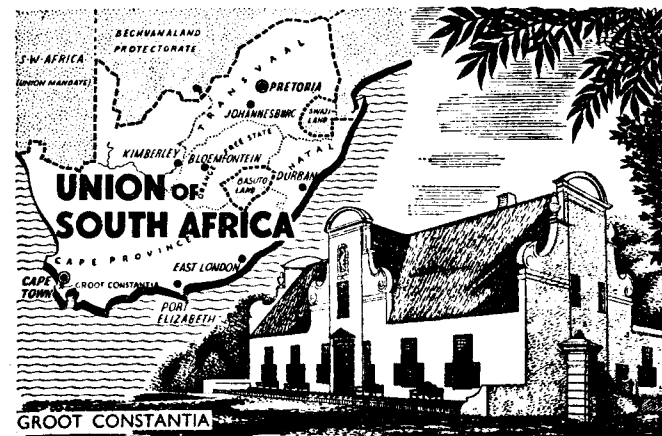
Expected production for 1948 is 50,000,000 bearings. The variety of product makes this a very rough method of assessing production; the industry claims that on a more accurate method it would make a still better showing. Not only production, but the productivity of labour, has gone up; and this is confirmed by the experience of individual factories. Progress in the simplification of processes has been substantial, and



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A casual observer of the architecture of the Union of South Africa would probably place more emphasis on the sky-scrapers of the Rand than on the spacious old Early Dutch houses which form such a pleasant decoration to the countryside of Cape Province.

There are, however, numerous examples of this attractive form of architecture still remaining. Many of them, as in the case of Groot Constantia near Cape Town, were designed as chateaux for the vineyards which still surround them and have served as centres for the wine industry ever since the seventeenth century. The wine industry in turn has done much to contribute to the prosperity of the Union in general and of the port of Cape Town in particular, and continues to hold its own to-day in the busy and expanding commercial life of the Union.

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cent; agricultural machinery has been reduced by more than a half, textile machinery by 10 per cent, while electrical and other machinery remains unchanged. In the vehicle group the projected end-1948 rate is now 260 per cent, instead of 272 per cent given in the Economic Survey and the original target of 319 per cent. The reduction mainly affects private and commercial cars, the exports of which will be almost 30 per cent smaller; aircraft exports will also be slightly reduced. In certain cases the revised export targets have taken account of the need for a larger supply of spare parts. The quantity of refined steel which Britain has agreed to export under bilateral trade agreements, however, remains unaltered.

The major expansion in exports is to be borne by textiles, whisky, carpets, linoleum, wires and cables, and scientific instruments. The cotton industry's target has been raised from 69 per cent of 1938's volume to 79 per cent, concentrated on larger piece-goods exports. The wool target has also been increased from 182 per cent to 202 per cent, but in this case the increase will consist of tops, yarns and carpets. Exports of cotton goods to Canada are scheduled to achieve a rate of 100 millions yards a year, compared with 8,000,000 yards in 1947, while shipments of wool textiles to Canada—again mainly tops and yarn—are to be increased by 75 per cent.

The non-steel using industries, which must make good a large part of the reduced exports of machinery and motor-cars, are also confronted with difficulties in their overseas markets. In some

REVISED EXPORT TARGETS, FOR END-1948
(Monthly Rates)

	Value at End-1948 Prices		Volume	
	Sept. Targets	New Targets	Sept. Targets	New Targets
	(£ million)		(Percentage of 1938 volume)	
Food, drink and tobacco	8.35	8.35	125	125
Raw materials	7.35	6.00	50	40
Coal	3.90	3.90	39	39
Manufactures:	137.65	132.15	185	175
Iron and steel	8.10	8.10	111	111
Non-ferrous metals	4.30	4.55	196	207
Implements and instruments	3.45	3.35	197	189
Electrical goods and apparatus	5.50	6.60	198	235
Agricultural machinery	4.75	2.10		
Electrical machinery	2.45	2.45		
Textile machinery	5.14	2.83		
Other machinery	14.51	14.67	244	206
Private and commercial vehicles	12.60	9.00		
Railways	2.40	2.40		
Shipbuilding	2.15	2.15	319	260
Aircraft	2.80	2.50		
Other vehicles and parts	6.40	5.45		
Cotton manufactures	11.30	15.00	69	79
Wool manufactures	11.25	12.40	182	202
Rayon and silk	4.40	4.40	245	245
Other textiles	3.40	3.40	106	106
Apparel	4.30	4.20	205	201
Chemicals	9.00	8.05	206	184
Pottery, glass, etc.	4.25	4.25	223	223
Paper and paper goods	2.00	2.20	140	154
Rubber manufactures	1.30	1.05	410	330
Other items	3.50	3.50	...	...
TOTAL EXPORTS	156.85	150.00	164	154

products, as Mr Wilson pointed out, exports are suffering because British prices are not competitive; in one or two cases the problem of quality has arisen. More important still are the import restrictions imposed by other countries on non-essential goods, which in fact account for a big proportion of British exports. Some relief has no doubt been achieved through bilateral trade agreements, but mere barter arrangements will not absolve industry from the necessity to make its prices competitive and its qualities acceptable.

Progress in Production

Sir Stafford Cripps's progress report on Wednesday presented the production background of the rising figures of foreign trade. In coal and steel, at least, the story is beginning to be heartening. The mines, with a target $7\frac{1}{2}$ per cent higher than last year's output, produced 8 per cent more than last year. Steel production, with a target of 14 million tons a year, was rising impressively and in March reached an annual rate of 15,117,000 tons—the highest month's production yet recorded. Output of cotton goods, on which so much of the export drive is to depend, is lagging; so far it has attained only about four-fifths of the target rate. Cotton spinning is doing rather better than weaving; with a target of 900 million lb., it has produced so far this year at the rate of 850 million; last year's output was 740 million lb.

Sir Stafford gave a number of examples of production figures for January which were substantially higher than in January last year. Output of railway wagons was 3,926 (compared with a monthly average of 3,176 in 1947); internal combustion engines, 21,581 (18,549); shell boilers, £496,000 (£419,000); industrial valves £947,000 (£795,000); pumps and pumping plant, £1,043,000 (£892,000); typewriters, 5,066 (3,814); industrial furnaces, £422,000 (£398,000); footwear, 11,800,000 pairs (10,300,000). Deliveries of coal cutters are below the set figures, the monthly required average being 117, but deliveries so far were 98 in January and 99 in February. Power loaders are being produced at the rate of 10 a month; 20 a month are needed. Clearly, the urgently needed production for the programme of mechanisation in the mines is going all too slowly.

France's Sterling

The rate at which France has recently been running through its accumulated sterling resources has now reached such a pitch that the French authorities have tabled formal demands for credit facilities from this country. This was one of the subjects of discussion of the Anglo-French Economic Committee which met in Paris last week. No credit agreement was reached, however, as it was thought that the plans for substantially increasing French exports to Britain this year and for postponing the originally projected increase in French imports from the sterling area will achieve the necessary balancing of current payments without calling for the formal opening of inter-Governmental credit facilities. The British, moreover, might argue that it should be open to France to cover part of its sterling deficit by means of such Marshall dollars as may be made available to it for "off-shore" purchases.

Meanwhile, private agencies in this country are helping to bridge the gap in the franc-sterling balance of payments. The latest evidence of this movement is the £1,000,000 credit arranged for the Société Métallurgique de Normandie by Hambros Bank and Lazard Bros. The credit is to be used to finance the purchase of plant from Great Britain for the reconstruction and re-equipment of the French company's works near Caen in Normandy. It is to be reimbursed from the proceeds of shipments to Britain of steel billets and pig iron. This financial operation, and the trade that will ensue from it, will re-establish a traditional channel of two-way Anglo-French trade. Before the war, the French steel works in Normandy derived part of their coal supplies from South Wales, and in turn exported part of their steel to South Wales firms for re-rolling. The restoration of this trade is a promising, though still very modest, harbinger of what may yet be achieved in the way of industrial integration in Europe. The Anglo-French Economic Committee approved the general plan by which French deliveries of semi-finished steel products to Britain are being resumed this year at an initial rate of 40,000 tons a year, rising to 200,000 tons a year by the end of 1949, by which time French output of steel is expected to reach the target figure of 10,000 tons a year.

The Finance of Films

Mr Harold Wilson was less than kind in describing criticism of the American film agreement as "singularly uninformed and misleading": when will the Board of Trade be able to publish the agreement? It may not be until the end of this month. Discussion is still going on with the Americans on a number of points, and a trade report suggests that these may include one of substantial importance—the possibility of registering American films produced in Britain in a separate category which would not count for quota.

Mr Wilson's important speech to the Association of Cinematograph and Allied Technicians at the week-end added something to the interpretation of the agreement, and made three other points. He gave a pledge that "on all those matters which are within Government concern everything will be done to ensure full maintenance of production and employment." It appeared, however, that he was by no means clear how this might be done. He stressed the necessity for getting production costs down to a reasonable basis. This is good sense and would, as the President of the Board of Trade suggested, provide the best possible guarantee of financial soundness; it is welcome news that the new National Film Production Council is collecting information about present costs. But here again a good deal will depend on the method employed. Emphasis at the moment seems to be on reducing the salaries of the highly-paid stars and producers. No



The propensity to barter and exchange one thing for another is common to all men.

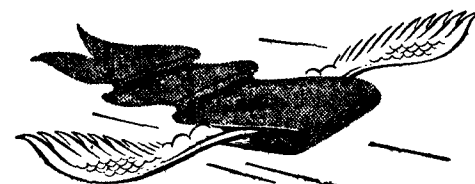
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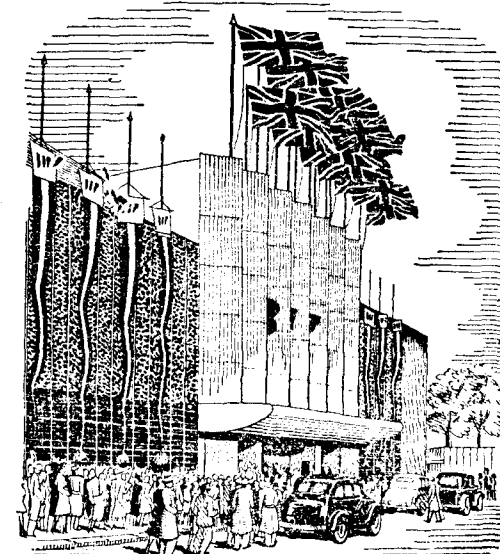
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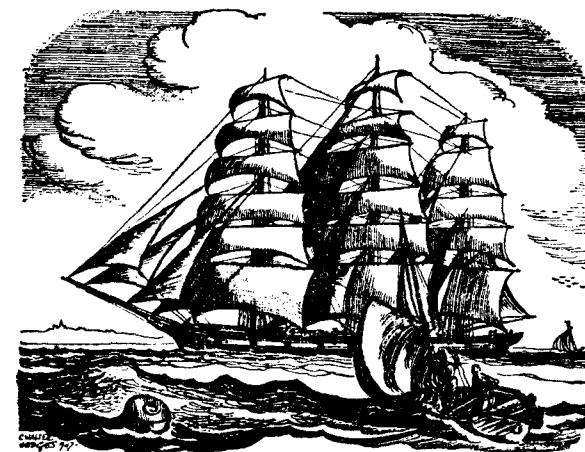
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HONGKONG • CHINA • JAPAN

one would waste any sentiment on inflated salaries. But they are to some extent competitive, and are paid because the producing company expects a financial return from them. The star can often go elsewhere, and the moment when American finance is entering the market may not be the best moment to offer the key people a great deal less money. The rate of pay, further, is not the decisive thing; what matters more is the number of weeks the salary bill has to run. If the British industry could find producers and directors (and, indeed, actors) who could make in six weeks a film which now takes eighteen, it would have gone most of the way to repairing its finances.

On the provision of money for film production, Mr Wilson talked common sense; his words were not encouraging because the situation is, in fact, not cheerful. Independent finance is being frightened away by, above all, the prospect of losing its money. Naturally the Government cannot be expected to lose the public's money instead. But it can be expected to attack first the heart of the problem—methods and cost of production—and then seek ways of making finance practicable.

* * *

US Dollars for Canada

The short-term payments agreement with Canada expired last Wednesday before alternative arrangements for further drawings on the Canadian credit could be negotiated. For the time being, therefore, the net payments due to Canada by Britain will have to be made wholly in US dollars. The balance remaining in the Canadian credit, namely about \$250 million, will be temporarily immobilised. The awkward hiatus which has arisen is due to the fact that the British request to the Economic Co-operation Administration in Washington to have the Canadian food contracts transferred to ERP has not yet been sanctioned. In the circumstances the Canadian Government have not felt themselves able to allow further use of the credit to Britain, and the British Government have agreed to pay the whole of the current deficit to Canada—about \$50 million a month—in US dollars in the hope of later recovering the expenditure under ERP.

Whether, in fact, these dollars will be recaptured will depend on the decisions of the EC Administrator—first, upon whether the Canadian food contracts will rank for off-shore ERP purchases; and, secondly, whether any expenditure incurred before the ERP Appropriation Act is passed by Congress will be eligible for ERP and can be recaptured. Uncertainties remain on both counts. The US administration has never been enamoured of Britain's long-term food contracts, which appear to offend against the State Department's theology on non-discrimination. This suspicion may communicate itself to the Administrator, Mr Paul Hoffman. On the second point, it still remains uncertain whether ERP dates from the moment the President signed the Financial Assistance Act, or whether it comes into being when the necessary funds are formally appropriated. Meanwhile, the food contracts signed with Canada towards the end of last year will run on undisturbed—and fingers will be kept crossed both in London and Ottawa.

* * *

The Tobacco Enigma

The elasticity of demand for tobacco has so far belied all estimates. On balance, the huge additional revenue which has been secured by the increases in the tobacco duty since 1939 has been provided without affecting consumption. Even last year, when Mr Dalton increased the Customs duty on leaf tobacco by 50 per cent (from 35s. 6d. to 54s. 10d. a lb.), consumption was reduced by only 10 to 20 per cent—the exact figure depending upon the basis of calculation selected. The further addition to the duty, of 3s. 4d. a lb., proposed by Sir Stafford last week was designed, as he said, "to bring to smokers' attention once again the need for economising in tobacco." Clearly, the purpose of the increase is not to try to reach Mr Dalton's target of a 25 per cent reduction in consumption. If that had been the object, a much larger increase would have been necessary. Tobacco consumption in the United Kingdom totalled 225 million lb. in 1947, or 10 per cent less than the 250 million lb. smoked in 1946. Personal expenditure in tobacco over the same period showed a reduction of nearly 12 per cent. But consumption for the twelve months beginning May 1, 1947, is likely to be only 206 million lb., compared with 259 million lb. in the previous twelve months—a reduction of almost 20 per cent.

Despite the cessation of purchases of American tobacco last August, the United States supplied almost two-thirds of British imports in 1947, when retained imports were equal to consump-

tion. Under Marshall aid, it is believed, Britain will receive about £28 million worth of tobacco annually, or, say, a quantity similar to that received last year, but substantially less than the annual rate of importation previously. Assuming imports from other sources to be also the same as those in 1947—allowing for an increase in Rhodesian supplies to balance a reduction in Canadian shipments—British consumption under Marshall aid is likely to be restricted to about 205 million lb. a year—or the same annual rate as that of the past eleven months.

If these calculations are correct, why increase the duty with the avowed object of promoting economy? The payment of a penny or twopenny more for 20 cigarettes is unlikely to reduce consumption by itself, and perhaps not even if taken in conjunction with the increased tax on beer, spirits and betting. The habit of smoking requires more than a 2d. rise to combat it. Perhaps, after all, this new impost served the usual "revenue" purpose. Or was the Treasury afraid that the extra purchasing power to be placed in the hands of the lower income groups through the income tax concessions would undermine the resistance of the new non-smokers and reluctant economisers? If so, the increase in price might be regarded simply as a psychological deterrent to an increase in consumption, but not as a means of reducing it. In any case, even on last year's consumption, the new tax ought to yield much more than the £20 million allowed for by Sir Stafford. Tobacco consumption over the next six months, however, should reveal an interesting trend, particularly if purchasing power is curbed and if, as the Economic Survey postulated, the number of unemployed increases to 450,000 by the year-end.

* * *

ICI Record Income

Despite the forebodings of Lord McGowan in the 1946 report of Imperial Chemical Industries, written in the gloomy circumstances prevailing soon after the fuel crisis, the group has emerged from its trials in 1947 with something like a triumphant record for the full year's trading. The net income of £7,646,933 for the year—announced in the preliminary profits statement last week—makes an even more striking comparison with the 1946 figure of £7,171,109 when it is considered that in the past year only £426,000 was credited from previous over-provision for taxation, whereas in 1946 a sum of £1,692,000 was brought in from the same source. It is clear, then, if these special credits are excluded, that the expansion in net income in 1947 was of the order of some £1,750,000. Thus, not only has it been possible to repeat the allocation of £3,000,000 to the central obsolescence and depreciation fund before striking net income, but also to raise the additional contribution from net income to obsolescence and depreciation, and to place £1,000,000 to general revenue reserves, which last received an allocation in 1939, when the figure was £375,000.

This continued careful husbanding of resources is fully in line with the established conservative policy of the board, who in the past have laid emphasis on the need for finding out of profits not only the substantial amounts required by the group for the replacement and expansion of fixed assets, but also for financing technological changes to which the industry is particularly liable. Yet a point of considerable significance in the preliminary profits statement is that the directors have chosen to pay the whole of the 10 per cent distributed for the past year as dividend, thus eliminating the bonus element of 2½ per cent first introduced in 1946, when the total annual payment was raised to its present level. In view of the expansion of earnings from 22.5 to 24.2 per cent on the £50,465,116 ordinary capital, the increase in the dividend *per se* naturally raises the question of what the total distribution would have been if the hands of the group had not been tied by voluntary dividend limitation. It is unlikely, however, that an increase would have been made in any case unless the directors were confident that the higher level of profit in 1947 would be maintained. At any rate, the market reacted favourably to the profit figures; the ordinary shares opened the week at 50s. 3d. bid after being 48s. 6d. before the announcement. The subsequent relapse to this level, at which the yield is 4½ per cent, can rightly be attributed to general market factors, for the price has fully recovered the amount by which it was adjusted when the shares went ex-dividend.

* * *

Ford Motor

The report of the Ford Motor Company for 1947 certainly justifies the enhanced investment status which the shares of the

company have achieved during the past year. The yield on the £1 ordinary shares at the current price of 50s. is no more than 4½ per cent, a rating bettered in this section of the market only by Leyland Motors. Indeed, the group's consolidated accounts are expected to show earnings well above the level of 37.3 per cent attained in 1947, in itself a handsome cover for the 10 per cent distribution—now paid entirely as dividend instead of 7½ per cent in dividend and 2½ per cent in bonus as in 1946. If voluntary dividend limitation had not been in vogue, the payment this year might well have been greater. After deducting taxation, it represents only 1.4 per cent of the company's gross trading and other disbursements of £35.6 million in 1947. This total is itemised in chart form in the report, showing that purchases of materials accounted for 65.4 per cent, wages and salaries 16.4 per cent, overhead expenses 5.7, taxation 5.7 and employees' benefits, excluding state schemes, 1.5 per cent; profit retained in the business represented 3.9 per cent. The company achieved a record output in 1947, and its production policy continues to be focused upon large-scale output of a limited range of vehicles. Import and currency restrictions alone have limited sales in overseas markets, where Ford products have generally more than held their own at competitive prices.

The satisfactory trading results for 1947 have enabled the company to show an even stronger liquid position, despite the absorption of over £2,000,000 of profits by taxation. Incidentally, the accounts disclose for the first time that the company paid almost £1,000,000 in EPT at the 60 per cent rate in 1946, compared with what would seem to be £661,443 for profits tax in 1947. Reserves were strengthened in the past year by additions of some £1,925,000, bringing the capital employed in the business up to £16.6 million, compared with the issued ordinary capital of £9,000,000. It has been decided to set up a new reserve of £750,000 to provide against a possible fall in commodity prices. This is a prudent measure in view of the big rise during the year in the value of stocks; this has risen by over £2,000,000, to some £5½ million.

* * *

Perplexities of the Cotton Talks

It is not easy to see in the conclusions of the Anglo-American cotton trade conference, which has just been held in Manchester and London, any reflection either of the critical British trading position or of the part which the British textile industry is expected to play. Perhaps some of the talk of increased textile exports to dollar markets has been a little unrealistic, and it would have been more salutary to look at the extraordinarily high level of textile imports by the sterling area from the United States. This has been one of the heaviest single items in the dollar drain on sterling. What used to be Japan's trade has been taken over not by Lancashire but by the United States, India, and the indigenous industries.

Here, it might be thought, would be the background of the talks. British exports of cotton and rayon piece goods in 1947 amounted to 630.6 million square yards; US exports, for the first nine months of the year only, were 1,326.5 million square yards. This complete reversal of the prewar relationship is attributable to a number of causes, not least of which is the utter failure of the Lancashire industry to revive quantity production. In the circumstances the lines on which the talks appear to have run are a little puzzling. The American intention, bluntly stated, of maintaining American textile exports in full had to be taken as a starting-point. There followed an examination of the Japanese problem, and weighty reasons were given for allowing Japan a reasonable textile production. Among these was the necessity of providing dollars to finance the operations of SCAP. The report states:

The United Kingdom delegation consider it would be proper in the British interests for Britain to aid in relieving the existing situation by facilitating the entry into the markets of the sterling area of textiles produced in Japan.

This trade might be conducted "without directly involving dollars" and be balanced by the supply of sterling area commodities "to be consumed as far as practicable in Japan, but otherwise in the United States." It would help to relieve the danger of there being no other place to sell Japanese textiles than in the United States itself, where they are neither needed nor wanted.

If the intention were merely to switch the Commonwealth textile purchases from the United States to Japan, such a plan might appear sensible. But the Americans have said that they intend fully to maintain their present trade. Indeed, the British undertook to recommend various relaxations of exchange control and "the most liberal policy possible in providing dollar exchange for United States textiles." Liberal policies are, of course, delightful

But it is hard to fit into this liberal prospect the plan which the two delegations agreed (and which looks foolish as well as unscrupulous) for limiting Japanese spinning capacity to 3,500,000 spindles. Can this plan be seriously intended? Has the British cotton trade swallowed it in a belief that it would benefit Lancashire? It would be more to the point to know what the plans of the British cotton trade are and who is going to support the British balance of payments.

Some figures given in *The Economist* of April 3rd under the heading "Competition from the East" need correction. The British output of cotton, rayon and mixture piece-goods in 1947 was 2,014.4 million yards; Japanese output was 739.2 million yards. British exports were 630.6 million yards; Japanese exports, shown as 360.5 million square yards for eleven months of 1947 in the supplement to Cotton Board Trade Letter on February 19th, totalled 394.1 million square yards for the whole year.

* * *

Rationing Emigrants' Capital

The dangerous state of Britain's gold reserves has called for a considerable—and rather overdue—curtailment in the facilities hitherto offered to emigrants to take their capital with them when leaving this country for countries outside the sterling area. The rule which has now been superseded allowed emigrants to take a maximum of £5,000 in equal instalments over a period of four years. Under the new ordinance the maximum has been cut down to £1,000, and that reduced figure also will be convertible into non-sterling currency only over a four-year period. After four years of residence in his country of adoption, the emigrant will be treated as a non-resident for purposes of exchange control regulations, and then will be allowed to convert into the currency of his adopted country the whole of the income on his capital remaining in Britain. The capital itself, however, will remain immobilised for the time being and will be subject to the general restrictions then applicable to capital held in this country by non-residents. The new regulations leave wholly unaffected the rights of emigrants to sterling countries to take their capital with them. At present the right of emigrants to move capital from Britain to other parts of the sterling area is unconditional, with the one exception of transfers to South Africa, which are limited, at the behest of the South African authorities, to individual amounts of £10,000, above which figure the special authorisation of the South African Reserve Bank has to be obtained. In view of the "hardness" of the South African pound from the British standpoint, it is perhaps surprising that the British currency regulations governing emigration to non-sterling territory—or at least a modified version of them—have not been extended to cover this case also.

* * *

Fur Trade Blunders

In its approach to the British fur trade since the end of the war, the Government has shown a singular lack of imagination. Before the war, the international importance of the London fur market helped to narrow Britain's trade deficit with such countries as the United States, France and Germany. In the autumn of 1945 the resumption of international trading in furs was permitted in this country; but it was obvious even then that it would be difficult to re-establish London as a leading international fur trade centre, particularly as during the war New York had established its own contacts with the primary sources of supply. In fact, in the two years to last September, the British fur trade showed an adverse balance of £10 million and became an important drain on dollars. Furs were purchased from hard currency sources and after dressing were exported to soft currency markets.

Last September, the Government made imports of fur conditional upon exports, and although these restrictions reduced London's international turnover, the fur trade showed a slight surplus of £300,000 between October, 1947, and February, 1948. But the increase in purchase tax now threatens to impose a new obstacle. To secure a proper export balance the fur trade cannot rely entirely upon imports and re-exports. It needs to develop domestic processing—dyeing and dressing—and the manufacture of fur skins into garments for the export market. And since the end of the war such a development has shown encouraging results. In 1938 British exports of manufactured furs totalled £163,608; by 1945 they had fallen to £125,267, but rose to £620,208 in 1946 and £970,173 in 1947. Exports in the first two months of this year were at an annual rate of nearly £1,200,000.

This development, however, was linked to the utility scheme. Manufacturers were permitted to produce the higher grades of utility fur only if they were—or became—exporters. Moreover,

BARCELONA TRACTION, LIGHT AND POWER COMPANY, LIMITED

BONDHOLDERS' COMMITTEE APPOINTED

At a well-supported meeting of holders of Consolidated Six and a-Half Per Cent. Prior Lien Bonds of Barcelona Traction, Light and Power Company, Limited, held recently in London, under the independent chairmanship of Mr Leslie Peppiatt, solicitor, resolutions were passed forming a committee to represent the interests of those holders and setting out the powers of this committee. Mr Peppiatt said that the meeting had been convened by the Trustee (National Trust Company, Limited) at the request of certain bondholders.

Mr C. A. Settle, Counsel proposing the resolutions on behalf of Helvetia Finance Company, Limited, said that the company's policy in the past had been favourable to the shareholders at the expense of the bondholders and the latter had received no interest for more than eleven years. Among his conclusions, Counsel submitted that he had proved that peseta funds equivalent to arrears of interest on the bonds had not been segregated; that Ebro's published accounts showed substantial losses and that the company was inaccurate in describing the problem as solely one of exchange. He also asserted that the company had forfeited the confidence of the Spanish Government; that the actions of his clients had benefited the small bondholders and that the company had not kept the bondholders advised of events and the changes of circumstances.

THE COMMITTEE

Counsel then proposed the adoption of resolutions setting out the powers of a suggested committee and nominating as its members: Mr J. L. Olivan, formerly Spanish Ambassador in London and formerly Registrar of the Permanent Court of International Justice at The Hague; Mr H. A. Benson, C.B.E., F.C.A., of Messrs Cooper Brothers and Company, chartered accountants; Capt. A. H. Hillgarth, C.M.G., O.B.E., R.N. (Rtd.), chairman of Helvetia Finance Company, Limited; Mr R. G. E. Jarvis, director of Messrs M. Samuel and Company, Limited, merchant bankers; Mr C. H. Kleinwort, director of Messrs Kleinwort Sons and Company, Limited, merchant bankers; Sir Arthur Page, K.C., and Mr Juan March Servera.

The resolution having been seconded, three amendments were duly proposed and seconded making additions and alterations to the above resolutions.

A discussion followed, the contributors being Mr J. G. Archibald, on behalf of the company, Mr G. Phillips, for the Trustee, Mr Donald Duncan, a director of Sofina and Barcelona Traction, and Mr C. E. Montaines, who said that he was one of the original bondholders of the company and a founder of Ebro, and who asserted that the situation was much more serious than was known before and that the committee should take immediate steps in the interests of bondholders.

The resolutions, as amended, were carried on a show of hands by 27 votes to 6, and on a later poll by £1,928,900 in favour to £197,000 against.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S REVIEW

The twenty-fourth ordinary general meeting of Kemsley Newspapers Limited will be held, on the 20th instant, at Kemsley House, London.

The following are extracts from the statement of the Chairman, Viscount Kemsley, circulated with the report and accounts for the year ended December 31, 1947, to be submitted to the meeting.

I will refer, at first, to the accounts of the parent company.

The trading profit of £792,129 is an increase of £15,409 on last year's figure. There is a disposable balance of £1,086,159.

It is recommended that £350,000 be transferred to general reserve, and that a final dividend be paid on the ordinary stock of 7 per cent., less tax at 9s. in the £, which, together with the interim dividend of 5 per cent., makes 12 per cent., the same as last year. The amount carried forward of £272,892 compares with £264,055 brought in.

Stock in trade at £240,053 compares with £323,785 last year. This is due to the decrease in the stocks of newsprint held at the end of the year.

CONSOLIDATED ACCOUNTS

The trading profits and sundry income (including dividends and interest), amount to £2,516,605 in the consolidated profit and loss account. Out of this we have provided £1,346,406 for taxation on profits up to December 31, 1947. We have considered it prudent to strengthen the individual subsidiary companies by retaining in their accounts the sum of £160,004.

In the consolidated balance sheet, the revenue reserves and undistributed profits stand at the very substantial figure of £4,994,553.

The figure of £14,084,979 for copyrights and goodwill is considerable. This figure is fully justified by trading results and on current values it is certainly not too high.

THE TAX ON INVESTMENTS

The available profits would fully justify the recommendation of an increased ordinary dividend. The Chancellor of the Exchequer recently expressed the wish that dividends should not be increased. We have respected his wish, but I am bound to say that the vast body of the investing public, had it known that the Budget would include an unprecedented tax related to investment incomes received during the tax year 1947-48, might have felt that they should be able to draw on profits to which they are entitled to enable them to meet the new demand. The effect of the tax, I fear, will be to remove capital from the hands of those who for the most part are proved investors to be used as revenue by a Government not itself setting an example of economy.

Further, out of the group profits we have made provision for the Treasury to receive over 53 per cent., whereas the holders of the ordinary shares receive no more than 6½ per cent.

Difficulties, both expected and unexpected, have beset us during the year. Not only is there less newsprint, but it costs more. This places an immense burden of additional cost upon your company. In almost every other direction we have been faced with rising costs. We have sought to counter the rising tide of costs by increased efficiency.

NEWSPRINT FAMINE DANGER

The subject of newsprint cannot be regarded as purely a domestic concern for newspapers. It is, indeed, a matter of the gravest public importance. Never was there

a time when, by the limitation of space imposed upon them, the newspapers were so effectively prevented from discharging all their public responsibilities in the way that they would wish.

With the possible exception of Japan and Hungary, the supplies of newsprint available to us are, relative to pre-war usage, the lowest in the world.

There is no ground for any complaint of consequence against editors on the ground that serious topics are neglected.

Examination of the newspapers of this group reveals that no complaint whatsoever can be made on this score. The number of columns we devote to news of public importance is stretched to the limit.

News, which in normal times would be deemed to be of first-class importance, is crushed out.

It might be supposed that the small newspapers of to-day mean reduced editorial staffs and a considerable saving of costs in other directions. This is not so. Taking into account the substantial increases in wages and salaries which are common to all departments, the increase in terms of costs is very substantial indeed.

We are able to face these difficulties. There can be no doubt that the increased economies and improved contents which are the result of the association of newspapers in a coherent group, of which your company is an outstanding example, strengthen provincial papers in resisting the stern competition of the national papers which circulate in their areas.

Last year I was completing plans for a training scheme within the organisation. The editorial plan, embracing all members, is in operation and has achieved a success beyond our expectations. It has created a new sense of unity and of opportunity within the group for those ready to take it.

THE SUNDAY TIMES

Since last August every newspaper has been limited to a fixed circulation. I am glad to be able to say that as a result of the advantage taken during the period when circulations were free, the circulations of all your newspapers, morning, evening and Sunday, are now as high as or higher than at this time last year, with one exception—the *Sunday Times*.

At this time last year the net sale of the *Sunday Times* was 556,000. It is now 506,000. This is due to no fault of the *Sunday Times*, but to the latest cut in newsprint last summer and the decision to maintain the size at eight pages.

One serious consequence of the restriction in newsprint has been the limitation still further of the space available to advertisers. Throughout the year the demand for advertising space in the columns of your newspapers has substantially exceeded the space available.

A year ago I referred to the launching of the Kemsley Empire Journalists' Scheme under which promising young journalists in the Dominions were to visit Britain as our guests. These young men spend a year with us, and the cost is borne by the company. The other educational schemes which this company has promoted continue to produce valuable results.

The Trustees of the Kemsley Flying Trust have received over 30 requests for loans from flying and gliding clubs and so far many grants have been made.

After paying a tribute to the staff, Lord Kemsley's statement concludes: Our satisfaction with the figures I have presented to you is tempered by the sense of frustration we feel by reason of the restrictions upon us.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

PROGRESS IN ALL DEPARTMENTS

The one hundred and seventh annual general meeting of the Wesleyan and General Assurance Society was held, on the 6th instant.

Mr A. L. Hunt, F.S.S., F.C.I.L., the chairman and managing director, in the course of his speech said:—

In the ordinary department the total of new sums assured amounting to £3,339,000 constitutes a record. The average sum assured per policy is more than twice the prewar figure. In the industrial department the new sums assured amount to £3,766,030. These good new business figures have resulted in the substantial increase of £177,275 in the premium income of the two departments. In the fire and general departments the premium income has increased by £22,607 while the premium income of the Society as a whole has passed the £3,000,000 mark.

At the end of every year the liability under policy contracts is calculated and compared with the respective funds. The bases of calculation used by the actuary at this valuation were more stringent than formerly. He had in previous years built up extra reserves for the purpose of strengthening the valuation and this year a large proportion of those reserves has now been applied for this purpose. The rate of interest now assumed in both the ordinary and industrial departments is 2½ per cent.

ALLOCATION OF SURPLUSES

The excess of the funds over the calculated liabilities constitutes the surpluses. There is a surplus in each department and the surpluses total £589,000 (including £151,345 brought forward from the previous year). It must not be assumed, however, that this is true profit. Approximately £200,000 of this sum results from the difference between two items in the Revenue accounts, namely, "Profit on Realisation of Investments," less "Amount written off Investments"; this emerges as the result of the sales of investment assets, but, since the proceeds of sale must be re-invested again at current low yields, it is important that it should be retained as, say, investment reserve or general reserve in order to maintain the interest yield. It will be understood that in the years when interest rates were high, in the years when interest rates were high, the policyholders were given the benefit of those high rates of interest in lower premium rates, and many of those policies are still on the books. It should also be remembered that with profits policyholders pay higher premiums than without profits policyholders and the excess normally emerges as surplus.

In the ordinary department the surplus is £291,233. Of this sum, a total of £107,000 has been transferred to investments reserve and general reserve, and £17,610 to the staff pension fund. The directors declare the pension fund. The directors declare the pension fund. The directors declare the pension fund.

In the industrial department the surplus is £235,073. Of this sum, £33,000 has been transferred to investments reserve and £62,390 to the staff pension fund. The directors declare the divisible profits to be £65,000, representing £40,000 allocated for industrial department policyholders by way of additional non-contractual benefits under policies becoming claims, and £25,000 for the outdoor staff. It is of interest to record that, since 1927, no less than £940,000 has been allocated to industrial department policyholders.

The fire and general departments are making

substantial progress and the premium income has reached £109,583. The whole of the business is reinsured and a small profit to the Society results.

HOUSE PURCHASE

House purchase advances in 1947 far exceed the total of any previous year. This is remarkable, in view of the postwar restrictions on the building of houses for owner-occupiers, and the fact that the Society is not prepared to encourage the purchase of houses at greatly inflated prices.

Many tenants are now able to purchase their houses at prices not much in excess of 1939 values. The Society will advance a generous proportion of the purchase price of a house to a tenant able to purchase on reasonable terms.

It is very desirable that every householder purchasing his home by payments out of income, should protect his dependents by ensuring that the house is freed from the loan in the event of his untimely death before the purchase is completed. The Society's house purchase plan ensures this protection.

If the house purchaser desires to repay his mortgage for any reason, interest is calculated on the net sum outstanding, no redemption fees are required, and no interest is required in lieu of notice.

The assets stand in the balance sheet at £23,974,383, and represents in the main investments in British Government securities, debentures and preference shares in the United Kingdom and mortgages.

The investments reserve has been increased by £115,000 to £875,000 and represents just over 3½ per cent. of the assets. This reserve is necessary and certainly not too large. The general reserve has also been increased by £25,000 to £275,000.

Assets, which may appear to be of considerable magnitude, are necessary because they largely represent policyholders' money under endowment assurances which are constantly reaching maturity and have to be paid out. It is incorrect to judge the financial strength of a life office merely by the size of its assets and it is equally incorrect to regard the assets as the accumulation of profits earned in the past. I am happy to be able to say that the Society is in an unquestionably sound financial position.

NATIONAL INSURANCE

In July next we shall nearly all be called upon to commence paying National Insurance contributions greater than the National Health contributions now being paid and, with certain exceptions, our personal representatives will be entitled to a death grant of £20. I wish to make it quite clear that National Insurance will not affect in any way existing policies and they will be honoured by the Society in accordance with their terms.

A consequence of the death grant is that funeral expenses policies on the lives of various permitted relatives will no longer be issued in the industrial department, but, as a result of current legislation, a person will be able to insure for £20 maximum on the death of his or her parent or grandparent only. This new legislation does not alter or restrict the right of a husband to affect assurances for any amount on the life of his wife or vice-versa, nor does it restrict own life assurances. In 1947 approximately 81 per cent. of the new premium income of the industrial department was accounted for by own life assurances or assurances by a wife on her husband, or vice-versa; it follows that the new circumstances are unlikely to have a serious adverse financial effect.

The report and accounts were adopted.

GENERAL REFRACTORIES, LIMITED

RECORD TURNOVER

The forty-eighth annual general meeting of General Refractories, Limited, was held at Sheffield, on the 12th instant, Sir Ronald W. Matthews (the chairman) presiding.

The following is an extract from his circulated statement:—

The heavy demand for all types of your company's products, both in the home and overseas markets, continued throughout the year, and is still being maintained at a highly satisfactory level. The turnover for the year proved to be a record for the group. This continued expansion of our business will give great satisfaction to our stockholders, and is conclusive proof of the wisdom of the policy of modernisation and mechanisation which your directors are pursuing in the company's works and quarries, with a view to combining the maximum rate of production with the highest quality of product.

There is a constantly expanding demand for refractory products of all kinds for consumption both at home and in the export markets. That is amply proved by our own growing turnovers during the past few years, and it is clear that as the production of steel and other materials, which rely for their manufacture on high grade refractories, increases, so will the pressure on the refractories industry grow.

There is unhappily still among large sections of the population a complete inability to realise the gravity of the situation in which the country finds itself today. American aid is certainly not going to maintain our standard of living even at its present level indefinitely. Already in many markets the high prices of British goods are causing a distinct slackening of demand, and only hard and conscientious work and a determination by all concerned to get the maximum amount out of every unit of plant and machinery will provide that extra volume of output which will make it possible to keep down export prices to a competitive level.

FULLY EMPLOYED

Stockholders will be glad to learn that during 1947 all branches and subsidiaries were fully employed to the maximum of their available manpower and played their part in the satisfactory results achieved. The plant and machinery is in first-class condition and—so far as raw materials are concerned—we have vast resources of fireclay, ganister and sand in this country which assure our position for a long term of years.

The new Research and Technical laboratory which we are building at Workop will, we anticipate, be completed by the middle of 1948. The closer concentration of our research organisation in a building, furnished with the most modern equipment available, will facilitate the quest for new and improved products and will be of the greatest help to the works management in solving their day-to-day problems, as well as fostering even closer co-operation with the industries we serve. The plant erected by Henry Foster & Company, Limited, for production of carbon blocks for blast furnaces operated very satisfactorily during the whole of the year under review. In the Scottish Group we have completed the driving of the new clay mine at Castlecary, and also the pithead erections; these improvements will increase the tonnage from the mine and provide more economical handling methods.

The trading profit of the group for 1947 amounted to £330,681. Income from other sources, £995, aggregating £331,676 against a total last year of £285,985—an increase over the figure of the previous year of £45,691. The Group net profit attributable to General Refractories, Limited, amounted to £106,228 (£89,405). Your directors recommend the payment of a dividend of 10 per cent.

The report was adopted.

DAVIS AND TIMMINS, LIMITED

INCREASED PROFITS

The forty-ninth annual general meeting of Davis and Timmins, Limited, was held, on the 12th instant, in London.

Mr F. Le Neve Foster (chairman and joint managing director) said that when he had addressed shareholders last year it had been in the shadow of the serious interruption caused by the fuel crisis. He had referred to the fact they had had with their workpeople to make up the substantial amount of production lost during the stoppage. Their workpeople had well and truly carried out their bargain. By increased efforts and by overtime, the whole of the lost production had been made good well within schedule. There was evidence that the tempo set by that excellent achievement had carried on and inspired what he hoped was a permanent increase of efficiency throughout their works, which had resulted in the satisfactory report and accounts now presented.

THE YEAR'S RESULTS

The net profit for the year, after making provision for depreciation, taxation and other items, was £56,342, as against the corresponding figure of £42,388. Gross trading profit was £104,910 as against £68,004 last year. The combined profit and loss account gave a clearer picture of the results of the group as a whole. They showed trading profits, after providing for profits tax, etc., at £152,579, as against £89,454 for the previous year, while net profits, after provision for considerable increased allocations for depreciation and income tax, amounted to £59,742, as against £43,568.

The substantially increased trading profits could definitely be attributed to increased

production. During the year they had increased their total turnover by well over 20 per cent. in value. Part of the increase was attributable to increased cost of metal and wages but, when he told them that their weight of metal cut up during the year was up by over 20 per cent., shareholders would appreciate that the increase in production was a very real one.

After bringing in the net profits for the year and the profits brought forward from 1946 and deducting the net interim dividends already paid, there was a balance left to be dealt with of £127,789. The directors recommended a final dividend of 30 per cent., including 10 per cent. bonus, making with the interim of 10 per cent. already paid a total distribution of 40 per cent. for the year, which was the same as for 1945. Even so, their net dividends for the year were less than half the group profit available, after making full provision for income tax and profits tax. In those circumstances the directors felt that the distribution proposed was well within the spirit of the F.B.I.'s dividend limitation proposals and the White Paper.

HEAVY ORDER BOOK

They still had a heavy order book and their works were running smoothly. For the first three months of the current year production and sales were higher than the average of last year. There was, however, some slackening in the demand for larger diameters and business was tending to become more competitive. It must be expected that the tendency would develop through all sections. Looking into the future, he felt confident that, with the benefit of their unrivalled experience in the trade and the efficiency they could demonstrate, the company could and would continue to give an account of itself which would be worthy of its great record in the past.

The report was adopted.

JOHN BARKER AND COMPANY, LIMITED

LARGER TURNOVER

The fifty-fifth annual general meeting of John Barker and Company, Limited, was held, on the 8th instant, at Kensington.

Mr Trevor A. Bowen, D.L., J.P., the chairman, said that the year ended January 31, 1948, had presented many complexities and problems entailing anxious thought and concentrated effort on the part of the directors, managers and staff, and in his opinion the resulting net profit of £1,056,407 must be considered satisfactory, although not as good as their record of the previous year. The net profit was, of course, subject to the charge for taxation.

During the year under review conditions had remained difficult and the drive for exports had had a reflex action upon trade. In addition, there had been a continued issue of new Orders by the various Ministries, as well as cancellations of previous Orders, many of them resulting in confusion. There had also been changes in purchase tax and couponage. Ceiling prices and control had been enforced by the Ministries with a general contraction in margins. Those factors combined had made it a very difficult year and had brought about a reduction in gross profits. Nevertheless, he thought it would be agreed that the net profit was satisfactory. With the company's strong liquid assets position the directors were confident that their established trading policy could be maintained and good competitive value given to their many customers.

The report was adopted and the proposed final dividend of 17½ per cent., making 25 per cent., less tax, for the year, was approved.

GOVERNMENT RETURNS

For the 10 days ended April 10, 1948, total ordinary revenue was £99,831,000 against ordinary expenditure of £95,378,000 and issues to sinking funds £114,000. Thus, including sinking fund allocations of £114,000, the surplus accrued since April 1st is £4,339,000 against a deficit of £26,491,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	April 1 to Mar. 31, 1947	April 1 to Mar. 31, 1948	12 Days ended Apr. 12, 1947	10 Days ended Apr. 10, 1948
ORDINARY REVENUE					
Income Tax	13,091,500	11,562,233	11,897,728	34,120	42,802
Sur-tax	90,000	75,742	91,220	2,000	4,750
Estate, etc., Duties	160,000	148,044	172,029	4,250	5,450
Stamps	55,000	38,338	56,260	1,500	1,550
Profits	250,000	32,107	36,120	1,250	1,950
E.P.T.	1,000	724	715	...	5
Other Inland Rev.	50,000	...	...	...	...
Special Contributions	...	...	...	...	...
Total Inland Rev.	191,510	17,765,797	17,986,660	51,480	64,607
Customs	820,600	620,741	791,101	18,239	21,389
Excise	726,550	563,500	629,700	6,500	7,000
Total Customs & Excise	1,547,150	1,184,241	1,420,801	24,739	28,389
Motor Duties	50,000	49,456	49,108	2,543	1,415
Surplus War Stores	102,000	155,996	197,231	146	...
Surplus Receipts from Trading	57,000	59,000	101,261	...	...
Wireless Licences	11,000	9,940	11,200	...	...
Crown Lands	1,000	520	950	...	...
Receipts from Sundry Loans	14,000	26,780	23,044	...	5,420
Miscellaneous Receipts	68,000	78,312	242,603	3,458	...
Total Ord. Rev.	3,765,500	3,341,223	3,844,859	82,367	99,831
SELF-BALANCING Post Office	150,200	131,000	143,300	3,600	2,950
Income Tax on E.P.T. Refunds	16,000	150,522	23,183	960	129
Total	3,931,500	3,622,745	4,011,342	86,927	102,910

Expenditure	Estimate, 1948-49	April 1 to Mar. 31, 1947	April 1 to Mar. 31, 1948	12 Days ended Apr. 12, 1947	10 Days ended Apr. 10, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	498,819	502,626	25,216	26,928
Payments to N. Ireland	26,000	20,342	24,314	...	...
Issue to Nat. Fund	...	50,000	...	...	...
Other Cons. Fund Services	8,000	8,712	7,291	32	...
Total	534,000	577,874	534,231	25,249	26,928
Supply Services	244,167	333,242	265,287	83,500	68,450
Total Ord. Exp.	297,567	391,036	318,710	108,749	95,378
Sinking Funds	...	...	22,374	109	114
SELF-BALANCING Post Office	150,200	131,000	143,300	3,600	2,950
Income Tax on E.P.T. Refunds	16,000	150,522	23,183	960	129
Total	314,187	411,868	337,961	113,418	98,571

NET ISSUES (£ thousand)	400
P.O. and Telegraph	157
E.P.T. Refunds	1,250
Tithe Act, 1936, s. 26 (1)	17
Overseas Trade Guarantees Act, 1939, s. 4 (1)	...
Housing (Scotland) Act, 1944, s. 4 (2) and Housing (Fin. Prov.) Act, 1946, s. 13 (2)	500
Local Authorities Loans Act, 1945, s. 3 (1)	15,750
Coal Industry Nationalisation Act, 1946, s. 34 (1)	8,000
Overseas Resources Development Act, 1948, s. 17 (1)	2,000
Overseas Food	679
Finance Acts, 1946 and 1947, Post-war credits	28,753

After increasing Exchequer balances by £276,373 to £3,106,116, the other operations for the 10 days increased the gross National Debt by £24,690,142 to £25,749 million (revised total).	
NET ISSUES (£ thousand)	400
P.O. and Telegraph	157
E.P.T. Refunds	1,250
Tithe Act, 1936, s. 26 (1)	17
Overseas Trade Guarantees Act, 1939, s. 4 (1)	...
Housing (Scotland) Act, 1944, s. 4 (2) and Housing (Fin. Prov.) Act, 1946, s. 13 (2)	500
Local Authorities Loans Act, 1945, s. 3 (1)	15,750
Coal Industry Nationalisation Act, 1946, s. 34 (1)	8,000
Overseas Resources Development Act, 1948, s. 17 (1)	2,000
Overseas Food	679
Finance Acts, 1946 and 1947, Post-war credits	28,753

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	
Treasury Bills	1,961
Nat. Savings	1,500
2½% Def. Bonds	1,297
Tax Reserve Certs.	839
Other Debt	1,196
Treasury Deposits	35,500
	42,293
NET REPAYMENTS	
3% Def. Bonds	4,556
3% Conv. Loan, 1948-53	450
Other Debt	672
Internal	672
Ways and Means Advances	11,925
	17,603

* Including £3,666,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947					
Apr. 12	2185.0	2728.8	580.6	1443.5	6937.9
Dec. 29	2250.0	2605.4	306.6	1377.0	6539.0
" 31	2250.0	2550.7	305.6	1402.5	6508.8
1948					
Jan. 10	2220.0	2516.3	317.2	1374.0	6427.5
" 17	2210.0	2474.3	373.7	1335.5	6393.5
" 24	2200.0	2426.6	341.1	1330.0	6297.7
" 31	2190.0	2357.3	371.3	1329.5	6248.1
Feb. 7	2170.0	2351.5	301.6	1329.5	6132.6
" 14	2160.0	2307.4	368.4	1274.5	6108.3
" 21	2160.0	2346.8	447.6	1201.0	6198.6
" 28	2160.0	2342.4	442.7	1259.5	6533.3
Mar. 6	2160.0	2632.2	416.7	1239.5	6514.4
" 13	2160.0	2712.5	403.8	1249.5	6546.3
" 20	2160.0	2712.5	331.8	1249.5	6542.0
" 31	2160.0	2752.0	328.9	1236.5	6567.4
Apr. 10	2160.0	2752.0	328.9	1236.5	6567.4

TREASURY BILLS (£ million)

Date of Tender	Amount	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1947			
April 11	170.0	256.2	10 2.57
1948			
Jan. 9	170.0	285.2	10 2.63
" 16	170.0	251.2	10 3.41
" 23	160.0	269.1	10 2.97
" 30	160.0	269.1	9 11.89
Feb. 6	160.0	240.2	10 0.92
" 13	160.0	266.0	10 0.16
" 20	170.0	236.8	10 2.41
" 27	170.0	232.7	10 1.10
Mar. 5	170.0	286.3	10 1.48
" 12	170.0	266.5	10 1.74
" 19	170.0	266.5	10 2.87
" 25	170.0	266.5	10 2.49
Apr. 2	170.0	291.2	10 2.62
" 9	170.0	291.2	10 2.62

On April 9th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 44 per cent of the Saturday were accepted at £99 17s. 5d. and applications at amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) higher price bills are being offered for April 16th. For the week ended April 17th the Banks will be asked for Treasury deposits to an amount of £120 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended	
	Apr. 5 1948	Apr. 3 1948
Savings Certificates	13,250	1,500*
Receipts	1,400	1,300*
Repayments	11,850	200*
Net Savings	2,800	2,600*
Defence Bonds	2,000	705*
Receipts	601	629*
Repayments	1,399	76*
Net Savings	1,601	629*
P.O. and Trustee Savings Banks	16,738	9,917
Receipts	15,916	7,241
Repayments	822	2,676
Net Savings	14,071	2,952
Total Net Savings	280	234
Interest on certificates repaid	2,255	2,287
Interest accrued on savings remaining invested		

* The figures for Savings Certificates and Defence Bonds cover three days only (April 1st to 3rd).

BANK OF ENGLAND RETURNS

APRIL 14, 1948

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	£
In Circulation	1241,764,579	Govt. Debt	11,015,10
In Bankg. Department	58,483,254	Other Govt. Securities	1288,170,50
		Other Secs.	806,78
		Coin other than Gold	7,621
		Am't. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1300,247,833

BANKING DEPARTMENT

Capital	£	Govt. Secs.	£
Rest.	14,553,000	Govt. Secs.	338,529,291
Public Deps.	3,191,518	Other Secs.	10,568,871
	14,474,892	Advances and Securities	20,132,499
Other Deps.	302,058,832		30,701,370
Bankers	94,029,349		
Other Accts.	396,088,181		
		Notes	58,483,254
		Coin	593,676
			428,307,591

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

COMPARATIVE ANALYSIS (£ millions)

	1947	1948
Issue Dept.		
Notes in circulation	1402.9	1245.9
Notes in banking department	47.4	54.4
Government debt and securities*	1449.2	1299.3
Other securities	0.8	0.7
Gold	0.2	0.2
Value at s. per fine oz.	172/3	172/3
Banking Dept.		
Deposits:		
Public	9.5	9.0
Bankers	290.0	314.3
Others	101.9	94.3
Total	401.4	417.6
Securities:		
Government	335.9	341.0
Discounts, etc.	18.2	14.4
Other	16.8	25.9
Total	370.9	381.3
Banking dept. res.	48.0	54.8
" Proportion "	11.9	13.1

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

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

	April 8, 1947	March 22, 1948	April 6, 1948
Cereals	107.7	124.5	124.2
Other foods	139.5	138.5	138.5
Textiles	133.7	172.6†	172.8
Minerals	223.4	243.6	243.6
Miscellaneous	150.7	155.6	155.8
1913=100	200.2	232.0†	222.1

† Revised

GOLD AND SILVER

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

	SILVER				GOLD	
1948	London per ounce	New York per ounce	Bombay per 100 tolas		Bombay per tola	
	d.	c.	Rs.	a.	Rs.	a.
April 8..	45	74½	168	10	114	4
" 9..	45	74½	169	8	115	5
" 10..	Markets Closed	74½	170	2	116	4
" 12..	45	74½	170	4	115	8
" 13..	45	74½	170	10	115	4
" 14..	45	74½	168	14	114	14

NOTICES

UNIVERSITY OF DUBLIN

TRINITY COLLEGE

The Board will proceed at an early date to appoint (a) a Lecturer in Statistics, salary £550/£25/1650, or (b) an Assistant Lecturer in Statistics, salary £400/£25/1450. Applications for the latter post from candidates graduating this summer will be considered. Candidates selected begin duties on October 1st, 1948. Further particulars may be obtained from the Registrar, Trinity College, Dublin, and applications must reach him not later than 15th June, 1948.

NATIONAL BANK OF INDIA LIMITED
Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Manila	Nairobi	British E.A.
Bombay	Delhi	Patna	Nakuru	
Calcutta	Kandy	Rangoon	Entebbe	
Canton	Karachi	Tatung	Jimba	Uganda
Chittagong	Lahore	Yokohama	Kampala	
Dar-es-Salaam	Mwanza	Tanga	Mbale	

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,500,000

The Bank conducts every description of Eastern Banking business. Trusteehips and Executorships also undertaken.

NATIONAL BANK OF EGYPT
Incorporated in Egypt.
Liability of Members is Limited.
Head Office - - - CAIRO
Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £3,000,000
RESERVE FUND - - £3,000,000

London Office:
6 & 7 King William Street, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

WE INVITE YOU
to make use of the services of this Bank's Travel, Commercial Intelligence and other departments if you intend visiting Australia or New Zealand.

Advices from a network of branches enable us to give practical and up-to-date information on all aspects of industrial, commercial and social conditions throughout Australia and New Zealand.

The UNION BANK OF AUSTRALIA LIMITED
Head Office:
71, CORNHILL, LONDON, E.C.3.

Branches throughout Australia and New Zealand.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with limited liability)—ONTARIO AND QUEBEC RAILWAY CO. FIVE PER CENT. DEBENTURE STOCK. SIX PER CENT. COMMON STOCK. —In preparation for the payment of the half-yearly interest payable on June 1 next, the Debenture Stock Transfer Books will be closed on May 1 and will be re-opened on June 2. The half-yearly interest on the Common Stock will be paid on June 1st to holders of record on May 1st. R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. April 9, 1948.

THE ALEXANDRIA WATER COMPANY, LIMITED
PAYMENT OF DIVIDEND
NOTICE IS HEREBY GIVEN that a Dividend of Nine Shillings and Three Pence per £5 Share on Coupon No. 119 will be paid without deduction of British Income Tax but less Egyptian Government and Alexandria Municipal Taxes amounting to 1s. 1-653d. making 8s. 1-347d. net on and after April 15, 1948, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4.
Net profits for the year ended December 31, 1947, £138,600 (last year £151,200).
DATED, Alexandria, Egypt, April 8, 1948.
By Order of the Board,
ROBERT WALTON, Manager.

CITY OF MANCHESTER
CITY SURVEYOR AND ENGINEER'S DEPARTMENT
PRINCIPAL ADMINISTRATIVE ASSISTANT
Applications are invited for the permanent post of Principal Administrative Assistant at a consolidated salary of £1,060 per annum, rising by annual increments of £50 to £1,210 per annum. Commencing salary according to qualifications and experience.
Full details of the appointment and form of application are available from the undersigned.
PHILIP B. DINGLE, Town Clerk.
Town Hall, Manchester, 2.

ECONOMIST (B.Com. 1st Class Hons.) seeks change in industry, social research, etc. Now Editor Trade Journal at £850. Experience University research. Knowledge of retail distribution.—Box 699.

THE NATIONAL BANK OF SCOTLAND LIMITED
Head Office: EDINBURGH
Branches throughout SCOTLAND
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Not By Bread Alone

LAST week the United Nations Conference on Freedom of Information adopted a resolution drawing the attention of governments "to the harm and dangers which inadequate production of newsprint, and unequal distribution thereof, have on the exercise of freedom of information." On Monday, Lord Rothermere appealed to a meeting of American newspaper publishers to use their influence in having newsprint included on the list of commodities to be provided under the Marshall Plan. On Tuesday, Mr Hoffman's "illustrative" allocation of his funds revealed that newsprint had indeed been included—though only for the United Kingdom and Eire.

Placed thus in their chronological order, these events sound like cause and effect. Actually, they cannot be so, for Mr Hoffman's list must have been in preparation for some time. It is still not certain whether the American purpose is merely to take over the financing of the supplies of Canadian newsprint that are already available to the British press or whether an increase in the supply is contemplated. The sum of \$22 million would suggest the latter conclusion, since it would be enough to pay for 200,000 tons and the present supply is limited to 100,000. But the explanations given in Washington—particularly of the reasons for omitting other countries—support the former and more disappointing view. But that newsprint should find a place on the list at all suggests that the American Government, at least, is waking up to the dangerous anaemia of democratic life that prevails in Europe.

What is, perhaps, more doubtful is whether the British Government has yet similarly awakened. The British Government made no request for additional newsprint under ERP; it appears to have been as much taken by surprise as anybody else by its inclusion on Mr Hoffman's list; and there is even some question whether more than the present supplies would be accepted if they were formally offered. It would be wrong to put this down to mere malice. Even with Marshall dollars, the British Government's task in making ends meet is still immensely difficult. (Mr Hoffman's tentative allocation to the United Kingdom is \$1,324 million for twelve months, whereas the actual dollar deficit in 1947 was over \$4,000 million and the forecast for 1948, at the rate of the first half of the year, is \$1,776 million). If the Government is unwilling to accept newsprint, the reason is that it thinks other things are more urgent.

Within the context of British national policy, it is difficult to challenge this decision. A beleaguered nation is compelled to put food and raw materials ahead of things of the spirit. A garrison threatened with starvation naturally wants bread before books. But the passage of the Economic Co-operation Act removes the problem from the context of British national policy. Over and over again the Americans made it clear that they were not interested in merely patching up the separate national economies of the Western European states. They were interested in breathing life into the practice of democracy in Europe. When the question is widened from "what is necessary to keep the British people alive" to "what will best make a working reality of democracy in Europe," then no man in his senses would exclude paper from the list.

Perhaps the argument will be more acceptable if we make it clear that it is not for ourselves, at least in the first place, that we plead. *The Economist* is indeed short of paper. We are cramped for space; we cannot meet all demands for the paper; we are compelled to use a sheet of barely tolerable flimsiness. But though we are constricted by the paper shortage we are not throttled, as other paper users are. One of the most deserving claimants, which can and does speak for itself, is the daily newspaper press. Another, even more deserving but less vocal, is the claim that can be made for paper for educational textbooks. All over Europe, education is languishing for lack of the necessary books; and what can democracy be without education? The greatest need, under both heads, is in Germany.

Interested parties always claim too much. To listen to some of the newspaper proprietors, one would suppose that they would devote any additional newsprint exclusively to the discussion of democratic principles. The book publishers argue as if all books were by definition educational. If one is to be candid, one must admit that a great deal of any additional newsprint that was provided would be used to report sport and crime, and that any larger general allocation of paper for books would lead to a greater output of trash. But this is merely an illustration of a general dilemma that the American people have faced, and wisely resolved, in their discussion of the Marshall Plan. The Western European democracies are imperfect; but time is too short to insist on reform as a pre-condition of assistance. Taking them as they are, should the Americans help them or not? And the answer has been a clear yes. A book which has been widely circulated in America in opposition to the whole notion of Marshall aid bears the title "Can Dollars Save the World?". The answer that Congress has rightly given is "No, but the world cannot be saved without dollars."

Triumph in Italy

SIGNOR DE GASPERI has done very well—almost too well. A free and orderly election at the edge of the iron curtain, with the strongest Communist Party in Europe competing, has been won hands down by the Right. The Christian Democrats alone will have an absolute majority in the Chamber of Deputies with 307 out of 574 seats. In the Senate they will command with the aid of friendly parties a smaller majority—of some 200 seats out of 339. The Communists will not only be outvoted in the Chamber and in the Senate, but may also lose their volatile and disappointed allies in the Popular Front, the Nenni Socialists. There may in fact be no effective parliamentary opposition from the Left save that of the Communists. For the Socialists who refused to work with the Communists in the Popular Front, the followers of Signor Saragat and Signor Lombardo who collaborated with the government, will presumably get rewards in a new Cabinet for the loyal help they gave before and during the elections. These Socialists, who did not get a telegram from Mr Platts-Mills, attracted away from the Popular Front over 1,800,000 votes, or seven per cent of the total cast.

The Christian Democrat victory is a very fine and welcome achievement. It means a decisive check to the first big challenge by the Communists west of the iron curtain. For it was a major effort that Signor Togliatti made, and his followers pledged themselves to total success. Even the most experienced observers took their claims seriously and forecasted for Signor de Gasperi nothing more than a win by a short head. His success in winning 48 per cent of the Italian people's votes against the 30 per cent of the Popular Front is an event of more than European significance.

It is true that Russia was not as helpful to the Italian

Similarly, to the question "Will larger newspapers and more books make democracy work in Western Europe?" the only possible answer is "Certainly not; but it will not work without them."

The facts about the present distribution of newsprint are sufficiently startling, in all conscience. The United States, which before the war consumed 44 per cent of the total world supply, consumed 61 per cent in 1947. American consumption last year was a million tons more than before the war, that of the rest of the world a million and a half tons less. Consumption per head of the population before the war was 6 lb. in Britain and 56 lb. in the United States; last year it was 15 lb. in Britain and over 70 lb. in the United States; and the gap is steadily widening. How much of their consumption of newsprint, would Americans say, is a necessary ingredient of their democracy? Half? A third? A quarter? It would still be larger than the ration on which British democracy is struggling to exist. Or conversely, if it be accepted that the British ration is enough, then over three-quarters of the American consumption is unnecessary.

The argument is not one for complete equality of consumption between America and Europe, any more than it is in wheat or oil or steel. The argument for Marshall paper, as for Marshall wheat or Marshall steel, is that it is an essential ingredient of democracy, which cannot sustain adequate health on the present ration. Every argument that induces the American people to send to Europe food and raw materials which they could use at home, applies with equal force to paper, which also they would like to use at home. Indeed, in the long run it applies with even more force. For democracy does not live by food and raw materials alone.

Left as it might have been. The trainload of paper that represented its final contribution to the election campaign compared unimpressively with the trainloads of food that Marshall aid will mean, and has already meant, to the Italian people. Moscow did not accept the western suggestion that Trieste should be returned to Italy; it suggested no modification in reparation payments—in fact it kept a very respectable distance from the whole affair. It took little risk of losing face. Britain and America and France on the other hand took the gloves off for the first time. It was made clear to the Italian public that a Communist success would mean short rations, unemployment, insecurity—because it would mean the end of Marshall aid; also that a Christian Democrat success would mean membership of the Brussels Pact, supplies of American wheat and British coal, raw materials, emigration possibilities, and perhaps the return of some colonies.

It is possible that some of the interventions of the last two months could have been dispensed with, but squeamishness by the West would have invited bullying from the East. The de Gasperi government had earned such western support by the way it had handled the Communists in parliament and their followers in the streets. To give this support still left the Italian people free to decide whether they liked the de Gasperi government or not. There is not the slightest doubt that American aid and advice, British and French friendship, properly used can do more to give prosperity and security to free Italians than anything the Communists can offer. And it is not the West's fault that the methods used by the Communists in Czechoslovakia probably killed Signor Togliatti's chances.

It is too soon after the event to assess the significance of these results for Italy's internal situation. There are possibly some

dangers, as well as advantages, in the fact that the government has an absolute majority over all other parties. Will it not encourage those very faults of omission in economic policy which have left Italy with great arrears in social and agrarian reform and the impression among many workers that Signor de Gasperi works chiefly with bankers, priests and industrialists? And it is not possible to say yet how far his triumph was due to members of splinter parties voting moderate instead of extreme Right, how far to conversions made from the Left. The Christian Democrats form now a party so heterogeneous, so much held together by simple anti-Communist feeling, that it may split too easily if its leader follows the radical internal policy that economic necessities and a 30 per cent Popular Front vote would seem to demand.

It is important to realise that this is not a victory of the Third Force or of moderate Socialists over Communism—it is a victory of the Right—certainly of the moderate Right, but one in which religion, family and other powerful interests that are regarded as sinister by the Left played a full part. Signor de Gasperi's party is Christian and Democratic in the way that the German CDU is. Its success will encourage the move towards non-Socialist policies that is taking place all over Europe. It demonstrates to Western Socialists—what events in Eastern Europe had already proved—the disastrous futility of the popular front policy, or even of fellow-traveller flirtations. Signor Nenni has blundered so badly that many of his followers may just abandon their alliance with the Communists. The lesson is useful at a moment when M. Thorez in France is suspected of trying to revive popular front ideas by conciliatory and patriotic gestures.

The check in Italy may be the signal for the Russians to

begin switching their diplomatic offensive away from the lesser powers of the West to remoter areas where the Great Powers can be more easily worried by mischiefmaking. The American counter-offensive, as planned, has reached its height in time for the spring; and it seems unlikely that the Russians, or the Cominform, will risk further losses of prestige by pushing Communist parties into ineffectual offensive actions.

It is of course possible that in Italy itself the Popular Front will continue the struggle by other means—by occupying factories, by guerrilla action, by sabotage and resistance. But so far there is no sign of the possibility materialising. The Communists seem still stunned at some of the things that have happened: Pescara, scene six months ago of a miniature Communist revolution, casting only 27,000 votes for and as many as 46,000 against the Popular Front; the peasants of the south failing to vote solidly Left; whole districts of industrial Milan, Genoa and Rome voting as never before. Such changes must make Signor Togliatti pause and ask what his effective appeal in Italy now is.

If, as seems likely, the next few weeks pass quietly, Italy should begin a new stage in parliamentary government in decent, serious fashion. The two Houses of Parliament have to meet on May 10 to elect a new President. To him Signor de Gasperi will offer his resignation and from him automatically receive the invitation to retain office and obtain a vote of confidence from Parliament. It would be a helpful and gracious act if, early in its career, the new Italian Government were to receive an invitation to join the Brussels Treaty of mutual co-operation which is intended to be the basic instrument of western unity. For the Italian people have made a memorable contribution to the principles on which that treaty is founded.

D-Day For Western Union?

ORGANS of European co-operation have been created in such numbers in the last few days that there is a real risk of public confusion. There is, first of all, the Continuing Organisation of the sixteen beneficiaries of the Marshall Plan, which has been set up on a permanent basis in Paris and bears the title of Organisation for European Economic Co-operation. Its chief body is called the Council and it is representative of all the sixteen participants, with M. Spaak as its President. Under the Council there is, first, an Executive Committee of seven members, designated annually by the Council, with Sir Edmund Hall-Patch as Chairman; secondly, a permanent Secretariat, with a Frenchman, M. Robert Marjolin, as Secretary-General; and thirdly, a number of technical committees, of which the most important is the European Customs Union Study Group. All these organs are probably to be situated in Paris, and it is perhaps by that geographical designation that they will be chiefly known.

Alongside these Paris organisations are what may be called the Brussels-London organisations, consisting (at present) of five-nations only, arising out of the Treaty of Brussels, but having their seat mainly in London. Of these the chief organ is the Permanent Consultative Council, consisting of the Foreign Ministers of the five participants and meeting, at least once a quarter, in each capital in turn. Beneath this there are two permanent five-member bodies, sitting in London, the Permanent Organ of the Consultative Council, which is to meet monthly, and the Permanent Military Committee.

To complete the picture, it should be recalled that there is also the Economic Commission for Europe in Geneva. This is an organ of the United Nations, and its eighteen members come from Eastern as well as from Western Europe, but exclude non-members of Uno. The Eighteen thus sit in Geneva, the Sixteen in Paris, the Five in London.

Here is enough constitution-making to please the most avid

amateur of political structures. It is all to the good that so many channels should have been created through which the nations of Europe can work out their mutual relations and their common problems. Unquestionably the work that has been done is good as far as it goes.

But how far does it go? That is a question which even the most acute observer will find it difficult to answer. Judged by documents signed, by pledges exchanged and by committees created, and compared with what existed twelve months ago, the progress made is impressive. But compared with the high hopes that have been raised in Europe and America and with the large phrases that have been on statesmen's lips, it is still not proven that any progress has been made at all. There is, after all, a fairly simple primary test. The object of all the turmoil is to achieve something that is familiarly, grandiloquently, and imprecisely referred to as the integration of Western Europe. A significant step will have been taken towards something that deserves the name of integration when, and only when, the nations of Western Europe have decided to pool some of their authority—that is, to transfer to some joint or central body the right to decide for them.

Has this yet occurred? In the Eighteen at Geneva, certainly not; the ECE is, and from its composition inevitably must be, purely advisory and consultative. Has it occurred at Paris? The new organisation has been set up under the sign of the pledge given by Mr Bevin and M. Bidault when the Paris Conference was summoned last summer:

In order to draw up a programme . . . a special organisation will be set up. . . . It will not interfere in the internal affairs of these States, and no action will be taken by it which could be regarded as a violation of their sovereignty.

A close examination of the text of the new agreement shows that this line has not been over-stepped. It has been approached, as in the phrase that the Organisation may "take decisions for

implementation by Members," but it is also clear that a member cannot be bound without his affirmative vote. None of the Paris organisations can decide a matter for a Government against its will. The Brussels-London organisations, being smaller and deliberately designed to serve as the core of Western Union, might be expected to include more of the vital principle of pooled sovereignty. It is true that the military committee can hardly be imagined to function at all without the principle of unified command and standardised equipment. But though some pooling of sovereignty may thus be implied, it is nowhere clearly stated or openly accepted. Of such specific objectives as a great free trade area, a common currency, common development of colonial sources of food and raw materials, the rationalisation of capital programmes—of all these, no one of which is attainable without some common instrument of government, some common executive authority, there is no mention.

It would seem, therefore, that the principle of unimpaired national sovereignty, of the right of governments to go their own ultimate way if they choose, has emerged from this orgy of constitution-building unscathed. Indeed, it is even possible to discern in Whitehall and Downing Street a certain air of self-congratulation over this fact, as over a victory won in a hard fight. Whether or not the preservation of national sovereignty is really a matter for congratulation is a question that different people will answer according to their different convictions. But what ought to be quite clear is that it is not even the first step towards Western Union. For Western Union, if it is to mean anything at all, must mean some pooling of sovereignty, some willingness to submit, in some defined questions, to the decision of a central authority. Without that, Western Union is merely a phrase of deception.

Indeed, there is some reason to fear that a situation may be growing up which is by no means unfamiliar in the history of British diplomacy—a situation in which British statesmen accustom themselves to using large phrases without really meaning them. Disarmament was one such, collective security was another; so was "steady and collective resistance to all acts of unprovoked aggression." There is no conscious hypocrisy in the process; it is merely the grandiloquence that comes naturally to politicians; but it feeds the legend of "perfidious Albion." Is it happening again? In every capital of Europe, the question is being asked: Does the British Government really mean what it says about Western Union? Is Mr Bevin really in earnest?

It would be wrong to conclude, on the evidence yet to hand, that he is not. There are plenty of sound arguments for the strategy of the gradual approach. It can very properly be urged that the immediate task is to smooth the path for Marshall aid, which, being both an urgent and a complicated matter, must inevitably rest between the American and the other Governments separately. It can truthfully be said that some of the Sixteen are already nervous about the lengths to which they have gone, and that to try to go further now might drive them out. This is certainly true of the Swedes, the Swiss and the Danes. It can be said that the best approach to Western Union is empirical, by trial and error, that the attack on the obstacles must not be frontal and concentrated; that there must first be reconnaissance and sorties.

All these arguments may be sound and sincere; nobody who is not in possession of all the facts can give them their appropriate weight. But if this is the real position—that the British Government (for its voice is the decisive one) is honestly anxious to go very much further and is moving towards its goal with all the speed that is prudently possible—then there is one acid test that can be quite easily applied. That is to observe how quickly, and on what scale, something further happens. The opportunities for speedy development are obviously much greater in the five-Power organs of the Brussels-London complex than in those at Paris. Those who want evidence of intent will therefore watch the five-Power organs very closely. It is there that

the first convincing signs will appear of whether the British Government is or is not prepared to surrender some of its national sovereignty as the price of a Western Union.

The Economist is one of the oldest advocates of a Western Union. But it would be foolish to underrate the gravity of the decision that is involved. It is no small thing for a Government to hand over any of its responsibilities to a foreign body. Mr Bevin should not be abused because he has not yet brought himself, or his colleagues, to face it. But the point is that he must face it now. If he goes on talking about Western Union, and setting up bodies that look as if they are designed to achieve it—and then when it comes to the point he has to confess that he is not in fact prepared to delegate to any joint body the power to decide anything of importance against his will, then he is running a very grave danger. Such a policy will not only lose for Britain all leadership among the nations of the Continent and drive them back to the anarchy of separatism, it will also produce most grievous disappointment and disillusion in America. Britain can no longer (if it ever could) afford to be deserted both by America and by Western Europe. If the British Government's real view is—as the trend of conversation in Whitehall would suggest it is—that, for good and weighty reasons, it cannot contemplate any real surrender of sovereignty now or in the foreseeable future, let it say so and make a reasoned case for so doing.

But if it really believes in Western Union, let it prepare to face the consequences and cease treating the whole subject as if it concerned the Foreign Office alone. And, above all, let it realise the need for haste. The threats and fears that created the present favourable atmosphere for projects of union may well diminish as time passes. Twelve months of conciliatory Russian diplomacy (if the two adjectives are not wholly contradictory) could cause infinite confusion in Western ranks, to say nothing of the British Labour Party. Moreover, it is only twelve months until the second appropriation for Marshall aid will be needed and if there is to be a continuous effort at recovery over the next four years, the Americans (who have a natural difficulty in seeing why a United States of Western Europe is not immediately practical) will need convincing that no time is being wasted. And thirdly, as was argued here last week, the only chance of solving the German problem (on which all else in Europe depends) is to win the race with time and have a functioning Western Union in existence before a liberated Germany makes the fateful choice between East and West. There is a need for haste, and there is also a possibility of hurrying. For even though Hitler's New Order (created in three years) and Stalin's east European bloc (built in the same space of time) are no precedents for a union of "nations which are free to take their own decisions," it is also true that the nations of Western Europe will move towards union just as fast as British leadership and American backing will take them.

It is urgently necessary that Mr Bevin should explain clearly what the next steps are and where they lead. No British Minister has yet made any statement from which anybody can deduce what Western Union is to be or when it can be expected to arrive. Strongly though Mr Bevin may object to the continental preference for defining ends before working out means, he must realise that leadership in Europe involves some concessions to European ways of thinking. To Frenchmen, Germans, Italians, Scandinavians, Western Union as so far defined means nothing. Mr Bevin took a great risk the other day in turning to his own use a phrase of Mr Churchill's: he said that the movement towards Western unity had come to the "end of the beginning." Mr Churchill's "end of the beginning" was the fall of Tunis, and the phrase was justified because he was resolved to go on, to take the great risk and to make the great sacrifices by which the prize was won. There is no evidence that Mr Bevin also has a final objective and a time-table. When is D-Day for Western Union?

The Fleming Report in Practice

THE Minister of Education was asked in the House of Commons last week whether he was aware that the London County Council had rejected 270 places offered by the independent boarding schools to London schoolchildren. This kind of question is typical of the misunderstandings which are current about the Scheme, commonly associated with the Fleming Report, but more correctly the outcome of the Education Act of 1944, to give children who would benefit from it the opportunity of an education at a boarding school. In the case of the LCC the facts are that about 280 places have been offered to the Council for next September; the applications from parents are now under review; a large number of places will be accepted, but probably not all, since the ages and sexes of the children considered suitable by the LCC do not necessarily fit the places open to them. Owing to the organisation of the independent schools it is inevitable that far more places should be available for boys than for girls, and that the majority of them should be available only for children who have reached the age of at least 13. There is nothing in the circumstances of London schoolchildren that automatically fits this very arbitrary ratio of boarding school places. Hence at least part of the difficulty, which applies as much to other authorities as to the LCC.

This is, however, only a small part of the picture which illustrates the progress made since 1944 in implementing the boarding school scheme. There have been many difficulties, not the least being the marked change in the political atmosphere that followed the postwar elections for Parliament and for the local councils. For all the reforming spirit of the Education Act of 1944 it was the child of a Government with strong conservative sympathies: it was therefore natural at that time that the independent Public Schools should be regarded with more tolerance than is now the case by many Labour Councils, with their passion for equality. To them equality means that every child should go to the council school, not that a more representative selection should go to the Public Schools.

The Fleming Committee was set up in 1942, "To consider means whereby the association between the Public Schools . . . and the general educational system of the country could be developed and extended. . . ." Two motives lay behind the committee's work. The first was a question of principle: how the reputation of the Public Schools for exclusiveness could be broken down, and their undeniable advantages be made available to a wider public, irrespective of wealth. The second was economic: it was thought at the time that the dwindling incomes of the middle classes, and the growing attractiveness of the state system, would bring the Public Schools into severe financial difficulties, and that some means should be found to secure their survival on more egalitarian lines.

Events have so far proved the second estimate wrong. The delays in school building, the shortage of teachers and the general upheaval in the state system of education have served to decrease its popularity—at least temporarily. For the Public Schools the waiting lists are longer than ever, in spite of large increases in fees, and the schools are reasonably prosperous. The middle classes are apparently prepared to spend even their capital, if they have any, on a first-class education for their children, reckoning that this is a safer and more remunerative investment than any other. How long they will be able to continue doing this is anyone's guess.

Progress in implementing the report has varied greatly. Some schools, such as Mill Hill, which started to operate a scheme of this kind before the Report was published, have already had the experience of three years' intake covering some 120 boys in all. Others have only had their first batch this

year, and others again are only starting next autumn. For the year 1947/48 some 700 places in all were offered by the schools out of a total of about 6,000 (excluding an unknown number of private arrangements between the schools and the local authorities, of which there is no record). For the year 1948/49 about 860 places have been offered, the ratio in both years being two to one in favour of boys, as against girls. The full number of places offered was not filled last year, nor will it be this year, but the offer is large and is likely to grow as new schemes get started. Methods of selection vary between school and school. The usual procedure is for the school to offer a number of places direct to one or more local authorities or to notify a central pooling committee at the Ministry of Education. The authority then selects a number of boys and girls on the basis of its own regulations for eligibility, and the school makes the final choice out of those proposed.

★

That so many offered places have remained unfilled arises from a fundamental difference of approach between the local education authorities and the school. The school is concerned to find children who will fit into the school life and make good on equal terms with those who enter by the normal means. They do not necessarily want the intellectual cream of the council schools, but still less do they want misfits. The education authorities, by contrast, are concerned with those children who will especially benefit by a boarding-school education. By definition this means boys and girls whose home background is unsuitable for a day-school life. The following regulations for selection are typical of many local authorities:

- (1) Children who are orphaned or neglected.
- (2) Children from homes where the parents are unable to look after them.
- (3) Children whose parents are abroad.
- (4) Only children.
- (5) Children from overcrowded homes, or where there is sickness, e.g. tuberculosis, in the family.
- (6) Children whose parents' business keeps them constantly on the move.

It is obvious that a rigid interpretation of these regulations would produce a very unrepresentative selection of children, and that the education authorities would be disburdening themselves of their problem children into the arms of the boarding schools. That this is only partly the case is due to the authorities' knowledge that the boarding schools will not accept more than a limited number of problem cases, and that they must leaven the lump with a scattering of really good candidates. How far this scattering becomes a fair proportion depends first upon the far-sightedness of the authority and secondly upon its wealth: not many authorities can afford to spend four times the cost of a day-school education on many normal children.

It must be admitted that the position of the education authorities is difficult. Boarding-school education is very costly. Fees vary between £60 and £300 per annum, the maintained and direct-grant schools being generally cheaper than the Public Schools, but the average is now round about £200 p.a. While it is possible to justify paying £200 of public money for poor Peter, whose father drinks or is tubercular, or for Paul, whose parents are in China, it is extremely difficult to give this preferential treatment to James and Jemina who are ordinary intelligent children, differing from the mass only in having parents who believe in boarding-school education. Parents may be prepared to spend this amount on the education of their own children, but as ratepayers they are generally not prepared to do so for other people's.

From the point of view of the local authorities, political principle, educational principle and wealth all influence policy.

that statements to press conferences, even public speeches, make little impression on the mass of continental people, who are still mostly nervous, irresolute and vulnerable to defeatist, even pacifist arguments. Much careful and solid work remains to be done before the war scare can be allayed, and before the full energy and confidence of the West are applied to the work of economic recovery.

Down to Work at The Hague

The Organisation for European Economic Co-operation (hitherto known as the "continuing organisation") has wasted little time in getting down to work. The Executive Committee, in which the main power and authority are vested, and of which the British representative, Sir Edmund Hall-Patch, is chairman, met for the first time last Saturday, the day after OEEC was set up. The first task of the committee is to revise and agree the programmes of imports from the Western Hemisphere and of aid required from the Economic Co-operation Administration. The situation has changed considerably since the first version of those programmes was drawn up in Paris last September. Certain needs have changed.

The pressure on the balance of payments of certain countries such as France has increased far more than was then foreseen. Availabilities in the United States have also changed. It seems more than ever unrealistic now to hope for substantial imports of American steel. On balance, dollar prices have risen, and this introduces another and important element in the revision of import programmes. Finally, there is now a definite framework within which the programmes must be made to fit, namely, the \$5,300 million appropriation to cover the whole of the Economic Co-operation programme for the next twelve months. In revising its programmes the Executive Committee of OEEC will have at its disposal the tentative but very detailed breakdown of aid which was submitted to the Appropriations Committee of the House of Representatives in Washington this week (and which is referred to in a Note on page 682).

No less important than the work of the OEEC will be that of the financial experts of the five signatories of the Treaty of Brussels, who are now at The Hague to prepare the way for their Finance Ministers, who will meet in Brussels towards the end of next week. Their main task will be to unravel the knots into which the trade and payments of the five countries have recently become tangled. The tangles are due mainly to the chronic tendency for Belgium to over-export to its European neighbours and the equally chronic tendency for France to do the reverse. The position can only be cured by more production and more exports from France and Britain. But the experts are expected to do some conjuring tricks which may allow trade to continue flowing while the more basic difficulties are being tackled. There is talk of a monetary fund for Europe, of a new intra-European compensation scheme assisted by some free dollars, of a joint guarantee fund by which the five will underwrite their mutual claims. Something will no doubt emerge from all this; but it will be well not to rate it too high, to appreciate that it will be no more than a conjuring trick, and to remember that the rabbit which will be brought out of the hat will have to be provided by somebody.

All Set for Scarborough

The revised agenda for the Labour Party conference at Scarborough has brought few significant changes in the provisional programme issued some weeks ago. The main amendments to the original resolutions concern Communist activities—this is natural, as the resolutions were framed long before the Czech crisis and the sharpening of the East-West conflict. Whatever the party Executive and the Parliamentary Labour Party may decide to do about the "fellow-travellers," it is clear that the delegates to the conference will be highly vocal, although the issue will never be in doubt. Some local parties, it is true, deplore the witch-hunt and express concern, mainly on liberal grounds, at the civil service "purge." Others, on the other hand, call for even more vigorous defence measures, particularly within the trade union movement.

An interesting debate can be expected to arise on the resolution from Eddisbury, calling on the Government to "act upon" conference decisions. This is substantially the same as an earlier resolution from East Lewisham, which was withdrawn at Mr Morrison's request. But while the minds of Mr Morrison and other Labour leaders may already be made up, the conference can easily be swung by a persuasive speaker, and pressure from the delegates might cause the Government temporary embarrassment. It will also be interesting to see how the left-wing

members, such as Mr Foot, Mr Mikardo and Mr Driberg fare in the elections for the National Executive. The conference will almost certainly place beyond the pale anybody who co-operates with Communists, but there is a large measure of support for the genuine "untainted" Left, to judge from the large number of resolutions calling for a more socialist approach to home and foreign politics. It will be revealing also to see the measure of support for Mr Dalton, who is being widely tipped in the lobbies as about to make his come-back.

The most important debate, from the national point of view, however, will be on the control of wages, prices and profits, which is the subject of an immense number of resolutions. These were framed before the Budget, but it is unlikely that Sir Stafford Cripps's statements on profits, which is widely regarded as showing undue sensibility for the FBI, will be favourably received. Much will depend on the outcome of this week's discussions between the Chancellor and the TUC. If the big unions are still not satisfied, and decide to throw their weight behind the constituency parties' protests, the White Paper on Personal Incomes may indeed become a dead letter.

Poll on Emigration

The grass is notoriously always greener on the other side of the fence; and few people have not, at one time or another, wished either positively to shift their ground to those greener pastures or, negatively, to Get Away From It All—whether "it" be a queue in the London drizzle, a starved farm in Southern Europe, or even (dare one suggest it?) Main Street, Hicksville, Hicks County. The wish may result from a solid and rational weighing of advantages; but it may equally spring from irrational exasperation and romantic ignorance. For this reason it is doubtful whether much importance should be attached to the decidedly sensational results of the public opinion poll survey, recently conducted in nine countries, which showed 42 per cent of the adult British public (58 per cent of those between 21 and 29) and an average of over 25 per cent of the adult public elsewhere, as wanting to emigrate. How many of these, one wonders, would in fact accept the offer of a magic carpet to South Africa, and of those, how many would want to stay? Even the statistics of inquiries at Dominion immigration offices mean, indeed, comparatively little. Plenty of people enjoy pipe-dreaming over a leaflet who would not think of selling up their home. More significance might be attached to the fact that the British proportion was higher than that of any other country; but this is at least as likely to result from the long British tradition of overseas settlement as from any greater sharpness of British discontent. Even the striking increase since the similar poll, which, taken immediately after the end of the war, gave a total of only 19 per cent of would-be emigrants, can easily be accounted for by simple psychological factors; in 1945 most people had had quite enough of being uprooted from their homes and asked nothing better than to settle down.

Altogether this inquiry, though entertaining enough, is not one of those in which the Gallup technique shines. That technique can extract significant and reliable information on topics concerning which people have genuinely thought and formed opinions, as is demonstrated by its record in electoral forecasting. It can also give a solid statistical content to generalisations such as that "the public is reading more." It fails when, as in this instance, the replies elicited are as likely to originate in momentary fantasy as in solid opinion.

The BMA Replies

Now that the forms for the new plebiscite of doctors have been sent out, the attitude of the British Medical Association's leaders towards the national health service is seen to be less intransigent than was feared from the reports of a week-end speech by Dr Guy Dain, chairman of its council. Accompanying the form is a statement of what has happened since the last plebiscite was held, including a full report of Mr Bevan's conciliatory statement in the House of Commons on April 7th and his replies to the questions subsequently put to him by the British Medical Association. The views of its council are given very briefly. It points out that the profession has succeeded on two of the main questions disputed with Mr Bevan. A whole-time salaried service will not be introduced without a new Act of Parliament, and the basic salary will not be universal. On the other hand, it has lost the fight over the ownership of the goodwill of medical practices and the right of appeal.

The council then goes on to say that in its view, "while progress has been made . . . the freedoms of the profession are not sufficiently safeguarded." But it refrains from appealing to doctors to vote against the health service. Instead it urges them to study the facts, make up their own minds and then vote. This restraint is greatly to be welcomed. But it is impossible to say which way the plebiscite will go. Undoubtedly, the profession has won a big victory, for Mr Bevan does not easily climb down to the extent that he has done. And many doctors will be content with what they have won. Others will feel so confident that they will want to stand firm until they have obtained all their demands. It may be too much to hope that the large majority against the health service shown by the last plebiscite can now be converted into a majority for it. But if this time the doctors refuse to co-operate they will meet with far less sympathy. The public recognises that Mr Bevan made a big gesture, and it will expect it to be reciprocated.

Bungling in Berlin

General Alexandrov can hardly refute, even if he rejects, the findings of the British Court of Inquiry into the Gatow air disaster. The inquiry proved beyond reasonable doubt that the Russian fighter pilot was to blame, and a normal general in normal circumstances would now retire with what grace he could muster and leave his Government to make amends for an act of tragic recklessness.

The evidence before the Court included statements by British, American and German eye-witnesses, meteorological data, and technical evidence collected from the wreckage of the Viking and the Yak. The Court was able to reconstruct with a high degree of accuracy the path followed by both aircraft; it was also able to establish that the presence of the Viking was known to the Russian authorities in the Berlin Air Control Centre while that of the Yak was not. There was no evidence to show that the collision was anything but an accident. It was caused by the antics of a pilot who disregarded not only the accepted rules of flying but also the quadripartite rules governing air traffic over Berlin.

The cause of the accident has been established: the other outstanding question—whether the "frolicking" by Russian aircraft was part of the deliberate policy to interrupt communications with Berlin—has also been partially answered. The evidence showing that the Russian officer on duty at the Berlin Air Control Centre was ignorant of the presence of the Yak makes it unlikely that orders had been issued to carry out aerobatics in the vicinity of Gatow, provided that the possibility of the Russian controller's best recorded as an example of dangerous and discourteous bungling by the Russians in what should have been a straightforward matter.

Some bungling of a different but none the less dangerous character was admitted by Mr McNeil in the House of Commons on Monday. Determined inquiries ordered by Mr Bevin had brought to light the German who composed Protocol "M," a Communist plan for strikes and political resistance in the Ruhr, which was swallowed very nearly whole three months ago by the Foreign Office and the European press. The author must have been painstaking and hopeful of reward, for the forgery was done well, but not quite well enough. Scepticism about it was made with rather bad grace.

Further inquiries would doubtless reveal other contributions which Germans are making to the East-West dissensions—in political warfare, in intelligence activities and in para-military roles. In the Russian zone no bones are made about them; in the British zone they should as a matter of principle be kept severely in check. Such German collaboration in the long run only benefits German nationalists; and a closer watch should be kept on those organisations which, in the name of security, are allowed a free hand in their treatment and use of Germans.

Joint Forces for Palestine?

The atmosphere of unreality in which the General Assembly has been re-discussing Palestine was deepened this week, when Mr Warren Austin said the United States would take its share of responsibility for enforcing trusteeship only if other Powers took theirs. It is certain that no government will offer forces

to police Palestine unless the Americans do, and it is by no means certain that any will do so even then. So, unless Mr Austin can give some more positive lead, there is little chance of the American trusteeship proposals being adopted.

If, on the other hand, America does come down to brass tacks, and if other Powers can be found to put their names to the undertaking to enforce the decision of Uno, they will certainly once more look to Britain to tide over the gap between May 15th and the earliest date on which the new international police force could go into action. It seems unlikely that the British Government and people would even then be in the mood to delay their withdrawal; but they must face the fact that they would be under a new moral pressure to do so. Naturally this point would not be reached until after the adoption of a trusteeship scheme, since any relenting by Britain before then would merely encourage the Assembly once again to evade the real issues of enforcement.

However much they might want to help to seek a new solution, the British are bound to be sceptical of the whole idea of an international force. They have their own experience, in the impossible conditions of Palestine, of the tension that may arise between different parts of the administrative apparatus even when the whole is British. It took years, for instance, to achieve real co-operation between military and civilian officers at all levels and some harmony between Government and Army intelligence. But intelligence is vital to security, and it may be imagined what chaos would arise with each national component of an international force compiling its own intelligence reports. And how could they do otherwise? New to Palestine, new to one another, they would be at the mercy of the first plausible intriguer. This is only one of the many practical problems which an international force would have to solve. No doubt its members might settle down in time, but no time would be allowed them. In the confusion they might well be doing more harm than good.

Forgotten at Geneva

Where will the Economic Commission for Europe (ECE) fit into the elaborate mechanism of the new western organisation? ECE was established by Uno last year as a sub-commission of the Economic and Social Council, and has delved into a wide range of European economic problems—coal, timber, steel, fertilisers, electric power, transport. In nearly all these fields the Commission has worthy achievements to its credit. It has allocated co-operatively the exportable surpluses of such scarce raw materials as coal and timber. By reallocating supplies of coke and coal it has increased the European output of nitrogenous fertilisers, and at the same time has helped to raise European steel production by over a million tons for the current year.

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These are valuable assets. It would be rash to sacrifice them, through jealousy, distrust or indifference, for the newly-born Western group in Paris, which will need all the expert assistance that can be mustered.

There is no good reason why either the Western or Eastern bloc plans for co-operation among themselves should exclude such attempts to re-form some of Europe's prewar trade patterns.

But the chief interest in the Wolverhampton survey lies not so much in the medical support that it gives to those who want a longer working life for the community, as in the detailed descrip-

Mr Bevan has recently been criticised for his circular discouraging local authorities from setting up health centres in view of the need to cut capital expenditure. He is quite right. There may well be a case for a few experiments in health centres to determine just what types are wanted in particular localities. But, at the moment, a general establishment of health centres, each with its complement of technicians, secretaries, clerks, nurses, almoners—and, probably, statisticians—would involve another large addition to the cost of the health services. It might be justifiable. But before the community assumes the burden, someone ought to produce the justification.

This scheme has been worked out after prolonged study and discussion by a committee of representatives of Britain, the United States, China, Canada, Belgium and Colombia, and is a sincere and serious attempt to provide for a free democratic decision in Kashmir. It has had, however, a bad initial reception in India, and Pakistan is not altogether satisfied with it. Indian opinion holds that Uno has failed in its duty of judging who is to blame for what has happened in Kashmir, and is wrong in putting

Either full democracy within the state or federal control from Delhi would destroy the Moslem character of the kingdom. The Nizam and his advisers, under Indian economic pressure (which can be very serious for their land-locked territory) might go far

Most officials write grammatically correct English. Their style is untainted by the silly jargon of commerciaese, the catchpenny tricks of the worst sort of journalism, the more nebulous verbosi-

At any rate, the new regime will be on good terms with most countries of Latin America. Venezuela and Guatemala gave at least a moral support to its members in the fighting which has just ended. Important elements in Peru, Chile and other states approved of the rebels' aims. The defeated Government, however, had the active support—at a price now exacted in territorial acquisitions—of Nicaragua: a Nicaraguan General and many troops were killed in the fighting. It also found sympathy and perhaps arms in Dominica and Mexico. But the fact—noted in an article on page 676, which gives the background to the civil war—that the United States favours the Ulate faction, is likely to prove decisive. For Washington, perturbed by events in Colombia to the south of the Panama Canal, is keenly alive to the necessity for a reliable and well-disposed regime in Costa Rica a hundred miles to the north of it.

In short, this is an instructive as well as an entertaining book. And if the reviewer points out one small slip of Sir Ernest's on page 16—"about which you wrote me" ought surely to be "about which you wrote to me"—he will certainly be able to counter-attack by pointing out a dozen mistakes of the reviewer's. Is that

* The Age and the Nation. Liberal Publication Department. 2s.
† The Social Medicine of Old Age. Geoffrey Cumberlege. 5s.

relative clause in the first sentence a defining one or a commenting one? Does it consequently need a comma before it or not? Let us defiantly commit what Sir Ernest considers a grave sin—and leave it to the printer.

The Mediterranean

"The Mediterranean." By Andre Siegfried. Translated by Doris Hemming. Jonathan Cape. 10s. 6d.

THE Mediterranean is variously spoken of as a highway, a lake, an atmosphere, or a civilisation. And Mr Siegfried is right to start his book on the assumption that some of the chief political problems of the globe are still to be found on its shores. But is he so justified in regarding actual command of the Mediterranean as "a vital necessity to each of the belligerents" in another world war? In the past the Mediterranean Sea has always been the heart or at least an artery of the known world. Now, not only are America and Russia succeeding Western Europe as more distant centres of power, but atom bombs may render the need to command the Mediterranean out of date.

But whatever pleas Mr Siegfried may seem to have put forward to excuse his writing this book, both in his long preface and equally long introduction, the book itself reveals that he must have written it because he wanted to. This is at once its strength and weakness. For he has poured into it much fascinating information about every conceivable aspect of the Mediterranean area—its geology, climate, flora, races, industries, agricultural methods, mineral resources, directions of trade, and even its most common diseases. His main fact-finding task, however, has been accomplished by other writers—as he is the first to indicate by means of constant references in footnotes, although he gives no listed bibliography.

What Mr Siegfried has achieved is a book which, even in translation, reads as the work of an experienced, if elderly, writer. And for anyone interested in the people and lands bordering the Mediterranean his ubiquitous survey will provide pleasantly cultured reading.

Colonial Administration

"Mining, Commerce and Finance in Nigeria." Second part of a Study of the Economics of a Tropical Dependency. Edited by Margery Perham. Faber and Faber. 35s.

To appreciate the economic and political tensions of Nigeria is to understand the colonial problem. With its population of over 22 million, its poverty, its dependence on a few export crops, its race animosities and growing anti-white prejudice, Nigeria bids fair to become Britain's main imperial pre-occupation in the next ten years. After India and Palestine, perhaps Nigeria.

From The Economist of 1848

April 22, 1848.

But what have we witnessed [in France] since the beginning of February? It is now two months since the revolution was completed. The existing constitution was destroyed. The reigning family driven from the country. The chamber of representatives overturned, and their place occupied by the mob, and a provisional government of its choice, who have ever since ruled the whole thirty-seven millions of people in France by a despotism unknown in the worst times of a monarchy. There is scarcely an excess which a government could commit which has not been committed during that period, in the name of liberty, equality, fraternity. The public treasury has been despoiled to pamper and maintain an idle train of supporters. Loans have been forced from the bank. Taxes of the most unequal and oppressive kind have been imposed. Railway property and the daily receipts have been confiscated. A national army has been formed, the officers being sworn to protect the order of things as laid down by these few men—who pretend to act only provisionally until the voice of the country can be ascertained through a national assembly about to be elected—against any decision to which such assembly may come of a different tendency. But while all this despotism, disorder, and ruin have been going forward, under the dictation of a small party in Paris, what in reality have the provinces done to avoid the inevitable ruin into which they have been plunged? Literally nothing, though two months have already passed. . . . In speaking of the French as an "unlearning" country, we did not allude to "the kind of knowledge imparted to the young" in schools, but to that practical experience and reflection which teaches men what really constitutes good government and true liberty.

There is now a sizeable literature on the whys and wherefores of Nigeria's problems, in which this book and its preceding volume will find a useful place. But they all leave off at the point where an original contribution is required. This is as true of this book as of others. What is required now from writers on Nigeria is a convincing scheme for a smooth transition, or alternatively, a reasoned case to show that such a method is unworkable, and where and to what extent collectivist techniques should be applied. Far too much energy is spent these days in attacking Nigeria's ten-year development plan without offering anything better in its place.

These two volumes which Miss Perham has edited have collected together a praiseworthy mass of informative material. As a series of monographs they have great merit. Some readers, however, may be discouraged by the sheer weight of detail and the absence of any noticeable theme. In addition, the second volume in particular loses much in clarity owing to the infuriating weakness of some of the writers for dressing up their descriptive passages and arguments in unnecessary economic jargon. This gives the book a pedantic flavour.

Studies of Industry

"Further Studies in Industrial Organisation." Edited by M. P. Fogarty. Methuen. 15s.

THIS second collection of by-products of the Nuffield College Social Reconstruction Survey enables Mr Fogarty to draw attention to some problems of industrial progress which are often overlooked. It is easy, as he points out, to direct public attention to basic industries like iron and steel, or to industries (like cotton) which fall into chaos and disaster on a resounding scale—or at the other extreme to those capitalists who run their affairs so well that they become labelled as "bloated." These four studies include no major industry in the ordinary sense, though they do include one—flour milling—which is highly mechanised and efficient, has organised itself so thoroughly as to give rise to charges of monopoly practices, and altogether has given offence by "an almost too luxuriant prosperity." But of the four industries studied here, flour-milling still comes off best; the millers, through the Millers' Mutual Association and their rationalisation scheme of the interwar years, served themselves well, but compared with more conservative industries they did not serve the public ill. Indeed, Mr Fogarty comments, "a dose of the medicine administered to flour-milling would have done the fishing industry a world of good."

For comparison, three conservative industries are examined in the same collection—white fish, granite and brewing. And within one of them, the white fish industry, the same point is repeated: only the Hull trawlers, using a technique of combination and re-equipment, succeeded in progressing when other fishing centres were losing the initiative. The Aberdeen granite industry is presented as an example of the sleepy mediocrity which gives no offence, attracts no nationalising zeal, but contributes little or nothing to economic improvement. Built up around the Aberdeenshire granite deposits, it was for a time a useful export industry; in the 'twenties and 'thirties it let its exports go and settled down in modest comfort to the processing of largely imported stone. For this decline there are no really convincing excuses; clearly, if the life force had been stronger, more could have been done.

Professor Hamilton's study of the granite industry, like Dr Rankin's study of the Edinburgh breweries, has not taken inquiry far or provided enough information to justify any very clear conclusions. *Further Studies in Industrial Organisation* is a useful collection, but by no means even in quality or thoroughness. The technique of inquiry and of presentation can still usefully be improved, if inquiries of this sort are to play the important part in economic progress which Mr Fogarty suggests.

The Marshal's View

"Italy in the Second World War." By Marshal Badoglio. Translated by Muriel Currey. 234 pages. 12s. 6d.

THE publishing of an English translation of this book will do much to help people in Britain understand the Italian point of view about the last five years. Marshal Pietro Badoglio, Chief of Staff to Mussolini when the war began, resigned in December, 1940. Then, when Fascism collapsed in July, 1943, it was he who—playing with skill and no little understanding the traditional but invidious role of "soldier-to-the-rescue"—gathered together the remnants of his country and held them for nine crucial months till Rome was liberated.

The book itself consists more of a series of short passages than a continuous whole. Its sub-title is, accurately enough, "Memories and Documents"; the last fifty pages, in fact, supply

most of the documents in the form of appendices. But there is a constant theme which runs throughout the book, the theme of Italy's effort, first, to extricate herself from a lost war which she should never have entered, then to "work her passage" with the Allies. The main interest of the book is Marshal Badoglio's own account of the way in which both the terms and application of the armistice developed, after as well as before the date (September 8, 1943) on which it was so hurriedly declared. He himself, he says, never accepted unconditional surrender. That was not what he bargained for. And he tells, sometimes a little bitterly, of how he repeatedly came up against a very different Allied interpretation from his own.

Many events can only be properly assessed when at least thirty years have passed since they occurred. Italy's move from German alliance to Allied co-belligerency is undoubtedly one

Letters to the Editor

Consumption Up or Down?

SIR,—What follows is an inquiry and a challenge. The White Paper on National Income (Cmd. 7371) claims that total personal consumption in 1947 was slightly above the 1938 level, subject to reservations about the quality of output. This seems to clash with other figures provided in the same White Paper.

The optimistic conclusion depends essentially on a postulated average increase of prices, which is taken to be 61 per cent, net of subsidies and indirect taxes (tables 21 and 22). We can calculate from information provided in the White Paper that costs of production (including profit) were up on the average by some 80 per cent. How is it possible that, costs being up by 80 per cent, the whole range of consumer goods and services, some three-quarters of the whole output (including direct work for the Government), could be offered at only 61 per cent, net of subsidy, above the old level?

It might be argued that this was due to an increase of efficiency. On this, however, we have a counter-check. We have a firm figure for the average of export prices, which was up 130 per cent. This covers a very wide range of articles, some of them identical with domestic consumer goods. This is a Board of Trade figure, which may be taken to be fully reliable. The discrepancy between a rise of 61 per cent in one large average and of 130 per cent in the other is too great to be accepted.

It is true that the cost components of the exports have risen more than those of the wide range of goods and services included in the other average. I have made some very elaborate calculations, on various assumptions, and the maximum spread between the two sets of costs which it is possible to assume would give rise to an increase of prices on the export side of under 100 per cent and on the home side of over 70 per cent.

The fact that money wage rates and other money costs per unit in the export trades cannot have risen in as high a proportion as export prices indicates a decline in average efficiency. The calculations show a decline of 13 per cent, and this does not seem unlikely. But loss of efficiency cannot be confined to the export trades. If we make the charitable assumption that the efficiency of "services" has not fallen appreciably, the decline in efficiency in the whole range of domestic consumer goods and

of them. Even now the full facts are scarcely known about such episodes as the failure to defend Rome or the decision to declare the armistice on September 8th instead of the 12th. It is in supplying part of the evidence on which historical judgments can be made that Marshal Badoglio's book is of standing value.

Shorter Notice

"The International Who's Who." 12th Edition, 1948. Europe Publications Limited, 39, Bedford Square, W.C.1. 1032 pages. £4.

THE twelfth edition of the *International Who's Who* has now been issued. Like its predecessors, it is a comprehensive book of reference which will be of assistance to those needing biographical information about the illustrious and important.

services may be put at 9 per cent. Assuming this loss of efficiency, and taking the rise in money costs of production which we know, and comparing them with the total amount of money spent on consumer goods and services, personal consumption must have declined by 12 per cent in total and consumption per head by some 16 per cent.

The discrepancy with the White Paper is probably due to (1) prices actually paid being higher in many cases than those reported to the authorities and (2) to quality having declined.

This is clearly a matter of great public moment. It is important that the truth should be established.—I am, etc.,

Christ Church, Oxford

R. F. HARROD

Educating German Youth

SIR,—Today many difficulties are said to exist regarding the democratic education of young Germans at higher schools. There are not enough teachers, trained in democratic ideas and informed about up-to-date life in foreign countries, nor available good school books, especially books concerning history. World history would be very useful.

In spite of all that, it is now undoubtedly necessary to give German youngsters a chance of overcoming the situation by action rather than theory, to give them more possibilities of free spiritual development. How is that to be done?

There are now so many foreign people living in Berlin. Why do not the English especially send representatives—perhaps regularly—to the upper classes of German higher schools. Today more than ever before this would have great influence, and many German boys are eagerly expecting this. They want to hear more about how English people carry out things in their own way—from English persons themselves. Perhaps it might be of use to place a "lecturer" or assistant in every secondary German school. Young English university students might volunteer to pass a year in a German school, living and working with the German youngsters. German youth would profit very much from this contact with England.—Yours faithfully,

Berlin, NW 40, Lehrter Str. 18/19

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AMERICAN SURVEY

Reversal on Japan

(From an American Correspondent)

THE State Department and the Army are preparing to abandon their hitherto stern policy for the economic disarmament of Japan. Plans now taking form call for leaving the Japanese practically all of the industrial capacity with which they waged the war and for financial assistance to get it into full production again. Restoration of a "self-supporting" Japanese economy, it is revealed, has become a "primary objective of the occupation."

A "build-up" for the vastly more lenient new attitude began on March 1st when the Army, discarding its policy of secretiveness, made public a report compiled for it by a group of New York industrial engineers, Overseas Consultants, Inc., which took sharp exception to the amount of reparations removals that the American Government had advocated before the Far Eastern Commission. It received new impetus on April 6th with the return from Japan of a second group of industrialists, including Mr Hoffman, who has since been appointed head of the Economic Co-operation Administration. Speaking for the group, Mr Hoffman said it was now apparent that economic reparations, like the dollar reparations after World War I, were of little value to the recipient nations. Rather than carting off Japanese plants, therefore, he said the United States should start "spending for recovery" in Japan in order to avoid "spending and spending and spending for relief." The case being made for the new policy is distinctly reminiscent of the softening of policy towards Germany a year or so ago.

Japan has very little tillable land, it is argued, and therefore must import food to live. To buy food she must export the products of her abundant labour. By 1953 her population will be 30 per cent greater than in 1930-34, her non-farm population 60 per cent greater; therefore, she must have a much larger industrial capacity than she had before the war in order to sustain even a bare minimum standard of living. Production is the only solution to her problem; if she does not produce the United States must go on supporting her indefinitely and that would be an intolerable burden on the taxpayer.

There is a further resemblance to the transformation of policy towards Germany in the fact that the spearhead of the new policy is the Under-Secretary of the Army, Mr Draper. As a major general and economic deputy to General Clay in Germany, he is credited with having been a leading opponent of the early postwar American policy on German reparations. He has been plugging hard for a downward revision of Japanese reparations ever since he donned mufti and became Under-Secretary of the Army in 1947.

These similarities, however, are no more striking than one great dissimilarity. Now it is argued that the Japanese have discarded their warlike ways, their ideals have been "reoriented" under General MacArthur's skilful leadership. In a statement for the press, the Hoffman group declared:

We have been greatly impressed with the . . . progress made in developing representative government. . . . A thoroughly

democratic constitution has been adopted and an elected Diet . . . is actively functioning. . . . Moreover, said Mr. Hoffman, the Japanese people feel the war was a tragic mistake . . . one of the greatest misadventures of history. Consequently, they have "uprooted" . . . all military influence.

"Every Japanese," said Mr Draper, who accompanied Mr Hoffman and his party on their two-week study in Japan, is "co-operating with the occupation government."

Eight months after the end of the war Mr Pauley, the President's personal representative on reparations, declared that Japan still had a "top-heavy industrial structure"—one "incapable of functioning efficiently except when geared either to making war or preparing for war." Overseas Consultants take a different view. Japanese industry suffered greatly from bombing, they say; Japan now has "few of the raw materials needed for war" because she has lost her empire. She has been deprived by her victors of "the ability to manufacture guns, tanks, warships, airplanes and munitions [and] she has no military organisation." In their report they said:

We realise that the first requirement for waging modern warfare is a strong industrial economy. Even the ability to produce more food increases a nation's war-making potential. An industrialised Japan, therefore, unless carefully controlled, might become a strong military power. In our opinion, however, a strong industrial Japan would be less dangerous to the peace and prosperity of the Far East than a continuance of the present state of instability and economic maladjustment. . . . [Chances for permanently reorienting Japanese ideals along peaceful lines] will be improved if the Japanese are permitted a reasonable standard of living.

In a policy paper laid before the Far Eastern Commission in April, 1947, the United States proposed a level of industry for Japan which would provide her people with a standard of living roughly the equivalent of that they enjoyed in 1930-34, the period before her big campaign for conquest. Mr Draper and the others do not dispute the wisdom of this policy. They merely argue that a much higher level of industry than is contemplated by this policy paper will be necessary to provide the standard of living it aims at.

The document of twelve months ago designated 21 categories of "war supporting" industries in which Japanese capacity was to be reduced through reparations. These included steel, merchant shipping and machine tools. Overseas Consultants would leave all present pig iron, steel, machine tool and ball bearing capacity intact. Instead of 21 categories from which reparations would be allowed (exclusive of such "primary war facilities" as arsenals and airplane plants), they proposed only five: nitric acid, synthetic rubber, shipbuilding, aluminium and magnesium fabricating and magnesium reduction. To attain the 1930-34 standard of living, they argued (and the Hoffman group concurred), Japan needs "more, rather than less, productive capacity than she now has" and "at least as large a tonnage of merchant ships" as in 1937, when the war against Manchuria began. Not only would removal of present capacity destroy "any chance of her becoming self supporting" but it would "hurt world production and thus world recovery." The Far East, Mr Hoffman said, "needs Japan's production."

Full agreement on the details and degrees of change proposed by the Hoffman group and Overseas Consultants does not yet exist in the State Department. But it is known that the director of the Department's policy planning staff, Mr Kennan, who

recently made a visit of investigation to Japan, and other leading policy-makers agree with the principle of making the Japanese "self-supporting." Mr Draper announced that his request to Congress for \$150 million to finance a twelve-month economic recovery programme beginning July 1st was concurred in by the State Department.

"Off the record," military and diplomatic policy makers now say that Japan must become the fulcrum of American policy in the Far East. It had been hoped, they say, that China might emerge as the new "workshop of Asia" but China is prostrate and the rest of Asia is weak. Political instability elsewhere precludes a "redistribution" of industrial power such as was envisaged at the end of the war to insure against a re-emergence of an aggressive Japan; moreover, moved elsewhere, Japanese machines most likely would lie idle and be consumed by rust. Communism thrives on poverty and misery; production is needed to alleviate poverty and misery, ergo Japan must be revived as the "workshop" because only Japan has the capacity and the skill for production.

In preparing this new policy, the planners recognize that it will be distasteful to other Asiatic powers who have a deep and abiding fear of a resurgent Japan. In China and the Philippines, and to a lesser extent in Australia and the Netherlands East Indies, reparations are a highly emotional and explosive political subject. But fear of Russia is greater than the fear of ruffling the feelings of neighbours heavily dependent on the United States.

Electoral Geography—I: Illinois

[FROM A CORRESPONDENT IN CHICAGO]

SEVEN months before election day all signs point to a sweeping Republican victory in Illinois this November. The Republicans should carry the State for their candidate for the Presidency. They should also win the governorship and elect their candidate for the Senate. It seems likely that out of 26 Congressional seats they will win all but six or seven. The factors behind this forecast of Republican success are these:

1. The inevitable political mildew that affects the leadership of any political party that has been in office for 16 years.
2. The public's natural desire for a change after 16 years of national rule by one party.
3. The lack, on the part of President Truman, of any trace of the political glamour for which President Roosevelt was noted. The most Mr Truman can achieve in a public address is a note of intense and straightforward seriousness. This may command respect. It does not command enthusiastic loyalty.
4. The ineptness of American policy on Palestine. The votes of the majority will not be determined by the Palestine question; but the votes of a strategic and compact minority will, and of course the Zionists will vote against what they regard as the President's double cross on Palestine. If President Truman successfully insists on being nominated, the cohesion of this Zionist vote will be almost complete. If President Truman should step aside in favour of another candidate, there would be some splintering of Illinois Zionist votes, but under almost any conceivable circumstances, the Palestine fiasco will be costly to the Democrats, particularly in Cook County (Chicago) which casts more than half the State's votes.

More important than any of the preceding four points (which in themselves might be enough to ensure a Republican victory in Illinois this November) is the presence of the Henry Wallace Progressive Party. Some months ago a judicial election was held in Cook County. For many years it has been the custom of the Republican and Democratic parties to put up a joint list of judges in Cook County. Sensing that many voters were tired of this fusion practice, which gave the voter no real choice in picking county judges, Mr Wallace's supporters in Illinois recognised that the judicial election was a good place to launch a new party. They placed a complete list of judicial candidates on the ballot. The list included numerous Communist fellow-

travellers as well as a top dressing of one or two very respectable men—one a law professor of some standing from Northwestern University. Though no Progressive candidate was elected, the highest man on the ticket received 320,000 votes. The lowest man got 140,000. It is possible to dismiss the vote of the top Progressive candidate as being of little significance because it included a large protest vote of citizens who will vote Democratic or Republican this November, but who wanted to record their protest against the collusion of the party machines at the judicial election. The vote of the lowest candidate on the Progressive list can hardly be thus dismissed. It represents the hard core of Communist, fellow-traveller and perennial dissident votes, a basic minimum on which Mr Wallace can count in November.

In 1944 Franklin Roosevelt carried Illinois by 142,000 votes. In view of the four basic points made at the beginning of this discussion, no one thinks President Truman, or any unknown substitute Democratic candidate, can do better than President Roosevelt; indeed, all evidence is that the Democratic candidate, even without Mr Wallace in the race, would do rather worse than Roosevelt in 1944. It is therefore very important that the hard core of Wallace votes in Cook County alone is almost as great as Roosevelt's 1944 margin of victory. The votes that Mr Wallace will get will clearly come overwhelmingly from the Democratic party, since Henry Wallace represents extreme leftism, and there are no extreme leftists among the ranks of the Illinois Republicans. The consequence will be that the Democratic vote will be split. The Republican vote will be united.

★

The Chicago returns, particularly in the two wards where the population is some 60,000 to the square mile (as contrasted to an average of 15,000 for the city as a whole), will give some comparison of the effectiveness of Mr Truman's effort to attract the Negro vote by his Civil Rights programme, and of Mr Wallace's frequent appeals to minorities. But it is more than likely that the greater part of the Negro vote will go Republican, partly because the Republican machine traditionally knows how to reach these voters, and partly because of the extra lure that the bandwagon has for a minority.

The position of labour will also be a factor of importance. Officially, Illinois labour will support the Democratic nominee, whoever he may be. But the enthusiasm that brings workingmen to the polls in great numbers is not likely to be present unless the Democrats can pull some now unknown and very commanding personality out of the hat. Some of the members of the Congress of Industrial Organisation's extreme left wing unions will stray into the Wallace camp, despite the instructions of the CIO's national leaders. There is one qualification that should be added. If the Republican party should nominate Senator Taft as its Presidential candidate, Illinois labour would turn out in force against him. The Illinois labour vote cannot be swung as a bloc in most instances, but the hatred of Senator Taft in labour circles, a hatred that is intensified every time the Taft-Hartley Act is mentioned, would unify the Illinois labour vote and bring it out in large numbers to vote for anyone running against Mr Taft.

This automatically raises the question of pre-convention manoeuvring in both major parties. The Illinois Republican leadership is a distillate of the most extreme reaction and isolationism. Its leading light is Colonel Robert McCormick, publisher of the *Chicago Tribune* and often described as one of the most progressive minds of the 16th century. Its Senatorial incumbent, Senator "Curly" Brooks, who is up for re-election this November, yields little if anything to Colonel McCormick in either reaction or isolationism.

The Illinois Republican leadership (which was influential in financing the elaborate and entirely unsuccessful MacArthur campaign in Wisconsin) would like, first of all, to have Senator Taft as the Republican Presidential nominee. Failing that, it would prefer General MacArthur, and as third choice it would like Representative Joe Martin, the Speaker of the House of Representatives. Failing any of these, it would accept and support with only moderate enthusiasm a ticket headed by

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Senator Vandenberg of Michigan. Colonel McCormick, in the event of a Vandenberg nomination, would probably find himself so completely frustrated by a choice between a Democrat and an internationalist Republican, that readers of the *Tribune* would find the Presidential campaign reported with an objectivity and impartiality seldom found in the columns of the self-styled World's Greatest Newspaper.

The Democratic leadership in Illinois wants any candidate for President as long as his name is not Truman. Illinois Democrats say quite bluntly that they want to get rid of Mr Truman, not because they do not like him (on the whole they like him personally) but rather because he is a political liability and they feel that their candidates for the important state and county offices will get fewer votes if Mr Truman is running than if anybody else heads the Democratic ticket.

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It is the tragedy of Illinois progressives (to use the word now in its real sense and not as a synonym for Crypto-Communism and fellow travellerism) that in 1948, when the Democratic party works under greater handicaps than at any time since 1920, the two heads of the state Democratic ticket are men of great distinction who normally would be reasonably certain to win. One is Mr Adlai Stevenson, Democratic candidate for the Governorship, who opposes the Republican incumbent, Governor Green. An attorney, Mr Stevenson was active in the Fight for Freedom Committee, and during the war served as special assistant to the Secretary of the Navy, and Deputy U.S. representative on the preparatory commission of the United Nations. Mr Paul Douglas, Professor of Economics at the University of Chicago, opposes the incumbent Republican Senator "Curly" Brooks. Mr Douglas enlisted in the United States Marines as a private at the age of 50, was wounded twice in Pacific island fighting, and rose before the end of the war to the rank of lieutenant-colonel. He is an aggressive and colourful campaigner, and the prevailing trend away from the isolationism of the past should, and probably will, attract some considerable number of votes to him. Yet the Douglas and Stevenson candidacies inevitably suffer from the weakness of the Democrats in national politics. Illinois history shows that in presidential years the momentum of the national ticket usually pulls the winning party's State ticket through to victory.

Do Professor Douglas and Mr Stevenson have any chance of winning? The answer depends on whether the Wallace Progressives nominate candidates for the Senate and the Governorship, thus splitting the Democratic vote on the State, as well as on the national, level. The Progressives seem certain to run a candidate against Mr Douglas, because the Communists behind the Wallace organisation in Illinois hate him for what (though it is not called by that name in the United States) is essentially his democratic and anti-Communist Socialism. It is less certain that the Wallace Progressives will run a candidate against Mr Stevenson for the Governorship, but the probabilities are that they will.

It makes little difference who the Wallace candidates for the Senate and the Governorship may be. If they run, they will get at least four or five per cent of the vote, possibly more. With a vote of four million expected in Illinois this November, that means 160,000 to 200,000 votes for any Henry Wallace Progressive Party candidate. That number of votes taken away from any statewide Democratic candidate in Illinois is enough to ensure the victory of the Republican.

American Notes

Mr Lewis Pays the Piper

A Washington cartoonist last week showed Mr Lewis, with a smile on his face and a package under his arm, leaving a speak-easy labelled Congress and owned by Representative Joseph Martin; he was passing a "Union Boss" and he whispered, in the idiom of prohibition days, "Rap twice and ask for Joe." Here are all the elements which entered into the coal dispute as the result of Mr Martin's intervention: Republican acquiescence in the flouting of the law passed over the President's veto; the

political gains of the Republicans in general, and Mr Martin in particular, by their settlement of the strike before the Administration's legal machinery could deal with it; and the encouragement of other labour unions in the belief that Mr Lewis's disruptive tactics are a sure road to success.

For these reasons it was hardly to be expected that the charges of contempt of court against Mr Lewis would be withdrawn, even though many miners continued to stay at home while these charges were pending. Quite apart from political prestige, the Administration was bound to put law observance before coal production, however vital that production might be not only to the nation itself but to the world at large. On Monday Mr Lewis's old adversary, Judge Goldsborough, found that Mr Lewis and his union were guilty of both civil and criminal contempt for failure to obey promptly the court order that the miners return to work. This decision was based on what the Judge called a new principle of law: "As long as the union is functioning as a union it must be held responsible for the mass action of its membership." He considered that, when the miners walked out on being told that their contract had been dishonoured, the phrase was the equivalent of a code word for "strike."

The penalty imposed for criminal contempt is a fine of \$20,000 on Mr Lewis and of \$1,400,000 on the union, twice the sum paid last year on a similar charge and exactly the amount requested by the Government. The Judge hinted that he would have been ready to impose a jail term, but the Administration evidently considered it unwise to ask for this at once. It is, however, being held over Mr Lewis's head as a possible sentence on the civil charge if the miners have not gone back to work by April 23rd. But the martyrdom of prison would not be altogether unwelcome to Mr Lewis. It was not the law, but the granting of his demands that moved him to order his miners back to work; the attempt to undermine his victory, and to re-establish the law which he has discredited, has caused many of those who obeyed him to leave work again. They will not be encouraged to return, as he has once more recommended them to do, by the coal-owners' attempt to contest the validity of the pensions settlement, or by the conversion of the temporary injunction, which Mr Lewis has been convicted of violating, into a full 80-day injunction against the strike, which he contends does not exist.

Mr Lewis is certainly calling the tune and can probably continue to do so even from a cell. Whether, and how much, he pays the piper depends upon the sentence on April 23rd and upon the result of his appeal to the Supreme Court. Last year that Court presented him with a bill, although a reduced one, but the legal issues are more complicated this year. In any case, he will have an opportunity to call another tune on July 1st, when the miners' contract expires.

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Truman: Hobson's Choice

The primaries, in which the Republicans are conscious of helping to choose not merely a candidate, but a President, have obscured the reluctant rallying of the Democrats around President Truman. Democrats from eight mid-Western states have approved his nomination and called on the South to "come home." Although Alabama and Mississippi have taken anti-Truman steps, in Tennessee an anti-Truman resolution has been rejected by a narrow majority. In Maine, the proposal of the anti-Truman forces that the state's delegates to the convention in July should be uninstructed—that is, free to vote for another candidate—was drowned out by a brass band. The State Democratic Committee of New York, where the revolt against the President's Palestine policy is most acute, has endorsed Mr Truman.

If Mr Truman could count on these states to the bitter end, he might discount the currently unsolid South. But the spirit behind these testimonials of loyalty was summed up by the National Democratic Committeeman from Illinois who said the anti-Truman agitation was bad politics, and "I'm for Truman until it becomes unwise." The apparent victory of party regularity is largely a matter of Hobson's choice. The Democratic boom for General Eisenhower, composed almost equally of admiration for the General's political charm, and despondency over Mr Truman's chances, has been driven underground by the General's conspicuous lack of co-operation.

The ties which bind the Democrats to Mr Truman have worn very thin, and the slightest encouragement from General Eisenhower would inaugurate a bolt bearing every resemblance to a stampede. The most recent polls show Mr Truman running behind four leading Republican aspirants. The support of Mr Carey for the Eisenhower-Douglas ticket recommended by the Americans for Democratic Action is interpreted as desertion of the President by the Congress of Industrial Organisations, which

played so prominent a part in Mr Roosevelt's later victories. The CIO proposes to confine its activities to the traditional labour policy of rewarding its friends and punishing its enemies among the candidates for Congress.

There is a rumour that the strategy of the Eisenhower boosters in the Democratic party is to hold their fire until the convention, and then present the General, in the name of a "national emergency," with a unanimous nomination, which they hope he would find it difficult to refuse. In the meantime his supporters in the Democratic camp are like rain-makers who hardly dare mutter their incantations out loud for fear of offending or embarrassing the rain-god. The General, however, will not fail to see the skeleton of a party at its wits' end under the cloak of national crisis. Whether Mr Douglas, the Supreme Court Justice who is the second choice of Mr Truman's enemies, would prove as sharp-eyed is not so certain.

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Protection for Prosperity

"The welfare of our people, the effectiveness of our foreign policy and the strength of our defences all depend on our prosperity," declared President Truman last Saturday to the American Society of Newspaper Editors. That prosperity must be protected "while we still have it" by the anti-inflationary programme which he presented to Congress last November as an essential companion to the Economic Co-operation Act. Since then the inflationary potentialities of the defence programme have been added to those of economic aid. According to the President, however, the national economy is threatened more immediately by the steel price increases, by the coal stoppage and by tax reduction. His views are similar to those expressed by his Council of Economic Advisers in their report for the first quarter of the year. Their recommendations for new taxes, credit restrictions, increased saving, stand-by authority for price, wage and indirect manpower controls and for allocations, priorities and rationing, cover the President's programme. They do not think, however, that this "rather systematic and vigorous discipline" involves a return to wartime regimentation.

The President recognised that there is no slack in the national economy to take the strain of the new demands being made upon it and this vulnerability is very disquieting to Mr Marriner Eccles

of the Federal Reserve Board. Characteristically, he takes a much longer and therefore more depressing view than either the President or the CEA and says what many are thinking: "We cannot go on year after year bearing these crushing costs without jeopardising what we seek to save." Mr McCabe, the new chairman of the Federal Reserve Board, may be more considerate of the feelings of the President who has just appointed him, and who insists that the United States is embarking upon a peace and not a war programme. It is thought that Mr McCabe will support the FRB's request for powers to increase its reserve requirements for commercial banks in order that it may restrain the undesirable expansion in bank credit which it believes will soon develop. This is a modified version of the similar request made last autumn.

The business world, however, is no more convinced now than it has been in the past that inflation is the immediate danger. It does not deny the official analysis of the present situation, but it feels that this analysis ignores deflationary pressures which are less obvious but almost as strong and that certain of the Administration's own policies have contributed to inflation. For these reasons and because Mr Truman can hardly expect Congress to give him more than a few of the powers for which he asks, it seems probable that his present anti-inflation drive is inspired more by political than by economic considerations.

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What Kind of Preparedness?

The unique spectacle of an economy-minded House giving Mr Truman more money than he asked for was provided last week when the House approved not only the President's \$2,376 million aircraft procurement programme, but added another \$822 million for a 70-group Air Force. Only three nays were registered, all from the extreme left wing, which follows Mr Wallace's lead. The Air Force has triumphed in the inter-Service contest to make Congressional flesh creep. The effect will be to raise the purchase of military aircraft for both the Air Force and Navy from 1,500 in the fiscal year just ending to 4,370, sending welcome pins and needles through the withered airplane industry. The total funds available to the Air Force for aircraft would exceed, by \$200 million, the first year's programme for air expansion laid down by the Finletter report early this year. The aim, it should

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be made clear, is less to increase the number of planes available than to ensure that they are replaced at a rate necessary to keep the Air Force abreast of every technological improvement.

The Senate may prefer the compromise programme submitted by Mr Forrestal at its request, which provides for a 66-group Air Force and would need only about half the extra funds approved by the House. If the Senate accepts this programme, its Bills for the revival of conscription and universal Military Training, which have been held up meanwhile, will probably be brought to a vote quickly. The disquiet of the Administration is based partly on the fear that in an election year Congress may feel that the allocation of dollars to the Air Force is a satisfactory and painless substitute for conscription and UMT. The Administration is also afraid that too large a preparedness programme might, by intensifying the shortage of materials and manpower, hamper the civilian production essential to the European Recovery Plan. But neither of the enlarged air power programmes seem likely to get under way sufficiently to impede civilian production before 1949. By then, if the Russians are less truculent, Congress may be less defence-minded.

* * *

The Form of a Military Guarantee

A more important question is whether the modernisation of the Air Force would, by itself, provide an appropriate "roof to the house" of European defence constructed at Brussels. In the Congressional defence hearings there has been no mention of co-operation with the European democracies. The House has reacted to what the Services presented as a menace solely to American security. In some circles it is even being asked whether the threat of a powerful Air Force in five years' time is sufficient to halt the Russians, or whether it may not simply encourage them to take new aggressive moves before it comes into being.

Although the chances of any outright military guarantee to the Marshall countries being accepted by the Senate are said to be remote, the State Department recognises how much importance is attached to a formal commitment by France, Benelux, and the neutrals. Mr Walter Lippmann has expounded the ingenious and comforting theory that if the Russians advanced across Europe they would come into conflict first with the American occupation troops in Germany; and that therefore General Clay's presence in Berlin is a more potent military guarantee than any paper pledge that America could not remain neutral. This reasoning will hardly reassure the Scandinavians, the Turks or the Greeks, for unfortu-

nately the Russians are not bound to shape their tactics to suit Mr Lippmann's theories, and might easily avoid a clash in Germany while advancing elsewhere.

It is being suggested that to meet the qualms of the western democracies Mr Truman or Mr Marshall might make one more attempt to draw a verbal line across Europe. However welcome such a statement might be, it is difficult to see how, without specific Congressional approval, it could add very much to what has already been said. And, unfortunately, the deterioration in Mr Truman's domestic prestige might encourage the Russians to discount, probably quite wrongly, the gravity of yet one more warning.

Shorter Notes

The forecast of the winter wheat crop, which appeared last week as 8,605 million bushels, should, of course, have read 860.5 million bushels.

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The Agriculture Committee of the House has voted to continue farm price supports until June 30, 1950. Without new legislation, price supports on non-basic commodities would disappear at the end of the year. The only changes proposed are to reduce the level at which cotton prices are supported from 92½ to 90 per cent of parity, and to reduce the price supports on some non-basic commodities. The price of basic commodities, wheat, corn, tobacco, rice and peanuts will continue to be supported at 90 per cent of parity.

*

Even conservative Congressmen are somewhat alarmed that Mr Isacson, who recently won a Congressional by-election in the Bronx as a Wallace candidate, has been refused a passport on the grounds that it would "not be in the interest of the Government of the United States." Mr Isacson wanted to go to Paris to attend a meeting sympathetic to the Greek guerrillas. The State Department insists that the granting of a passport is not a right, but a privilege which implies that there is no official objection to the purposes of the journey. Mr Isacson has now applied for a visa for Palestine which may be more difficult to refuse. Mr Isacson's cause no doubt suffers from the memory of the resentment stirred up last year when Mr Wallace criticised his own country so freely on his foreign travels. But the State Department seems to be carrying export controls a little far.

THE WORLD OVERSEAS

Report from Germany—I

(From Our Special Correspondent)

FRANKFURT in spring, 1948, conveys the sense of change. An end is at hand to the first postwar period, and new ideas, new measures are taking shape. The streets of the city reflect the characteristics of the Germany which is being re-formed. They show the generous wealth, the optimism, the natural, democratic individualism of America superimposed on a resentful, hysterical, corrupt and still ruthlessly egotistic people, living a life of ordered abnormality in ruins which nobody notices any longer. The cars are symbolical. High-powered modern automobiles purr along with easy confidence, jeeps express American technical skill turned to military ends, the red Coca-Cola vans convey a peaceful if slightly crazy note, shabby Volkswagen career wildly to the danger of everyone in the neighbourhood. And between them run a few moderate-sized British Austins, sensible, inconspicuous and not very powerful.

The predominant influence of America is real. Though the British are equal partners at the top, the Americans hold the most important posts in the integrated Anglo-American bipartite administration for economic control. Since they bear the bulk of the financial burden, they have a majority voice in the body which controls Bizonia's foreign trade, the Joint Export-Import Agency. The SHAEF-type organisation at Frankfurt is working well on the whole. Anglo-American integration is much easier than co-operation of any kind with the Germans.

The steps which are to be taken now that four-power rule has ceased to function in Berlin were forecast in part by General

Robertson in Duesseldorf on April 7th. Financial reform will be carried out in the West, including the French Zone, and a Government will be set up in Frankfurt, after agreement with the French. An Occupation Statute will limit the rights of Military Government.

The preliminary steps towards currency reform have been taken. A beginning has been made on the hard task of bringing German prices into line with each other and with world levels. The final details of the currency reform itself are now being settled with the Germans. New policies, freeing German foreign trade from much of the control of the Joint Export-Import Agency, are being considered: and some measures, notably the introduction of a single conversion rate for the mark (one mark equalling thirty cents) have already been taken. Germany has entered the Marshall Plan, and the Germans have drawn up a statement of Bizonia's balance of payments. It shows an estimated deficit of \$1.2 billion to be covered by Marshall aid and US appropriated funds. And, finally, American proposals to cut to the bone further dismantlement of German factories and to stop decentralisation are now being discussed in high quarters.

Though none of these measures seem on the surface to be in opposition to a policy of State control, a trend in this direction underlies them, and the ideas which are being discussed in Frankfurt today. Western Germany is being steered away from *Planwirtschaft*, although at this moment, the control authorities, American as well as British, are still pressing the German adminis-

tration to exercise its powers over the economy in the interests of just distribution, and although the Joint Export-Import Agency, together with the central bureaucracy and the Ministries of the *Länder*, still keep a tight grip on Germany's foreign trade.

At present the movement towards free enterprise is obscured by the fact that the Anglo-American bipartite control authorities are at loggerheads with the chief German opponents of planned economy, the Christian-Democratic Union (CDU) and its counterpart, the Christian-Social Union (CSU). This party, the largest in the West, holds all the posts in the Bizonal Executive Committee, or "Cabinet," with one exception. It is largely responsible for the fiasco of the bizonal economic government, which was reformed at the beginning of this year, but has never properly functioned. Not a single law of any consequence has been implemented. The central administrative body is still practically in the same state of paralysis as a year ago, although the Americans conceded it greater central powers than its completely impotent predecessor enjoyed. Deliberate "ca'canny" is being practised by the Germans. The Council is only due to meet for two days each month, but excuses are constantly found for postponing even that amount of work—the latest reason given was that the building in which it meets was wanted for a performance by an amateur operatic society.

Away from a Planned Economy

The policy behind the delaying actions of the CDU-CSU is the party's determined opposition to State control and centralised government. More particular, it is looking after the interests of holders of hoarded goods, who are waiting for currency reform before selling their stocks. The Party recently publicly pledged itself to do away with planned economy "except where absolutely necessary." It aims to abolish rationing of everything except possibly staple food and clothes, and would retain price controls, if at all, only on one or two basic commodities. *Planwirtschaft* as a policy would be placed in the dustbin; it is constantly denounced as a failure, as indeed it is, in Germany today.

The CDU-CSU, however, is a mixed party, which is far from being wholly reactionary. It has progressive leaders such as Herr Arnold, premier of North Rhine-Westphalia, and Herr Hilpert, deputy Minister-President of Hesse, and contains industrialists who would counter Communism by granting the workers a share in enterprises—a Catholic solution which would accord well with the natural attachment of the German worker to his *Betrieb*. But the danger exists that the party will fall into the hands of its most rapacious supporters, and that jungle law will be established, in the name of free enterprise and the liberalism of Professor Röpke, the Swiss economist whose attacks on planning are widely published in Western Germany today.

At present, while German legal prices and wages are completely fictitious, and everyone knows that currency reform is round the corner, there are good arguments for not issuing even the theoretically admirable laws. They would not be obeyed, and the administration would be regarded with greater contempt than ever. The CDU-CSU can point to the fate of the so-called "Pantry Law," passed earlier this year, which required everyone, including householders, to declare stocks of food. After a huge expenditure of money and precious paper, the questionnaires were simply ignored. Out of 350,000 issued in Frankfurt, 14 were returned. Nevertheless, the Anglo-American authorities are pressing, in vain, for an anti-hoarding law to be passed, which would require goods to be placed on the market before currency reform is executed. Even if the law were ineffective, its socialist supporters think it would perhaps show the populace that some feeling for social justice exists. There is a well-founded fear that currency reform will make money so scarce that the poor will not be able to buy the goods in the shops, and the visual contrast between haves and have-nots will lead to unrest. The Communists would then have a chance to undo the effect of Marshall aid. Though not very numerous, they are in a majority in the works councils, and by this means influence four to five million workers.

Power for Private Industry

The questions of State control and centralisation are linked; and on both the views of the Americans and the German Right-wing are close. The Americans, who believe in their own system, stand firm on a decentralised constitution. They argue that, even if a planned economy were desirable, it could not work in a decentralised federation. Since the constitution will not be altered, it is necessary to alter the economic system. The not be altered, it is necessary to alter the economic system. The individual States will not plan on a national scale; they are all too keen on their local plans. Therefore, the argument runs, the best thing is to hand over planning and distribution to the

national industrial groups. This solution is one which is also supported by some influential British officials in Germany. Marshall aid and the coming abrogation of Anglo-American control will bring it to the fore. No German government will be competent to handle the vast number and quantities of goods which will be flowing into the country. Private industry and commerce must resume their proper place.

On this issue of State control versus the free market polemics rage between the Christian-Democrats and the Liberals on one side, and the Social-Democrats on the other. The issue will certainly be fought in the general elections which must be held in a matter of months.

Inside the Social-Democrat Party (SPD) there are leading men who now acknowledge that it is useless to try and impose universal controls on the German economy in conditions of such extreme scarcity, just as there are some among the Christian-Democrats who favour retaining those that work. But there are small chances of a coalition as long as Herr Schumacher leads the SPD.

The effect of Prague on some Socialist leaders in the Economic Council, where the Socialists are in a majority, was to make them seek to join forces with the Christian Democrats and to come out openly in favour of a Western Government. They would have been prepared to postpone their demands for socialisation in the Ruhr, and land reform. At least one of them courageously published an article exposing the slogan of "German unity," which has supplanted Hitler's "miracle weapon" in the minds of most Germans as a cure for all troubles. But hopes of a coalition have now faded. The Christian Democrats demand too much, and the Social-Democrats are tied to a rigid party machine, controlled by the doctrinaire and dictatorial Herr Schumacher. It is, however, not at all certain that the decision of the SPD executive to remain in opposition is wrong. The main enemy of the Communist Party in Germany as elsewhere is the Social-Democrat Party; a coalition might well give the Communists an opportunity of accusing the SPD of betraying the workers. New chances would appear of splitting the socialist rank-and-file and of forming a "Socialist Unity Party" on Eastern German lines.

At the root of present perplexities lies the problem of the millions of refugees who have crowded into the West from the annexed Eastern areas and the Sudetenland. The Germans by and large not only cling to the idea that unity of their country is feasible, but they mean by "unity" the return of Silesia, Mecklenburg, Danzig and East Prussia, and the eviction of the Czechs in favour of the Sudetenlanders. Various more or less openly revisionist groups have been formed among the refugees themselves. On their part, the local political leaders give them every encouragement, and do as little as possible to absorb the "foreign bodies" into the community.

The illusions of the revisionists are hard to take seriously. It seems comic that a leader of the refugees should reveal that he was supporting the *Bayern Partei* because it would make Bavaria a sovereign state "like the United States" as the party programme modestly puts it, and because this state could then buy arms in America and go to war with Czechoslovakia. Such ideas are indeed crazy; but it is unwise to regard the Germans as rational, and not to place the refugee question at the forefront of the innumerable problems which have to be solved at one time or another. For too many the solution lies in a war between east and west, in which the Germans believe they would be the victors.

Speculation about war is a main factor in Germany today. Fear of Russia and a Communist *coup* is very strong, particularly since the Russian campaign of chicanery began in Berlin and Vienna. Some men have refused to accept prominent posts for this reason. But the most fearful, and those who are reinsuring by attending Communist rallies, are in general not the competent men, not those mysterious "best brains" who are supposed to be hanging back somewhere, but the ordinary *bourgeoisie*, anxious not to have their businesses confiscated if the Russians arrived one day.

Competent men are undoubtedly staying in the background at present, but are probably not speculating on a Russian *coup*. The German industrialists know their bread is buttered on the West side and on the West side only. They are biding their time until the country's economy is given a chance, until an end is made to the worthless currency, the restrictions, the penal taxation, State control—as well as to dismantlement, restitution of loot, and the denazification sentences which have prohibited so many from taking posts.

In the meantime, some of the administrators, who have borne the brunt of a hopeless task in the Bizonal Executive Committee, are showing a remarkable spirit of optimism and determination,

considering the vast and multitudinous problems which they face. That they are also obstructing the will of Military Government by not passing laws before currency reform does not mean that they will remain passive once they have a government, freed from most of the Military Government controls. It will have, however, to be the kind of government that they want, one in which the power of the individual states is not subordinate to the central body. It is symptomatic that the CDU has successfully obstructed the establishment of a permanent civil service for the Frankfurt Administration. Whether such a government will be able to solve the problems which will have to be faced is very doubtful indeed.

(To be continued)

De Gaulle at Marseilles

[FROM OUR SPECIAL CORRESPONDENT]

WITH pomp and ceremony, and evidently without undue concern for cost, General de Gaulle's *Rassemblement du Peuple Français* held its first National congress in the city park of Marseilles last Sunday. The congress adopted a number of policy resolutions and confirmed the appointment of the executive council, leaving the group who have been running the movement—the *entourage*—in charge. But the congress did nothing to remove the ambiguity caused by the fact that it neither openly repudiates parliamentary democracy nor fits into the parliamentary pattern.

Positively, the congress decided that its purpose was to furnish the nation with *cadres* for patriots; negatively, that it should avoid the definition of a political party in opposition. Its declared intention of fighting the next election against the government has evidently given rise to wrong ideas. The congress deliberately underlined the difference by calling itself "National assizes" and the delegates "companions."

This is the sort of distinction which is insisted upon by the General himself, who is temperamentally unsuited to lead a political party and who makes no secret of his preference for disciples rather than associates. The 2,600 delegates who cheered him till they were hoarse were obviously delighted to oblige. There was no public debating: instead, as at gatherings of the French Communist party, all the resolutions were adopted without dissenting voices by general acclamation. Respect was ensured by the presence of an extra two thousand Gaullists, who were not regional delegates but fighting-fit *service d'ordre*, among whom were some of the best known local gangsters and a number of black troops in civilian clothes.

On foreign affairs there were no new developments, but the Gaullists went one step further in advocating a Western *bloc* against Soviet Russia. They defined for the first time the type of common defences which Europe should organise. These should consist of a professional army of 40 divisions, half to be airborne, together with a navy and air force under a joint high command. The force would be financed principally by the Americans, but it would be manned entirely by Europeans. Britain, and notably Britain's German policy, which was interpreted as the desire to reconstitute a strong Reich, was repeatedly attacked.

Away from Reality

But it was on internal affairs that the congress plunged furthest away from harsh realities. French national income, said one speaker, must indeed be redistributed, but this should be done by general accord without conflict or disturbance. (Why not? The walls of Jericho were blown down with nothing but trumpets.) The usual attacks against mythical *dirigisme* and complaints against the sacrifices imposed by René Meyer—which are always well received by every French audience from Gaullist to Communist inclusive—were made. Vague plans were also announced for co-operative ownership and a new syndicalism, which would dispense with permanent officials and cease to fight the cause of the workers it represented in favour of the higher cause of the "general good."

There was also unanimous agreement about the desirability of slashing state expenditure; but the Gaullist policy for strengthening internal defences against the Communist menace together with an imperial policy, which would maintain French sovereignty over all overseas possessions, would probably make government under the General even more expensive than it is already.

Nothing new was said about how the General would come into power. For the moment he is sticking to his demand for a general election and offering to work with all deputies, except

the Communists, who will support immediate dissolution. Whether he can induce the deputies to vote themselves out of office will depend less on himself than on the economic success of the present government and the extent of the Communist sabotage of France's recovery under the Marshall Plan.

In so far as the congress was intended to provide a demonstration of strength and to contrast de Gaulle's effectiveness with the feebleness of the existing government, it was a failure. The Third Force Minister of the Interior, Jules Moch, had the situation well under control. His local authority made the Gaullist, CGT and Communist leaders sign an agreement to keep their respective demonstrations static in order to avoid clashes. Marseilles was full of civil and military police, equipped to resist violence. The Marseilles population was worn out by the sustained propaganda campaigns before the congress met, and there was a notable absence of mass hysteria. As soon as the General moved outside the circle of his own congress, he did not inspire the same wild enthusiasm as at some of his earlier appearances.

Costa Rica's Civil War

[FROM A CORRESPONDENT RECENTLY IN LATIN AMERICA.]

THE civil war which has just ended in Costa Rica began on March 12th. The fighting, which arose out of the presidential and congressional elections held on February 8th, constitutes the first blot in many years on the record of Costa Rica—long considered one of the most democratic nations of Latin America.

Costa Rica is one of the few Latin American countries with an economy dominated by small and medium sized landholders. The coffee industry, which is the biggest element, is largely controlled by small farmers. Even in the banana industry, which is dominated by the United Fruit Company, there are many small and medium sized planters who sell their produce to the company. The outstanding importance of the small cultivator has been one of the keys to the democracy of Costa Rica. Another has been the relatively high literacy rate. For many years Costa Rica prided itself on the fact that it had more schoolteachers than soldiers—the regular army is 1,000 strong—a truly remarkable phenomenon for a Latin American country.

Yet in recent years this democracy has been in peril, and the situation finally degenerated into civil war. One must perhaps go back to 1940 for the beginning of the story. At that time Sr Rafael Angel Calderon Guardia, a representative of the moderate Left, was elected President. He sought to carry out a programme of reforms, which included the establishment of a labour code and extension of social security services.

In carrying out this programme, Calderon Guardia leaned rather heavily on the Costa Rican Communist Party. Organised in 1928, it had had but little influence, principally in the banana regions, before the coming of the Calderon regime to office. However, relations between the Government and the Communists then became very close. Even the Catholic Church became friendly with the Communists, who in 1943 had changed their name to Popular Vanguard. They had also adopted a programme one part of which congratulated Calderon Guardia on carrying out his social reform programme "based on the Encyclical Rerum Novarum of Pope Leo XIII." This and other flattering references to the Church and its doctrines apparently influenced Archbishop Sanabria, who in 1944 announced his qualified support.

During this period the Communists took advantage of the situation to infiltrate into the Government service, and in particular into the army and the police. The Opposition maintains that the whole military and police force of the Republic is honeycombed with Communists and their friends. At any rate, the Communists gained considerably. They elected eight members to Parliament, and they organised a trade union centre, which was for a time the only one in the country.

The next election in 1944 was hard fought and marked by much violence. This was a new factor in the situation, since elections had usually been quiet in Costa Rica. The Government claimed that 70 per cent of the people voted for their candidate, Sr Teodoro Picado. The Opposition claimed the election was "won" by the Government through violence, intimidation and fraud. In any case, when fresh elections approached, and it became obvious that the Government intended to have Calderon Guardia again elected President in the 1948 poll, the Opposition acted. In the summer of 1947 there occurred a twelve-day strike and lockout, backed by most of the country's merchants, bankers and such industrialists as there are, and also by the Catholic-controlled Rerum Novarum Confederation of Labour.

This demonstration succeeded in bringing about a modification of the electoral law. The appointment of a three-man electoral court was authorised, one member each to be appointed by the President, by Congress and by the Supreme Court. At the same time, all members of Congress, the rival candidates and the executive agreed that they would accept the decision of the electoral court. The election machinery was put in the hands of these three individuals. A few weeks before the polling, the member appointed by the Supreme Court became sick and was replaced by a naturalised Costa Rican citizen, a German named Max Koberg, who the Opposition maintained had been pro-Nazi during the war.

The election itself was quiet, although there had been a good deal of violence during the campaign. Late on election day the Government candidate, Calderon Guardia, announced that it was the quietest and most honest election the country had ever known. However, the next day he and the leader of the Popular Vanguard, Sr Manuel Mora, came out with statements that the election had been fraudulent and was not valid. In the meantime, the returns had begun to indicate that the candidate of the Opposition National Union, Dr Otilio Ulate, had been elected.

Opposition Victory Disputed

The members of the electoral court issued their verdict a few days later, deciding by two to one that the election had been won by Dr Ulate and that there had been no fraud. Koberg voted that there had been fraud and that there should be a new election. The whole apparatus of government publicity was then used to spread the story that the election had been fraudulent and should be annulled. The Archbishop tried to act as mediator and get a peaceful settlement of the differences of opinion, but to no avail. Finally, the Congress, whose term does not expire until May 8th, met and declared the election invalid. The Opposition points out that this was in contravention not only of the Government's pledged word, but of the constitution itself, whereby the Congress may only elect the President when no candidate gets a majority—Dr Ulate was credited by the electoral court with an absolute majority.

There were several members of the Calderon faction who refused to vote to annul the elections. Three of these actually did vote with the Opposition, and at least one of them immediately went into hiding in fear of his life. Two other supporters of the Government, who had indicated their intention of voting against it, were kidnapped and held until the session was over. Their alternates (each Congressman in Costa Rica has an alternate who attends when the principal is unable to do so) voted—and voted "correctly."

After this decision of Congress, Dr Ulate, the President-elect, went into hiding in the home of a deputy, Dr Carlos Valverde. The police came to look for him, and fired on the house with machine-guns. Dr Valverde was hit and died a few days later. Dr Ulate escaped over the back fence. However, the next day he gave himself up to the police, having been charged with criminal conspiracy. He was accompanied to gaol by the American Ambassador and the Archbishop, and was soon released with all charges dropped.

Meanwhile, negotiations went on, with the Archbishop acting as mediator. Dr Ulate agreed to withdraw his claims to the Presidency if some neutral figure could be installed and entrusted with calling a new poll. This the Government's supporters refused. Finally, all hopes of a settlement were abandoned, Dr Ulate and to the hills, other leaders of the Opposition went into hiding and the Government began rounding up those upon whom it could lay its hands. They went to the farm of Sr Jose Figueres, leader of the Social Democratic Party, one of the chief backers of Dr Ulate, with the intention of arresting him. There the Government soldiers were met by gunfire. The civil war was on.

Foreign Intervention

The rebels controlled most of the mountainous area of the country and fought more or less a guerilla war. The Government force of some ten thousand men (composed of the regular army, the police and the Popular Vanguard's militia) was unable to oust them. Considerable confusion and dissension were reported between the Communist militia and the army, each party accusing the other of shirking action. The Government forces were aided by soldiers sent from the Nicaraguan army. A number of other people, some soldiers of fortune, others probably Communist agents, are believed to have gone to Costa Rica to help the Government.

The usual struggle between the Left and the Right does not explain this civil war. The Government for the most part represents the Left, though the Social Democratic Party of Sr Jose Figueres supported the rebels. In fact, Figueres was the military commander of the rebels. On the other hand, the reactionary Nicaraguan dictator, Somoza, supported the Costa Rican Government, and there are reports that the Dominican dictator, Trujillo, who heads the most totalitarian regime in all America, also gave aid. On the other side, it is alleged that the Government of Guatemala, which is dominated by a Left-wing but anti-Communist President, Sr Jose Arevalo, sent help to the rebels. And other Left-wing Democrats in Latin America, such as Sr Raul Haya de la Torre, leader of the Peruvian *Apristas*, and Sr Romulo Betancourt, former President of Venezuela and leader of the Left-wing *Accion Democratica* Party of that country, announced their support for the rebels. The division appears to have been between those who would accept Communist support to gain their ends and those who would not.

Democracy in Singapore

[FROM A RESIDENT CORRESPONDENT]

FEARED by many as overhasty, parliamentary democracy has been established in Singapore. The custom-loving East does not take too kindly to innovations, and when all British subjects of over twenty-one years of age and with a year's residence in the colony were called upon to register their names on the Electoral Roll, the reaction was sluggish. There were several reasons for this besides novelty. There was a restriction in the qualification. "British Subject" did not include "British Protected Persons," and men and women born in the Federated and Unfederated Malay States were not eligible, though their psychological and economic differences are nil. The All Malaya Council of Joint Action and Putera, a Malay society controlled by foreign-born Indonesians, boycotted the registration on the not very logical grounds that the new Constitution of the Federation of Malaya was not to their liking. Moreover, men were chary about entering their names on lists or filling up particulars on forms. Only a short time ago they had done just these things for the Japanese during the occupation. They remembered very well how such lists became confused and how, having registered themselves as carpenters, they were sent as navvies to the Siamese Death Railway, and how others, *bona fide* clerks, were transferred to plant tapioca. Their recollections of forms and registers did not warrant wanton repetition. Of the 938,000 population of Singapore with a British citizenship total of about 100,000, only 22,395 registered for a vote. The electorate consisted of 10,141 Indians, 5,627 Chinese, 3,146 Malays, 1,918 Europeans, and 1,563 Eurasians.

There was only one organised Party, the "Progressives." Their candidates were made up, racially, of two Chinese, one Mahomedan Indian, one Hindu, one European and one Malay. The Malay fell sick at the last moment, leaving the Party to contest only five seats. Ten "Independents" appeared—racially, 6 Indians, 2 Chinese, 1 Eurasian and 1 Malay.

For a seaport with a transient population which comes and goes on business and on leave, the percentage of voting—64.2—was high. The boycott was maintained to the end, but the elections were as calm and orderly as the Trades Union Congress. The only incident was a thunderstorm that added three inches to the month's rainfall.

Of the elected candidates all have had previous service on the Advisory Council or on the Singapore Municipality. The composition of the new Legislative Council gives an unofficial majority of 13 to 10. The policies likely to be pursued in order of preference are: administrative economy, education, housing (Singapore's most pressing need) and hospitals. The tempo of reform will not be breathless, and the many problems are likely to be solved with a minimum of disturbance. The elections were fought cleanly and with great humour. Rival candidates were in most cases personal friends; in a first election, party lines were blurred and personalities counted for much. The racial harmony, of which Malaya boasts, was uninterrupted by the discords of communalism. There has, however, been the usual Communist infiltration of the unions and a frequent emphasis on the strike weapon. This influence has slightly diminished, and the number of man-days lost has fallen remarkably. But misconceptions of the functions of the unions remain to be clarified. Strikes for trivial reasons are still frequent, and most strikers consider that they are entitled to wages for the period during which they downed tools. Nevertheless, union officials are being gradually trained in the organisation and responsibilities of trade unions.



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THE BUSINESS WORLD

Questions about Coal

SIR CHARLES REID, production director of the National Coal Board, took advantage of what might have been merely an amiable ceremony at Edinburgh last weekend (the presentation of a trophy for high output) to express some profoundly disturbing judgments on the progress of the nationalised coal industry. His words were far more than the now customary official exhortation to an industry to pull its weight. They were the most open expression of disquiet yet made by a member of the Coal Board, and they call in question the assumptions on which the experiment of nationalisation depends for its success. Their author, it is worth remembering, has been the spokesman of progressive mining engineers and the leading advocate of technical improvement in the mining industry both under private enterprise and under public control. He is now in charge of the mechanisation of the mines and of their entire productive effort. After fifteen months of nationalised effort, what has he to say?

We are putting into the pits day by day great masses of machinery, and it does not seem to matter what we do—the output per man is not rising. The Board are very much concerned. There is something wrong somewhere. . . . We think that there is a slackening off all over and we are not getting the advantage of this machinery.

That there is, in fact, something wrong is shown by the statistics of productivity in the industry. It is managing, though barely, to produce sufficient coal to meet its output target in 1948, but that target is only sufficient to meet the most urgent, minimum needs. And it is making increasing demands upon manpower and on the output of the machinery industry. To both of these expansive policies there must eventually be a limit, and the problem of improving the quantum of the miners' effort cannot long be evaded. Sir Charles Reid's speech brings nearer the moment when that problem will have to be faced. It is not yet possible to demonstrate statistically, beyond all doubt, precisely what is wrong. It might be that the general trend of productivity is irresistibly downhill, and that mechanisation now is serving to arrest what would otherwise be a steep decline. It may be that (as the mineworkers' representatives retort when their effort is called in question) re-equipment is not always being done in the right way. But the technician's view is difficult to resist: that, by a reflex which is familiar in other industries, the installation of machinery is being offset by an automatic slackening of effort. If this is so, it argues that the maladjustment between management and labour which existed under private enterprise has survived uncorrected under public control. Its consequences under private enterprise were clearly described in 1945 in the Reid report:—

In Britain, after the stoppage of 1926, the mineworkers were generally in no mood for willing co-operation with the employers. They mostly refused to recognise that their wages, in the long run, must depend upon the progressive efficiency of the industry. Mechanisation, though seldom encountering active resistance, was not generally received by the men with enthusiasm, no doubt in the fear that more machines meant fewer men at a time when unemployment was widespread; and, where machinery was installed, its potential savings seem largely to have been dissipated by a quiet but effective determination that the number of men discharged should be kept

as low as possible. This must have been a contributory cause of the overstaffing of many of the operations at or about the coalface. In addition to this, they have steadfastly required the observance of old customs and traditions which are inappropriate to the conditions of mechanised mining, and thus have put a brake upon the modernisation of the industry. This attitude has not been generally favourable to the attainment of high productivity with the smallest labour force necessary to provide the country with the coal it required; and heavy unemployment among coalminers, and the lack of alternative work in the years between the Wars, goes some way to explain it.

The Reid report pointed out that certain districts were notable exceptions to this rule. In those districts

it is clear that there has been a definite disposition on the part of the men to co-operate, and their leaders have encouraged them to produce the limit. It can be said without any hesitation that if the same co-operation and effort had been forthcoming throughout the industry, output per man shift in 1939 would have been considerably higher than it was, notwithstanding the technical deficiencies which we have described.

How often has the argument been heard that the state of mind described in the Reid report arose from the natural dis-

KEY FACTS ABOUT BRITISH COAL MINING

	1936	1938	1945	Jan., 1947	Jan., 1948	Weeks Ending		
						Apr. 3, 1948	Apr. 10, 1948	Apr. 17, 1948
At Coalface ..	3.06	3.00	2.70	2.81	2.88	2.84	2.90	...
Overall	1.18	1.14	1.00	1.06	1.10	1.05	1.10	...
Deep mined ..	4,369	4,353	...	...	...	...	...	...
Deepmined & Opencast ..	...	...	3,506	3,707	4,110	2,995	4,264	4,223
Av. numbers.	725,000	781,700	708,900	695,142	713,462	723,200	723,300	...
Per cent.	6.29	7.08	16.31	16.69	11.34	12.08	10.61	...

	1938	1945	1946	1947	1st Qtr., 1948
Tons	943,100	956,600	769,800	1,655,100	313,930
Coal cutters	...	1,104	1,952	2,886	3,086
Power loaders	...	180	283	273	300
Conveyors	...	2,736	4,756	7,246	7,846

trust of labour for capital: remove capitalism, and the sickness would be cured? Yet the conclusions drawn from prewar experience of mechanisation in the coal industry seem to be scarcely less applicable in 1948. The gist of Sir Charles Reid's speech in Edinburgh was that the "quiet but effective determination" and the steadfast observance of old customs still persist. There were still, he said, too many instances today of three men doing two men's jobs. To make the reconstruction programme in the mines pay, an output of about 4 tons per man-shift at the face would be needed. In 1938, output per man-shift at the face was 2.9 tons; today it was only 2.85 tons—



AT THE FRIENDLY INN

Specially drawn for The Brewers' Society by Henry Rushbury R.A.

despite an increase in coal mechanically cut from 58 per cent of the total output in 1938 to 74 per cent today (and an increase of the same order in mechanical conveying). As for disputes, it had been hoped that under nationalisation there would be improvement, but experience in 1947 and 1948 showed that there was none. More tonnage was lost through disputes in 1947, even excluding the Grimethorpe stoppage, than in 1938.

There is still room for further examination before a final diagnosis is made. Such an examination is urgent, and the impulse to keep unpleasant issues in the background does not justify the shirking of it. Losses of coal through the Grimethorpe dispute were excluded by Sir Charles Reid from his sobering analysis. But what of the issue on which the Grimethorpe dispute was fought? What has happened to the reassessment of tasks in the mines which was to have accompanied the five-day week? The procedure was to be that mine managers would go through the pits with the men's committees, reviewing the work, taking note of the changed technical conditions of modern mining, and determining by agreement a fair day's work for each man. What has happened to it? It was a part of the agreement for the five-day week. It is no less essential in the mines than in other industries where technical improvement is stultified by out-of-date price lists and restrictive practices. Yet report has it that the reassessment of tasks has made little or no progress.

That is one subject for examination. Another that cannot be avoided is the reconstruction of the mines themselves. The Coal Board has appointed Mr E. H. Browne to take charge of reconstruction and planning; it would be useful to bring long-term reconstruction into clearer relationship with the

current programme of mechanisation in the mines. There may, after all, be some force in the contention that part of the present re-equipment is wasted, or at least is not yet fully productive, because improvements in lay-out in the mines have still to be put off. A third question that is becoming urgent is the place of mine management in the Coal Board's organisation. Resignations that have recently taken place are the more disquieting because so often it has been the best men who have resigned. It seems to be not the conservative and cautious technician, but the imaginative and progressive, who finds the greatest difficulty in working effectively under the new order. Why is this? The answer usually given is that the structure of the Coal Board splits up responsibility among separate functions and avoids placing it fully at any point in any one pair of hands. The executive, consequently, does not feel himself to be fully in charge of his job, and the influences which deter him from initiative become too strong. Can this be prevented without too great a weakening of central control?

The trend of affairs in the industry is such that answers must be sought to these questions. Resources of labour, of money, and of equipment are being poured in for what, so far, seems an inadequate return. Management under nationalisation still has to solve the problem of the psychological relationship between management and labour. It has still to determine in practice whether the industry is run for the public benefit or for the benefit of the persons engaged in the industry. It has still to find for itself an administrative structure that does not disperse responsibility and muffle initiative. It has still to discover the loyalties that are to hold it together and the human motive forces that must keep it alive.

The London Bullion Market—II

Silver Trading under Difficulties

THE first of these two articles examined what was left of the London market's trade in gold bullion. Changes in silver dealings during and since the war have been no less important. The London silver market now falls into four distinct categories. The first deals with silver for essential domestic industrial users. There is also a free internal silver market. Then there is the market in what is called "pound exportable" silver, which is silver purchased in the sterling area and exportable under licence. Finally there is the most interesting but least definable section of the market, which deals in silver bought in one non-sterling country and sold to another.

Silver required for essential industrial uses in this country is now made available by the Bank of England through the recognised authorised dealers in London. It is sold at the official price which is fixed each day but which, since November 6th last year, has held rigidly at 45d. per fine ounce. This is at parity with the New York price which for some time past has been steady at 74½ cents. There was a period during 1947 when responsibility for buying and supplying silver for essential industrial users was placed on authorised dealers in the bullion market. The Bank of England withdrew from the market in February, 1947, and announced that silver for essential purposes could be acquired from the cheapest sources, irrespective of what currency had to be paid for it. Most of the silver thus purchased was dollar silver, licences for which continued to be granted long after the suspension of convertibility of sterling. It was only last December that the market was officially informed that dollars would no longer be provided to buy silver. Thereafter, the earlier practice was restored. Supplies of silver to satisfy these requirements were by then being fed by the gradual withdrawal of silver coins from circulation. Last

year essential industrial users absorbed about 12½ million ounces, and turnover continues to run at about 1,000,000 ounces a month.

The free internal silver market is of much smaller proportions. It is fed partly by jewellers' scrap which has been refined and from holdings of bar silver which sometimes find their way to the market. The silver is sold to jewellers and manufacturers who do not rank as "essential" and therefore do not qualify for the silver provided by the Bank of England. The current price for this free internal silver is 51d. to 53d. per fine ounce. The market is small, with a turnover of a few thousand ounces a week. Demand comes partly from hoarding—a more intelligent form of it than the collection of silver coins which has become such an engrossing pastime in certain sections of the agricultural community.

The two other sections of the market deal with entrepôt trade. This trade falls into two categories—silver bought in sterling countries and the rest. The "pound exportable" silver can be bought without any specific permission from the authorities, though the formalities of obtaining an import licence have to be completed in due course. This silver is largely of Australian origin and is re-exported—under licence of course—mainly to other sterling and soft currency countries. Export licences for such silver are granted with considerable freedom, and the countries to which it has been destined have included even France. Last year, imports of silver from Australia amounted to nearly 3,000,000 ounces. The price for "pound exportable silver" at present ranges between 52d. and 54d. per fine ounce.

By far the most interesting and intriguing section of the market is the residue composed of a heterogeneous collection

of import-export deals for each of which special permission has to be obtained from the Bank of England and for which no clear definition can be given and no range of prices quoted. This market is hemmed in by the restrictions on imports and exports that arise from the peculiar shape of the British balance of payments problem. Every transaction in this part of the market is a law unto itself. It must be sought, pursued and completed in isolation and without reference to any published book of rules or even to precedents suggested by similar transactions completed in the past.

During some periods last year, this section of the market acquired the semblance of a genuine free market and it handled a considerable volume of business. This was so during the period when sterling was effectively convertible, though the bulk of the turnover in this period was concentrated in the first three months of the year when India was still granting import licences for private purchases of silver. The Government of India suspended the issue of import licences in March and this removed from the market the most persistent, and certainly the most important, source of demand. For the whole of 1947, exports of silver from this country to India amounted to nearly 26 million ounces, while the greatest source of imports of silver into Britain was the United States which shipped 21.4 million ounces. This traffic in silver epitomised all the pressures to which the gold reserve was subjected during this short period of convertibility, involving as it did heavy dollar expenditure and, on the other side, heavy unrequited exports to sterling countries.

The turnover in this market for exportable silver, though drastically cut in the first instance by the Indian Government's decision to suspend import licences and later by the suspension of convertibility of sterling and the general tightening up of import and export licensing for silver, is nevertheless being maintained at a reasonable level. But business now depends upon finding silver and selling it to a country with a currency of somewhat harder quality than that of the country from which it was purchased. The list of countries ranged in order of hardness of their currencies is reputedly kept by the Bank of England. It is kept a closely guarded secret, but many attempts are made to reconstruct it by the market, where it is irreverently referred to as the "league table."

Unquestionably at the head of the table, leading by as many points as the Arsenal, is the United States. Equally unquestionably at the bottom, and in evident danger of relegation, is France. But between these two extremes, which are too obvious to allow of any doubt, there is enormous scope for guessing. Is Russia harder than Persia, Belgium than Switzerland, Holland than Norway? The authorities know, or at least they think they know, and arrange the order accordingly. The market's best problem is to find out what the order may be, and, on the basis of that calculation or guesswork, to seek operations

involving purchases of silver from countries standing lower in the table than the countries to which the silver is sold. The Bank of England will sanction licences for operations of this character. To take an extreme example, it would obviously sanction the purchase of silver from France and its export to the United States. But the more usual propositions that reach the Bank are far more subtle than this. Last year the United Kingdom imported silver from such non-dollar and non-sterling countries as Soviet Russia, Belgium, Peru, France and Yugoslavia, and exported silver to Switzerland, Turkey, Egypt, the Netherlands, Norway and Sweden. Much of the business was arranged in accordance with the league table procedure.

One difficulty about transacting this type of business is that each operation tends to consume a great deal of time and that while it is being arranged the order in the table may change. A dealer may, for example, discover that he can buy silver in country X and find a buyer at the right price in country Y. He would approach the Bank of England, which, on consulting the table, will give its general approval of the operation. It then behoves the seller in country X to get an export licence, the buyer here to obtain an import licence before proceeding to clinch the deal and get an export licence from Britain to country Y. By the time the first two steps have been completed, however, country X may have climbed above Y in the league table and the Bank of England may no longer be willing to grant the necessary export licence. The time element, which can be very considerable, and the unstable nature of the positions in the league table, make this type of silver business unusually difficult to transact. It says much for the ingenuity and pertinacity of the London market that a good many deals still find their way around the obstacles.

Finally, mention should be made of the Treasury scheme by which silver is provided for export in wholly or semi-manufactured form. This scheme corresponds closely to the gold export float scheme described in the first of these two articles. The Treasury provided a revolving fund of silver for this scheme through the Bank of England. On evidence of export the silver is replaced with a small bonus and the amount in the float is thus rising steadily. This silver is made available at the official price. The manufactured silver, sheet and wire exported under this scheme require a licence from the authorities, and it may be assumed that in granting a licence the fullest possible information about price and costs is given to the Bank of England. As in the case of the gold export float scheme, the authorities encourage the exporters to exact as high a price as possible in the markets in which they are selling. The amount of silver turned over under the scheme last year was about 4,000,000 ounces. The value of this business in maintaining valuable contacts and connections is far greater than mere turnover figures would indicate.

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Business Notes

Marshall Aid and Inflation

In most City discussions on the problem of inflation the focus has shifted this week from the Budget to Marshall aid. Uncertainties about the volume and nature of the aid which Britain can expect are bound to remain for many months, but there is one source of confusion which can and should be cleared up forthwith. Most of those in the City who have considered the problem at all seem to assume that aid secured under the Marshall Plan would inject an entirely new factor into the inflation equation as it presents itself at the moment. The popular argument takes one of two forms. First it is contended that the Government, by reselling Marshall goods to people in Britain, will secure a sterling income which will reinforce its budget surplus and thus make an additional contribution to the mopping up of the excess flow of public spending power. Hence it is suggested that, if the budget surplus was, as the Chancellor claimed, sufficient in itself to stop inflation, the total surplus, including the sterling receipts from Marshall goods, will be more than is required. To that extent, it is argued, there would be an actual deflation. An alternative version of the same line of reasoning concentrates upon the fact that part, at least, of the sterling receipts from Marshall aid must be segregated in a special fund in conformity with the Foreign Assistance Act. This segregation, so it is said, would not only exert a deflationary effect, but would also provide new resources which either directly or indirectly, would give support to the gilt-edged market.

In principle, both lines of argument are fallacious. Any external means of relieving the pressure of inflation at home comes from the net import surplus as such and does not in the least depend upon the manner in which the imports are provided or financed. Marshall aid will certainly act in an anti-inflationary way, but not by reason of the fact that the goods are received by way of gifts or loans instead of being paid for in gold. The amount of the relief, in an anti-inflationary sense, will depend simply upon the extent to which Marshall aid enables Britain to raise the import surplus beyond the level at which it would have stood without such aid. But, despite Marshall aid, the prospective import surplus is scheduled to be reduced far below its present level. In other words, the external factor, so far from exerting a deflationary effect, will in fact work in an inflationary direction over the whole period in which Britain's balance of payments is being restored to equilibrium.

* * *

No Help for Gilt-edged

The effects upon the central Exchequer will be similar. The Government will indeed get a sterling income by selling Marshall goods, but this income will be less than that recently secured by selling goods paid for in gold or by drafts on the dollar credits. Thanks to the Chancellor's courage in keeping his large surplus intact, the central Exchequer should this year have a margin of funds available for debt redemption; the employment of this sum should help to relieve the pressures on the gilt-edged market. But the margin available for this purpose will not be increased by the fact that Marshall aid is available because, even with that aid, the flow of funds to the Exchequer from the reselling of goods will be much less than it was last year.

Nor will these basic principles be altered by the device of "segregation" of the sterling proceeds of Marshall goods. Even this procedure will not provide any extraneous benefit for the gilt-edged market. If there were no segregation the Treasury might use its margin to repay floating indebtedness to the banking system rather than to give direct support to the gilt-edged market. On the other hand, if the ECA Administrator insisted that the segregated funds had to be kept in long-term British Government securities, some of these might be acquired by direct purchases from the market. In that event, the debt redemption made possible by the Exchequer surplus would in fact take place by repurchases of long-term securities from the market, instead of by redemption of floating debt. It should be borne in mind, however, that even if the Administrator insisted on so rigid a provision as this, the requirement could equally be satisfied by mere transfer of long-term securities from existing internal holdings of Government departments.

Finally, any such operations as these cannot be considered in isolation from the Government's gilt-edged policy as a whole. The principle of segregation was devised in the hope that it would

serve as a means of ensuring that the recipients of Marshall aid were not dissipating it by following simultaneously a reckless budgetary and monetary policy. After Sir Stafford's latest Budget, Britain's policy emphatically does not fall into this category. If, therefore, unduly rigid rules laid down by the Administrator seemed likely to have the effect of interfering with the monetary policy which seemed to the British authorities to be right on general grounds, they could—and surely would—take steps to prevent whatever disturbance was threatened. For instance—to take a purely hypothetical example—if the Administrator insisted upon specific re-investment of Marshall proceeds by direct purchase in the market, the authorities could neutralise the market effects by simultaneous sales from departmental holdings.

* * *

How Will Economic Co-operation Work?

The first annual appropriation proposed by the European Co-operation Administration was published in Washington last Tuesday. Mr Paul G. Hoffman has asked for £1,325 million (\$5,300 million), which will include £239 million for grain, £128 million for cotton, £95 million for petroleum and £28 million for tobacco. Britain is to receive the largest allocation, amounting to £331 million. The main items include £42½ million for grain, £17½ million for dairy produce (mainly cheese), £15½ million for meat, £12 million for sugar, £11½ million for tobacco, £41½ million for cotton, £29½ million for petroleum products, £21 million for non-ferrous metals and £16 million for timber. It is uncertain whether expenditure on any particular commodity will necessarily be kept within the strict limit of the first allocation which has been published for it. The items do not represent additional supplies for this country; they will merely help Britain to secure its curtailed import programme without involving so heavy a drain on its gold and dollar reserves.

There are many points which have yet to be decided about the detailed administration of American Aid. There is, for instance, still no official ruling about "off-shore purchases"—that is, purchases made from countries other than the United States from dollars provided by the ECA. But the mention of a figure as high as £42 million for grain suggests that at least part of this sum may be made available to pay for supplies of wheat to Britain under the Canadian contract. The State Department announced last January that under the programme of aid for the first 15 months, the United States would supply Britain with only 300,000 tons of grain, and at top prices the cost of this quantity would be under £9,000,000. Canadian wheat at present costs Britain about £60 million a year—a figure which will rise to £80 million when higher prices come into effect this summer. At a guess, some £34 million of the cost of Canadian grain might be met by Marshall dollars. This off-shore purchase—if indeed it is finally approved—would provide a useful relief to Britain's visible trade deficit with Canada. But since this was running during January and February at an annual rate of £150 million, it is obvious that American Aid will not relieve this country from its major task of greatly increasing its exports to Canada.

The technique of procurement of supplies under ERP is another difficult and undecided question. There are two alternatives. It may be that the Economic Co-operation Administration would buy supplies at controlled prices and resell them to the recipient countries. Or the sixteen beneficiaries might be asked to buy their supplies directly in the American markets. If so, what effect would their uncoordinated purchases have in forcing American prices upwards? There is also the problem of Argentina. Britain has no contract with that country for the supply of wheat, though it would be a buyer at reasonable prices if it had dollars. But will Britain have a free hand in deciding what to buy and at what price, footing the bill with Marshall dollars? Or will the United States prefer to draw up contracts with countries such as Argentina on its own terms and allocate the supplies to recipient countries? As a matter of general principle, Britain would doubtless prefer to retain freedom of commercial contact with outside countries and that the American Government should procure supplies within its own borders. This is perhaps the most difficult open question about the programme.

The question of allocation of supplies among the recipient countries must also be decided. Where they are purchasing the same commodities, will they have to compete openly with one

another? A centralised buying organisation would avoid many difficulties which would arise in such circumstances. But who is to be responsible for such an organisation? Would it follow the principles of the combined boards that operated during the war? And, again, would it be centred in Washington or Paris? These are thorny problems which will need most careful consideration. But unless the administration of the Marshall Plan avoids an undue rise in prices, the programme of aid to Europe will run the danger of degenerating into a repeat performance of Britain's experience with the American loan.

* * *

The Fund and Marshall Aid

The International Monetary Fund announced this week that it would suspend sales of dollars to nations participating in the Economic Co-operation Programme, save in exceptional or unforeseen circumstances. The official communique making this somewhat surprising announcement recognises that there would be objections to drawing up rigid rules on this subject, but for the coming year, that is for the first year of ECA, the general principle to be followed is that members of the Fund participating in ECA shall look to the Economic Co-operation Administration for their essential supply of dollars and that only in quite exceptional circumstances should they be allowed to purchase dollars from the IMF. The argument on which this decision is based is that the Fund and the members participating in ECA should have as their objective the maintenance of the resources of the Fund at a safe and reasonable level during the period of ECA in order that at the end of that period such members may have unencumbered access to those resources. As further support for its decision, the Fund quotes Article 14 of its charter which states that during the transitional period members should not impair the capacity of the Fund to assist its members or impair their ability to secure help from the Fund after the transitional period.

The decision of the International Monetary Fund is based on the assumption that the reasonable dollar needs of the recipient Marshall nations will be duly looked after during the ECA programme. If that assumption is valid the decision of the IMF should give little cause for complaint. But it is prejudging the policy of the Economic Co-operation Administration to assume that this will in fact be the case. Consequently, the edict issued this week by the IMF may in effect prove to be a serious handicap to the consideration of genuine requests for assistance. An unpublishable decision by the Board of Executive Directors to tighten up the "means test" for applicants from the Fund would have achieved as much as the new decision.

This issue has again emphasised the cleavage between those members of the Fund who regard their access to its facilities as a matter of unquestioned right, and those who place the emphasis on qualitative tests regarding both the economic situation of the applicant and the uses to which he wishes to put the exchange he is purchasing from the Fund. There is little doubt about the side on which Britain stands in this debate. The list of countries which have used the Fund's facilities provides the answer.

* * *

Price Control Concessions

The changes announced by Mr Harold Wilson last week in the impending extensions of price control should avoid the worst difficulties that manufacturers and traders would have suffered from the formula first proposed; inevitably, this improvement has involved some retreat by the Board from its original objective. It will be recalled that, as part of the scheme for stabilisation of personal incomes and prices, the Board planned a tighter system of price control for those categories of goods which had been only loosely controlled in the past. The Orders made for this purpose were originally to take effect on March 15th; after pressure from trade interests, the date was postponed until April 26th; now the whole batch of Orders is to be scrapped and replaced by new ones which will operate from May 3.

The main difficulty, as a Note in *The Economist* of March 27th showed, related to what are known as "dissimilar" goods—that is, goods which could not be controlled by a "freezing" of prices at levels ruling in the base period because they were not in fact being produced or sold then by the individual manufacturer or trader concerned. Failure to control such goods, as the Board recognised, would have made nonsense of the whole plan, and nicely discriminating control was administratively impracticable, the Board chose a rough and ready method. Maximum prices of "dissimilar" goods were to be, for any particular manu-

facturer, the cost of the constituent raw material plus a prescribed margin. Such a system was bound either to hold most manufacturers in too tight a clamp or to leave many of them with such room for manoeuvre as to defeat the object of the whole policy. The Board preferred the first of these evils—apparently without realising that the new system, if not evaded, would virtually stop manufacturers from making any effort to improve the types and varieties of their products.

The new formula for dissimilar products should not have this effect, for the maximum price is now to be the total cost of production plus 5 per cent—except, of course, for the exclusion of any costs attributable to increases in wages not sanctioned by the principles of the Personal Incomes White Paper. For most of the trades concerned, a margin of 5 per cent on turnover is probably not unreasonable, but the Government is prepared to consider applications for an increase wherever it can be shown to be unduly low. In short, these changes provide no solution for the fundamental dilemma of price control. An excessively rigid system has been made more flexible, but only at the cost of making the control itself less effective. That is bad from the Board's point of view, but what is worse is that the retreat carries the formula back to the worst principles of cost-plus, and thus gives manufacturers and traders a positive incentive to inflate any or all of their costs.

Other changes in the pattern of the original Orders also seek increased flexibility and will remove a number of anomalies. In particular, the standard base period is to be varied to meet the special case of seasonal trades, and in certain other cases the price in the base period will be increased by a prescribed margin to allow for recent increases in the prices of certain raw materials, including leather (in consequence of the withdrawal of the subsidy), cotton and cloth. Apart from these special cases, the maximum price, for any particular manufacturer, of goods other than "dissimilar" goods will be the lowest price which he was charging for the same article during the first two months of this year. It should be emphasised that these provisions apply only to the particular categories of goods—mainly non-essential or unstandardised articles—prescribed in the Orders. Most other goods, especially in the utility ranges, are controlled by specific and more complicated formulæ which are not affected (except for the new rule about treatment of wages) by the new measures.

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Other straws in the wind of monetary reform are the announcements that foreign banks may again operate in Germany, and that for the time being the mark will be given a new conversion rate (it is not to be regarded as an exchange rate) of 30 US cents, or 1s. 6d. The announcement about the reopening of branches of foreign banks in Germany is not expected to lead to any rush on the part of British institutions. Barclays DC & O have a building in Hamburg and one or two of the British overseas banks have in the past had direct representation in Germany. It will be some time before these offices are in active operation again. The American banks are expected to show rather more active initiative in this respect and the Chase National Bank has already opened branches in Frankfurt and Stuttgart. One of the problems that will have to be solved before foreign banking can again be freely transacted by and with Germany is that of the old standstill debts. As matters stand, the creditors could attach assets normally accruing to German banks in the course of their business, and this possibility will have to be obviated by an agreed deferment of the whole standstill liability if German foreign banking is to be allowed to revive.

A certain amount of unwanted capital is evidently flowing to Australia from other parts of the sterling area. Mr Chifley has remonstrated publicly and threatened to take defensive measures. This does not mean that another nail has been driven in the coffin of the sterling area. As yet no action has been taken by Australian banks to control or restrict the movement of funds from Britain to Australia. But when would-be transferors appear they are sometimes reminded that under the Australian currency regulations they may be prevented from reversing the operation and from repatriating their capital if ever they wish to do so. The restrictions on capital movements from Australia date from the crisis of the early 'thirties and have never been annulled, though they are seldom used. The demand for Australian currency has been stimulated in recent months by rumours of a revaluation of the Australian pound in terms of sterling. The rumours have little substance behind them. Even if sterling were devalued in terms of gold and dollars it is a moot point whether any advantage would accrue to Australia if it were to take the opportunity to reduce the present 20 per cent discount on the Australian pound.

When the White Paper on Capital Investment was published the expansion programme of the iron and steel industry was still under review; the Government contented itself with the general remark that the programme—"is vital to our recovery." Mr Strauss circulated in answer to a question in the Commons on Monday a list of major schemes which have now been finally approved. It reveals that the review has not greatly affected the major parts of the scheme, which are now making good headway. The list contains 19 major schemes, beginning with

The committee which was appointed only six weeks ago to examine the question of German steel scrap supplies, has already submitted a preliminary report, and Mr. Strauss informed the Commons on Monday that "measures are being taken to provide additional facilities for obtaining scrap from Germany." He explained that this meant the provision of more tractors and cranes for handling scrap, which, so far as it goes, will be welcome. But it does not solve the problem of inducing Germans to part with commercial scrap which they do not want to sell. This central problem has still to be dealt with, and it is presumably hard for the committee to tackle it until currency reform is settled.

Progress towards the end-of-year targets, calculated in terms of values, is shown in the accompanying table. The figures are all monthly rates at current values, except for the revised targets which are expressed in end-1948 prices, computed on the Board of Trade's assumption that export prices will rise by 5 per cent during the course of this year; some allowance for this assumption should be made in any comparison between actual exports and the target figures. The weak spots in the export drive can be seen at a glance: they are coal, cotton manufactures, wool manufactures and clothing. Rayon and silk and chemicals are among the industries of which more is expected. Of the main

Despite this great effort in the expansion of exports, the visible adverse balance of trade during March rose to £51 million—the highest since September last year. This was caused by an increase in the value of imports to £178 million last month—a record except for July last year and January, 1920. The increase in imports arose from larger arrivals of grain and dairy produce, and of wool, oil-seeds and oil among the raw materials. To some extent, these increases are seasonal but it is patent that Britain is still importing at a far higher rate than was assumed in the Economic Survey, and, moreover, the full strain of higher prices for the 1948 food contracts has yet to be felt. The visible adverse balance for the first quarter of the year was £119 million, compared with £96 million in the same period of 1947.

Restrictions on the import of motor-cars have become so widespread in Europe (though by no means only in Europe) that exporters are being driven into keener competition for the limited markets still open. The competitive strength of the French car industry is therefore of increasing interest to British motor manufacturers. The accompanying table (reproduced from a recent Progress Report of the Society of Motor Manufacturers and Traders) shows that both industries are pushing sales intensively in a few of the smaller countries. Two of these surviving European markets, Belgium and Switzerland, are neighbours and old customers of France, and here the French have succeeded in holding their trading position.

They have done so in the teeth of great production difficulties and, until lately, of an adverse currency situation. The devaluation of the franc has changed the currency situation, at least for a short period, in favour of the French exporter; immediately it should have enabled him to reduce prices by 62 per cent in the dollar area and by 44 per cent in countries to which the "free" rate does not apply. Other factors will intervene, no doubt; certain components depend on imported supplies which

But there is a limit to the extent to which the French exporters can use their new advantage; the inability of their motor industry to produce in quantity sets the limit for the present. The French industry was making about 6,500 vehicles a month between August and October last year—about a quarter of the British production, and only a third of the French production in 1938; and there was a decline towards the end of the year owing to the strikes. French exports have lately been about 4,500 cars a month, an impressive proportion of total output, but not a large enough quantity to maintain the status of a major world exporter. French producers complain of the same handicaps as British, but in intensified forms: shortage of materials and components, Government control of materials, of output, of exports, and even of design. In design too they are under the same disability as many British manufacturers, owing to the technical difficulty, if not impossibility, of retooling on the scale necessary to produce new models in quantity. In general (and with such notable exceptions as the 760-cc. four cylinder rear-engined Renault) they are turning out much the same cars as before the war: for the most part, light cars with cheap running and low fuel consumption as their first recommendations. Of some of their new models a good deal has been heard, and French ingenuity in the light car field is impressive; but these are not yet in production on a commercial scale. It may not be long before they are. The SMMT report observes that it is probable that “an impetus will be given to French car exports, at least for a period,” and “British manufacturers will be inclined to keep a wary eye upon the figures.”

World cotton markets seem determined to give the Raw Cotton Commission little respite. The Alexandria market twelve days ago received a rude shock when the Egyptian Government re-imposed the export tax on cotton. It had been in abeyance for two years and although its re-introduction had been rumoured for some time, it was generally expected to be at the old rate of about $\frac{1}{4}$ d. a lb. The new tax, however, turns out to be $2\frac{1}{4}$ d. a lb. and it has been brought into immediate effect. The first reaction was a sharp fall in spot prices for all varieties by more than 2d. a lb., but later the market became firm and this week Karnak, which stood at 58d. a lb. on April 12th, was quoted at 61d. Nevertheless, exporters who contracted for sales prior to the re-imposition of the tax have been badly hit.

A week ago, cotton prices in New York rose sharply from 37.93 cents a lb. (22.6d.) to 38.67 cents (23.15d.) This rise was attributed to speculative buying in anticipation of Marshall aid. By the end of the week, however, reports suggested that the first Marshall shipments would consist entirely of foodstuffs and

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consequently cotton reacted to 38.12 cents a lb. (22.7d.). In the past few days the market has again been firm, aided no doubt by the publication of the first year's appropriation under the European Recovery Programme, and by Wednesday the New York spot price stood at 39.63 cents a lb. (23.6d.). Some £128 million of Marshall aid is to cover cotton purchases for all recipients, of which the United Kingdom may receive £41½ million.

These price movements may not affect British cotton prices immediately, though sooner or later the Raw Cotton Commission's prices will be adjusted to world levels. The Commission has recently concluded a bulk contract with the Sudan Government for 200,000 bales of cotton at the cost of £10 million. This quantity is all but 25,000 bales of the estimated output for 1947-48, and the average price works out at about 36d. a lb. Although the price is double last season's, it is still below Alexandrian quotations for similar types and this purchase will help to reduce British imports from Egypt. The British price for American cotton has been below replacement cost for some time and if the New York market continues to rise, prices to British spinners may have to be increased.

* * *

Redistribution of Labour

A review of the operation of the Control of Engagements Order, after five months, suggests that the Ministry of Labour is meeting with some degree of success in its measures to correct the maldistribution of labour. Employment exchanges are now placing nearly twice as many workers as they did before the Order came into force. The February and March figures of 375,000 workers placed in February and 368,000 in March compare with an average of 203,000 in the three months before October. It is true that the proportion of these men and women who were placed in "first preference" manufacturing industries is still very small. It was 46,000 in February and 45,000 in March—only about 12 per cent of total placings. On the other hand, the net increase in employment in these industries in February was 0.5 per cent, compared with 0.1 per cent for other manufacturing industries, and they actually gained 3,000 women, whereas other manufacturing industries lost over 7,000 during February. The three main "target" industries named in the Economic Survey all increased their manpower. Agriculture gained 5,000, coal mining 2,000, and textiles, where the need is greatest, showed an increase of 4,500, including 2,400 in cotton. A fall in the building labour force is, at last, recorded and the manpower engaged in distribution slightly decreased.

The process of redistribution seems irritatingly slow, but it is difficult to see by what means it could be accelerated. Without the Control of Engagements Order, there can be no doubt that the undermanned industries would have gone on losing labour.

The most obvious alternative—large-scale direction—would have been politically and administratively impracticable: only one man was directed under the Minister's new powers during February, bringing the total number of directions up to 17. The limits to redistribution of labour are set, not only by the Ministry of Labour's restricted powers and by trade union attitudes, but also by purely physical factors, such as the shortage of housing in particular areas and the lack of facilities for the employment of women.

Indeed, perhaps the most disturbing feature of what is otherwise a fairly encouraging report is the decline in the number of women in industry. Whereas 29,000 more men were added to the numbers in civil employment in February, the number of women fell by 2,000. It seems likely that men will be increasingly employed on women's jobs, unless the defects can be made good by an increase in the foreign labour force. In February, 14,000 more foreigners (Poles, EVWs and ex-prisoners of war) were recruited, compared with 12,000 in January. This is encouraging, but it will only be effective if the foreign workers can be trained and placed in productive employment with the utmost speed.

* * *

International Shipping Conventions

Shipowners have greeted the formation of the Inter-Governmental Maritime Consultative Organisation (IMCO) in a somewhat resigned manner. Sir George Christopher, speaking as president of the Chamber of Shipping of the United Kingdom, recently declared that shipowners, both British and foreign, would have preferred not to have had such an international organisation imposed on them at all. The IMCO Convention, which 21 Governments signed at Geneva in March (but which still needs ratification) still contained certain dangers, in Sir George's opinion, even after allowing for the safeguards which had been inserted. This may sound like a parochial viewpoint, but the industry is entitled to its opinion. IMCO, a specialised agency of Unesco, is to have its headquarters in London. Its main objects are to provide machinery for technical co-operation among Governments with regard to shipping engaged in international trade, and to encourage the removal of discriminatory action and unnecessary restrictions by Governments and private shipping concerns. It is known that the International Chamber of Shipping (the former International Shipping Conference) would have liked more direct representation as a safeguard against elaborate or unpractical shipping requirements which might upset the economics of the industry. But the Chamber has perforce to be content with indirect representation through its membership of the International Chamber of Commerce, which is recognised by Unesco as a consultative body.

(Continued on page 688)

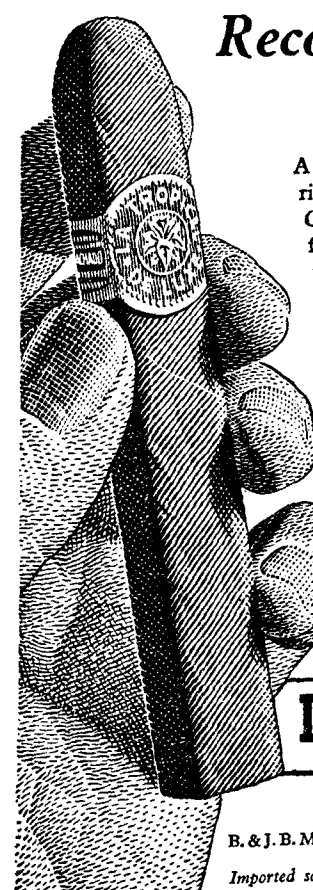
SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: *Stewarts and Lloyds*; *Hadfields*; *J. and P. Coats*; *British Oxygen*; *Crosses and Heaton*; *Monsanto Chemicals*.

Prices, Year 1948 (Jan. to April 21)		Name of Security	Price, April 14, 1948	Price, April 21, 1948	Net Yield, April 21, 1948 (n)	Gross Yield, April 21, 1948	Prices, Year 1948 (Jan. to April 14)			Last Two Dividends (a) (b) (c)	Name of Security	Price, April 14, 1948	Price, April 21, 1948	Yield, April 21 1948
High	Low						High	Low	(a) (b) (c)					
British Funds														
101½	101	War Bonds 2½% August 1, 1949-51	101½	101½	2 11	1 9 2c	104½	101½	%	%	Other Securities	£	s.	d.
101	100½	Exchequer Bonds 1½% Feb. 15, 1950	100½	100½	0 8 7	1 5 11	104½	101½	(d)	(d)	Australia 3½% 1955-59	91½	91½	3 1 0½
102½	100½	War Bonds 2½% March 1, 1951-53	101½	101½	0 15 3	1 18 7c	94½	91½	(d)	(d)	Birmingham 2½% 1966-71	101½	101½	3 2 3½
101½	100	War Bonds 2½% March 1, 1952-54	101½	101½	1 0 7	2 3 9c	101½	99	(d)	(d)	Argentine 3½%	81	81	3 9 0
104½	102½	War Loan 3½% (after Dec. 1, 1952)	103½	103½	1 7 7	3 1 6	81	7½	50 c	50 c	Anglo-American Corp. 10s.	8½	8½	3 4 2
101½	99½	War Bonds 2½% Aug. 15, 1954-56	101½	101½	1 3 10	2 6 11c	10½	7½	5 a	25 b	Anglo-Iranian Oil £1	71½	73½	3 10 7
103½	100	Funding 2½% June 15, 1952-57	102½	102½	1 5 8	2 11 3c	76½	62½	45 c	115 c	Assoc. Port. Cem. Ord. Stk. £1	71½	73½	4 1 8c
104½	100½	National Def. 3½% July 15, 1954-58	103½	104	1 5 7	2 12 10c	38½	29½	40 c	415 c	Austin Motor 'A' Ord. Stk. 5s.	34½	34½	5 16 4
104½	101½	War Loan 3½% Oct. 15, 1955-59	103½	104	1 5 11	2 13 6c	84½	72½	7 c	7 c	Barclays Bank Ord. 'B' £1	77½	78½	3 11 0
102½	100	Savings Bonds 3½% Aug. 15, 1955-66	101½	101½	1 11 9	2 19 0c	108	94½	15 a	120 b	Bass Rateliff Ord. £1	9½	9½	2 14 1
99½	96½	Funding 2½% April 15, 1956-61	98½	98½	1 9 8	2 12 5c	104½	8½	39 c	9½	British Oxygen Ord. £1	98½	98½	4 0 0
102½	98½	Funding 3½% April 15, 1959-69	98½	99½	1 13 6	3 0 7c	46½	39½	9½	9½	Courtaulds Ord. £1	40½	40½	3 15 1
114½	110½	Funding 4½% May 1, 1960-90	110½	111½	1 3 9	2 17 6c	32½	25½	25 c	25 c	Distillers Co. Ord. 4½	27½	27½	3 14 1
102½	97½	Savings Bonds 3½% Sept. 1, 1960-70	98½	98½	1 14 1	3 1 6c	21½	27½	8 c	8 c	Dorman Long Ord. £1	31½	31½	5 2 2
96	92½	Savings Bonds 2½% May 1, 1964-67	92½	93½	1 15 4	2 18 7c	79½	68½	12 c	15 c	Dunlop Rubber Ord. £1	72½	73½	4 2 2
112½	96½	Victory Bonds 4½% Sept. 1, 1920-76	111½	111½	1 6 0	2 19 4c	53½	44½	3 c	7 b	Imp. Chem. Ind. Ord. Stk. £1	48½	48½	4 1 8
101½	96½	Savings Bonds 3½% Aug. 15, 1965-75	99½	99½	1 15 0	3 2 8c	6½	5	15½	15½	Imperial Tobacco, £1	5½	5½	5 14 9
110	107½	Consols 4½% (after Feb. 1, 1957)	107½	107½	1 15 7	3 3 8c	48½	40½	10 c	10 c	Lanes, Cotton Ord. Stk. £1	46½	46½	4 6 11
106½	102½	Conversion 3½% (after Apr. 1, 1961)	102½	103½	1 12 7	3 3 8c	61½	47½	12½	10 c	Lever & Unilever Ord. £1	52½	52½	3 16 2
83½	74½	Treas. Stk. 2½% (after Apr. 1, 1975)	75½	75½	1 15 11	3 5 5c	66½	49½	20 b	7½	London Brick Ord. Stk. £1	51½	51½	3 18 1
99	91½	Treas. Stk. 3½% (after Apr. 5, 1966)	92½	92½	1 15 7	3 4 10c	56½	49½	20 b	7½	Pechin Tison Ord. Stk. 10s.	56½	56½	4 17 4
100	93½	Redemp. Stk. 3½% Oct. 1, 1986-96	93½	94½	1 16 4	3 4 5c	35½	30½	17½	17½	Prudential 'A' £1	32	32	2 5 6c
83½	74½	Consols 2½%	75½	75½	1 15 11	3 5 5c	59½	49½	12½	12½	Stewarts & Lloyds Def. £1	55½	56½	4 8 6
99	96	Brit. Electricity 3½% Gtd. 1968-73	96½	97½	1 15 3	3 2 9c	85½	73½	15½	12 c	"Shell" Transp. Ord. Stk. £1	76½	76½	1 19 0½
98½	93½	British Transport 3½% Gtd. 1978-88	94½	95½	1 16 8	3 5 0c	7½	6½	12½	12½	Tube Invst. Ord. Stk. £1	6½	6½	3 19 5
99½	95½	British Transport 3½% Gtd. 1968-73	96½	97½	1 15 5	3 2 11c	90½	75½	3½	3½	Turner & Newall Ord. Stk. £1	77½	78½	3 16 2
							93½	77½	15 a	55 b	Woolworth (F. W.) Ord. 5s.	80½	85½	4 4 4
Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption														

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

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7.8 per cent.) (i) To latest redemption date. † Free of tax.



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COMPANY MEETINGS

BRUSH ELECTRICAL
ENGINEERING COMPANY,
LIMITED

BRIGHT PROSPECTS

The annual general meeting of this company was held on the 20th instant at Loughborough. Sir Ronald W. Matthews, the chairman, presided.

The following are extracts from his statement circulated to stockholders.

At the annual general meeting held at the end of December, 1947, I forecast that the profit for the year 1947 would not be less than £300,000, and this forecast has proved to have been more than justified. The net profit is £337,611.

The output of the electrical division on the basis of the increased production which we are already achieving is booked for more than a year ahead. To take one instance—transformers; output during the year ending December 31, 1947, was approximately 33 per cent. in excess of that for the previous year, and the directors are confident that the rate of output by the end of 1948 will be further substantially increased.

The electrical machine department has a full order book for more than a year ahead, strengthened in the last few weeks by the receipt of a substantial order for alternators of the size in which we have been in mass production for some months.

Subject always to the possibility of unfavourable developments in international relationships, I feel justified in saying that the company's prospects for 1948 are bright. The company started the year with an order book of over £7,000,000, the results which are available to the directors for the first three periods of 1948 show that output in those periods is 100 per cent. in excess of that achieved for the similar periods of 1947, and the profits shown are satisfactory.

The report was adopted.

(Continued from page 686)

Reactions to the purposes of IMCO have been mixed. Its technical purposes have been fairly widely approved. There is a strong case for routine co-operation between Governments on matters such as the safety of life at sea, which demand co-ordination with other organisations dealing with (for example) meteorology, telecommunications, and flying. The leading maritime nations are meeting in London this week-end to consider the revision of the Safety of Life at Sea Convention, 1929; and experts from the other UNO agencies have already made detailed recommendations in preparation for the meeting. They have suggested common international practice on assistance to ships and aircraft in distress, radio communications, weather reports, radar and other radio aids to navigation. In this field the proposed Maritime Safety Committee of IMCO is likely to emerge as the ultimate international authority. There is other technical work in which IMCO may have an important part to play. But on national discrimination and restrictive practices it breaks into more difficult ground. The IMCO Convention provides for the consideration of matters of this sort, but the organisation will have no executive powers; it is purely consultative and advisory, and there is some scepticism about the practical outcome of its "consideration" of these thorny problems.

* * *

Bank Credits to Poland

London banks are still extending their foreign credits. This week details have been published of two substantial credits to Poland. The first is for £6,000,000 and takes the form of a medium term cash advance arranged by Lazard Brothers, in participation with Lloyds Bank. It is intended to finance the purchase of capital goods in Britain. This credit has been arranged in accordance with the Anglo Polish trade agreement signed last June. This agreement provided that payment for Polish purchases in Britain should be made as to 40 per cent in cash on placing the order, 20 per cent on delivery and the remaining 40 per cent in three annual instalments. The commitments are being underwritten by the Export Credits Guarantee Department.

BRITISH ROPES LIMITED

VITAL EXPORTS

The twenty-sixth ordinary general meeting of British Ropes Limited, was held on the 15th instant, in London.

Mr Herbert Smith, chairman and managing director, who presided, said that they had endeavoured to supply the needs of their customers. The company could have produced more, particularly in the wire section of their industry, if a larger supply of steel had been made available to them. An increase in the share of steel available to the industry during 1948 under the steel rationing scheme would enable the company to maintain and perhaps improve upon the results achieved.

He would stress the point that the continual improvements made in the manufacture of their many products during past years were now having the effect on profits one would expect to see, so that the more they organised and improved efficiency the more production costs were decreased. In attempting to forecast he could only say that if peaceful conditions prevailed, their present output would be maintained, and since there was some hope of a larger supply of raw materials, production figures might rise above those for 1947.

After satisfying the essential requirements of the home industry, the company's policy was to maintain and increase the sale of its products in world markets and so add their quota to the export drive, which was so vital a need of the country today. Their products had been sent to many parts of the world, including substantial sales in hard currency areas, which was a very gratifying contribution to the export drive. The net profit for the year amounted to £768,988, an increase of £274,963.

The report was adopted and the final dividend of 15 per cent., making 20 per cent. for the year, was approved.

GENERAL ACCIDENT FIRE
AND LIFE ASSURANCE
CORPORATION, LIMITED

FURTHER EXPANSION

The sixty-second annual general meeting of this company will be held at Perth on the 28th instant.

The following is an extract from the statement of the chairman, Mr Frederick Richardson, circulated with the report and accounts:

Our world-wide operations in 1947 show a net profit of £413,805. We are providing the usual dividend of 4s. on the ordinary shares; transferring a further sum of £45,000 to the fire reserve fund and £137,701 to staff pension funds, leaving a carry forward of £351,890, which is slightly more than last year. The total premium income at £17,401,565 is up by £3,243,312 and the total assets, £34,741,789 by £3,470,523.

As motor insurance is by far our largest single activity, we are constantly seeking to increase the volume of non-motor premiums, and our efforts have been very successful. Everyone should revalue his property in the light of present conditions and bring his insurances into line with the current cost of replacements.

We have shared in the phenomenal growth of insurance business in the United States, but the increase there in our premium income was not so large as it would have been had we not imposed severe underwriting restrictions. We made a modest profit, and can look forward with reasonable confidence to better results in the future. In the fire department we had another successful year, and there has also been considerable growth in the premium of the marine department during the year. We reorganised our American subsidiary, the Potomac Fire Insurance Company, in the course of the year, and provided it with ample surplus funds without calling on the Bank of England for dollar exchange.

The second Polish credit is a revolving documentary acceptance credit for £1,500,000 granted by a syndicate headed by Kleinwort Sons and Company and is intended to finance Polish purchases of wool and other raw materials.

Shorter Notes

The Government's interim index of production is provisionally given as 124 (1946 = 100) for all industries in February, the latest month covered, against 118 for the revised January figures. The component items are: Mining and quarrying, 112 (114); manufacturing, 124 (118); building and contracting, 131 (118); gas, electricity and water, 124 (121). The provisional January figures had to be revised downwards by 4 points, and some adjustment may be required to correct the February figures. The increase in industrial activity appears to have been maintained, though the seasonal recovery in building played a considerable part. The index of industrial production compiled by the London and Cambridge Economic Services advanced from 118 in January to 121 in February, the latter figures again being subject to revision.

*

The Government's decision to support the foundation of a British Institute of Management was announced by Sir Stafford Cripps (as President of the Board of Trade) nearly 18 months ago. The Institute has now completed the preliminary work of organising itself, and opened its public career at a ceremony in London on Wednesday at which the speakers were Sir Stafford Cripps, Sir Charles Renold (chairman of the Institute), Sir Frederick Bain (president of the Federation of British Industries) and Miss Florence Hancock (chairman of the General Council of the TUC). The general purpose, as defined by Sir Clive Baillieu's committee which reported in March, 1946, is to raise the standards of management practice. For its first five years the Institute is supported by Government grants up to a limit of £150,000; eventually it is to maintain itself by contributions from corporate and individual members.

COMPANY MEETINGS

CADBURY BROTHERS, LIMITED

INCREASED TOTAL PRODUCTION

COCOA EARNS DOLLARS

MR LAURENCE CADBURY'S SPEECH

The forty-ninth annual general meeting of Cadbury Brothers, Limited, was held, on the 19th instant, at Bournville, Birmingham, Mr Laurence J. Cadbury (chairman of the company) presiding.

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

Statistically, 1947 was a good year for our company. Our total production, though still, of course, well under that of 1939, was up by 18 per cent. on 1946. This increase was due to the civilian sweet ration being raised in September, 1946, to 4 ozs at which, on average, it remained during 1947, with an additional 1 oz allowed for Christmas. But this satisfactory record was clouded in the closing weeks of the year by the knowledge of reduced supplies to come. We are now once more on a 3 oz basis.

THE SUPPLY PROBLEM

Although the cut in the ration was due to the sugar position, especially the marginal amount purchased from dollar sources, the supply of raw cocoa is our greatest anxiety. The spread of cocoa-tree disease of which I spoke last year is far from being checked. World supplies again decreased. The gap between world production and world needs is estimated as at least 100,000 tons, which is a big figure out of a crop from all sources of 600,000 tons. The shortage has been reflected in the price of £237 per ton of cocoa that is now being charged to manufacturers in this country. It is a price without precedent, and is at least six times that of the prewar price of £35-£40 per ton.

As I explained last year, the prices at which the West African Marketing Boards sell to the Ministry of Food are based upon those ruling in New York, which represent what American manufacturers in a competitive market are prepared to pay for cocoa allocated to that country.

The price paid by the Gold Coast Marketing Board to the producer was 75s. per cwt for 1947-48. This compared with 23s. 6d. before the war. The very large margin between this figure and that charged to the buyers here and in the U.S.A. goes to swell the funds of the Marketing Board, which may this year reach a total of £60 million. This is a vast sum which has been accumulated unexpectedly and undesignedly. It throws a great responsibility on those who control it to see that it is not frittered away on extraneous matters, but is used for the rehabilitation and development of the cocoa industry.

Cocoa sold at these prices in the U.S.A. has been of great value to the sterling area. But as far as this country is concerned it means that the prewar 2d. block of chocolate, already increased to 4d. has had, by agree-

ment with the price control authorities, to advance to 5½d.

GOVERNMENT AND PRICE REDUCTION

The Government is very rightly at the present time making an effort to control or reduce prices. It is a somewhat ironic commentary on this move that our industry has been forced to put up the price of an important foodstuff because the margin between the price paid to the producer and charged to the consumer has been greatly widened by decisions over which we have no control. The position may be clearly set out as follows:—

	1939	1945-46	1946-47	1947-48
Price per cwt paid to the producer...	23/6	28/0	51/4	75/0
Price to manufacturer (duty paid in U.K.)...	35/0-40/0	62/0	130/0	237/0

BUREAUCRATIC BUYING

I would like to refer to the system under which cocoa is bought for use in this country. Prior to the war, we had ourselves been buying cocoa in the markets of the world for over a hundred years. The careful study of day-to-day world prices was an essential part of our business. Now, however, we do not even know the price at which cocoa is bought by the Ministry of Food from the Marketing Boards. It is difficult to understand the reason for this bureaucratic secrecy. I suggest that it is, to say the least, unfortunate that the skilled services of the industry cannot be used more than they are in the buying of a product of which they have such expert knowledge. The Ministry of Food might well consider how another industry, that of the press, secures its raw material. The Newsprint Supply Corporation, acting for the national and provincial press, but in collaboration with Government departments, negotiates contracts, buys, transports and stores newsprint. It would, I submit, be in the national interest for some such scheme to be adopted in the case of raw cocoa.

FOOD PRODUCTION IN AFRICAN COLONIES

I have spoken about the cocoa bean position in British West Africa. It is not irrelevant to comment on the Government-sponsored schemes for developing food production in our African Colonies.

The scale and speed with which it is proposed to go ahead in these African projects require careful watching. British industry is severely restricted in supplies of materials for capital reconstruction that will show immediate returns. How far can we afford priority of supplies to colonial development that can only yield results in several years' time?

Again, it is important that the new projects should not prejudice existing productive activities. It hardly seems wise to attract labour into long-term development schemes if to do so means taking it from land already under cultivation.

In addition, we have to consider the impact of these new ventures on the British staff in the Colonial services. Your vice-chairman visited British West Africa at the end of last year to investigate the work that was being carried out to combat the cocoa disease that is rampant there. In our view, 40 European supervisors should be on this work. The Gold Coast Government have authorised 24, but there were at the time of his visit only nine men at work up country, of whom three were on the sick list!

It is disappointing that this vital matter of fighting the spread of disease has not been taken up with more speed and energy by the authorities.

HELPING THE EXPORT DRIVE

We have naturally given great attention to the question of how we could assist the export drive. Our efforts in the hard currency areas, particularly the United States, are definitely a venture. We have never been able in the past, through tariffs, other barriers and local competition, to develop a permanent sale there. I am doubtful if we shall be able to create a permanent sale now, but we may be able to sell appreciable quantities during the next few years, by introducing lines that are new to the American market.

I take this view because bilateral trade between the United Kingdom and the United States has definite limitations. The final solution of our dollar problem must be found in gearing up triangular and multilateral trade once again. We have got to increase our exports of such things as textiles, cycles and various consumable goods (including cocoa products) to the tropical dependencies; they in turn send their exports, such as rubber and tin, to the U.S.A. The U.S.A. can then sell automobiles and household equipment to Canada, and Canada can complete the circle by sending us wheat. It is in the development of trade on these lines that we shall finally solve our international indebtedness. This will take time, and if, meanwhile, the chocolate and confectionery industries can export to the U.S.A., even temporarily, they will have helped to fill this financial hiatus.

During the war years our company had a considerable overseas trade with N.A.A.F.I. and with allied governments, but its civilian exports were practically nil. Last year, apart from N.A.A.F.I. supplies, we and our associate companies in the United Kingdom pushed up our civilian exports to nearly £800,000. We hope to improve on this.

So far, I have been referring to visible exports. In addition, our company has assisted the trade balance through the operation of its overseas subsidiaries. Their earnings have provided invisible exports from this country.

COCOA BEANS A DOLLAR-EARNER

The export drive is a recent development; throughout the war, however, raw cocoa beans have played a very important part as a dollar-earner.

I have already spoken about the high price to which the competitive bidding of the chocolate manufacturers in the United States has driven cocoa prices in that country. As a result, in 1946-47 the sterling area benefited by sales of cocoa in New York to the tune of about £17 million, and the present crop should yield £25 million.

These are remarkable figures. For the sake of comparison it should be noted that in 1947 the chief U.K. sales to the U.S.A. were: Whisky £8.1 million; Textiles £9.3 million; Chemicals £2.6 million; Machinery £2.1 million; Vehicles (cars, locos, ships) £1.8 million.

EMPIRE DEVELOPMENT

It is popular in certain quarters to depreciate what has been done in the development

of our Colonial Empire. Those who do so overlook the Empire production of such things as rubber, tin, cocoa; all invaluable dollar producers today, and equally all the results of private enterprise. For let us remember that cocoa production is not indigenous to B.W.A. In the early years of the century your company took a leading part in its initial development, and can claim to have been largely responsible for stimulating its cultivation ever since.

The sale of raw beans having proved a useful source of dollars, the Treasury has kept a close eye on the beans coming into this country. It must not be forgotten, however, that if we convert beans into finished goods and sell them for dollars the result is better still. At the present time we are selling chocolate assortments in the United States at a price which is rather more than three times the return we should get if we sold the raw materials from which they are manufactured.

STAFFING PROBLEMS

Turning to more domestic matters, may I say a word about our staffing problems? We have always tried to pursue a far-sighted policy in the selection and training of our future management. Hostilities inevitably interrupted the operation of our various schemes. Since the war we have started once again to provide opportunities for candidates selected from our own ranks and for a limited number of ex-Service and University students of both sexes to qualify for training for managerial posts. We also launched schemes for filling the gaps in our factory supervisory staffs caused by the comparative cessation of recruitment and promotion in the war years when many of the staff, who would normally have retired, remained at work.

We invited anyone in the concern to apply for consideration as potential trainees. In the two years in which the scheme has been running, over 500 have applied, of whom two-thirds were ex-Service employees. Out of the 500, 79 were selected for training, and 52 out of the 64 promotions to factory managerial posts made since the scheme started had passed through it.

PLANT IMPROVEMENT

Our traditional practice has been to scrap ruthlessly whenever we could design and build machines and layouts that promised greater efficiency and economy. The war naturally interrupted our programme and our experimental work had to be put on a care and maintenance basis, but we had hoped before now to be able to resume full activities in this direction. Unfortunately the cutting-down of licences has made this impossible, and for nearly ten years we have been unable to make any substantial improvements to our plant and buildings. We regret to say the position here shows no sign of improving. On the contrary it is likely to deteriorate, as under the present Government programme labour is being cut from 25,000 to 8,000 men for work on "operational" licences for the whole of the food industries.

This inability to carry out factory improvements may have been inescapable. Some industries have clearly had to take a second place in this respect, but I suspect that our experience has been fairly general, and if this is so, the consequences are serious.

In the Government White Paper, "Economic Survey for 1948," we read that during 1947 the standard working week of 5 million people was reduced on an average by 3½ hours. We know also that thanks to the loss of overseas investments, debts contracted during the war, and adverse terms of trade, we have a formidable gap between imports and exports. A political economy which, under these circumstances, at one and the same time cannot allocate its resources to im-

proving its technical equipment, yet simultaneously decides to work fewer hours, can scarcely be described as either rational or planned.

THE OVERSEAS POSITION

Overseas, I am glad to say, the position is more cheerful. In Canada, South Africa, Australia and New Zealand, we have been enlarging our factories and installing new machinery. In Eire we have built a complete new factory at Rathmore, not far from the celebrated Lakes of Killarney. I might mention here that, without exception, all our overseas companies have increased their turnover during the past year.

The Rathmore factory is to make semi-processed milk chocolate for this country. Normally, we should have adequate supplies of milk chocolate coming from the four factories that we have erected for milk-condensing purposes in the United Kingdom. Since the early years of the war, however,

we have been debarred from using the 23 million gallons per year which pass through them from local supplies; supplies largely built up and steadily fostered by us in pre-war times. We have made it clear that we do not expect households to go short of milk for the sake of milk chocolate. There is, however, even now a considerable summer surplus of milk, and we assert our right to have a share of this. Instead, in the summer flush period milk is diverted from our depots to other creameries for the manufacture of butter, cheese, and various milk products. In the main these make an infinitesimal contribution to the nation's rations, and we regard it as unfair that our share of this manufacturing milk should be denied to us and to the consumers of milk chocolate.

The company have agreed to comply with the Federation of British Industries request for the limitation of dividends.

The report was adopted.

WM. FRANCE, FENWICK AND COMPANY, LIMITED

SATISFACTORY RESULTS—INCREASED GROSS PROFIT

MR KENNETH R. PELLY'S STATEMENT

The forty-seventh annual meeting of Wm. France, Fenwick and Company, Limited, was held, on the 20th instant, at the registered office of the company, 23, Rood Lane, Fenchurch Street, London, E.C.3.

The following is the statement of the chairman and managing director (Mr Kenneth R. Pelly, M.C.), which was circulated with the report and accounts.

TRIBUTE TO THE LATE SIR GEORGE HIGGINS, C.B.E.

Before dealing with the business of the company, I wish to refer to the death of Sir George Higgins, C.B.E., which occurred in August last year. He was the original secretary of the company on its formation in 1901, and served as such until 1909 when he was appointed a managing director, and in 1926, chairman. He resigned this position in 1941, remaining on the board as an ordinary director until his death. From this record you will see that he had given practically the whole of his active life to the company. He was held in the highest respect by his colleagues, who much appreciated the services he rendered to the company over a long period.

ACCOUNTS AND DIVIDENDS

This will be the last occasion on which our accounts will be issued in their present form. Your directors have always striven to present the balance sheet and profit and loss account in such a manner as to give as much information as possible as to the financial position of the company, so that stockholders should have the fullest information. The new Companies Act is to become effective as from July next, and therefore on the next occasion our accounts will have to conform to the Act, including a consolidated statement, which will certainly involve delay in their issue.

Turning to the profit and loss account, I am pleased to be able to report another rise in gross profit amounting to £10,107. On the other side of the account, the total charge for depreciation is some £50,000 lower. In last year's account there was placed to additional depreciation a sum of £58,000, being the reduction in income tax on account of initial allowances; the corresponding figure in the present account amounts to £6,500 and represents the net saving of profits tax for this year on these allowances. This, of course, affects the provision for taxation which it will be noted now takes an additional £46,000 compared with the previous year. The item of provision for surveys I will deal with later.

The appropriation account discloses that your directors have placed a further £51,826 to reserve, and that they recommend a final dividend on the ordinary stock of 12½ per cent. less tax, making a total of 15 per cent. less tax for the year, the same as was paid in respect of 1946.

Referring to the balance sheet, the reserve has risen by £105,000 to the figure of £990,000. The capital accretion account has been strengthened during the year by a further £12,000, and your directors propose a distribution of 3 per cent. to the ordinary stockholders, the same as on the last occasion.

Finally, this leaves a balance to be carried forward of £29,695 as against £29,825 brought in from last year.

It may be of general interest to stockholders if I draw a comparison between the nominal rate of ordinary dividend and the return on the capital employed. The ordinary issued capital of the company has little bearing on the equity capital employed, which now amounts to some £1,800,000. On this basis, the nominal dividend of 15 per cent. represents a return of 6½ per cent.

PROVISION FOR SURVEYS

I feel it is necessary to say a few words in particular reference to provision for surveys. The figure for this purpose at the beginning of 1947 stood at £86,500. During the year we have expended on carrying out surveys, £53,166. The whole fleet is now up to date as regards surveys for the first time since the commencement of the war. During the war period, surveys were out of the question, and under arrangements between the Ministry of War Transport and the Classification Societies, ships only receive a general examination from time to time.

Since the conclusion of hostilities, the problem of passing surveys has been very difficult on account of the shortage of material, the delay in obtaining dry docks, labour uncertainties, etc., but our classification surveys have been brought right up to date at a very considerable cost, and the figure of £60,000 now represents a provision for future surveys only.

THE FLEET

During the year under review, the fleet has been slightly reduced by the sale of two of the company's ships. The s.s. *Helmwood*, the oldest ship in the fleet, was sold to Chinese buyers at a very satisfactory price. The other vessel, the s.s. *Betswood*, was originally built for a specific business and

traded under a long-term charter, by which the charterers had the right of purchasing her after a stipulated period. This option, which was suspended under war conditions, became operative again, and during the year was exercised.

As I have mentioned on previous occasions, during the war years we were continuously replacing lost tonnage. Our policy proved to be right, and we have therefore been able to cease building during the past year or two whilst costs have been at an unprecedented level. However, if one is to continue to run a modern and up to date fleet, it is impossible to allow any long period to pass without constructing some tonnage, and with this in view, we have made reservations of two building berths, one for the commencement of building this autumn, and one to commence late in 1949 or early 1950.

The first of these ships will certainly be at a high figure, there being no sign at present of reduction in building costs. In fact I feel that costs are still likely to rise, probably largely on account of a further rise in coal prices which must be anticipated, and which will react on steel prices.

The whole of the present fleet stands at such a reasonable figure that your directors feel the addition of another one or two ships, although at high prices, will not unduly upset the low average at which the fleet is valued in the books, always bearing in mind the necessity of owning modern economic tonnage.

In my statement last year I made some remarks as to the then current building and repair costs. These have continued to rise and there is still no sign of any reduction. Wages, coal and material are on higher levels than a year ago. This general rise in costs was met by a 10 per cent. increase in coasting rates of freight in agreement with the Ministry of Transport, as from July 1st last.

Another point of importance is the heavy delays incurred in completing repairs. Whether it be for survey or damage repairs, a ship today is off trading for a very extended period, and in some cases may have to wait a considerable time before obtaining a dry dock. All this has its effect on profits.

In the past, the crews of coasting ships on weekly articles fed themselves. The industry now have a demand from the trade union representatives that the men should be fed by the owners in the same way as in vessels on monthly articles. In principle, we entirely approve of this practice, and in fact have commenced already to feed some of the ships. This is going to increase materially the cost of operation, and has not yet been taken into account in our rates of freight, and it may be that the matter will have to be discussed with the Ministry in the near future. On the other hand, if this change makes the coasting and near trades more attractive to personnel, so saving considerable delays in obtaining crews, the expense to the owner will not turn out so serious as it may appear.

TRADING

Since the war, up to a few months ago, there was to all intents and purposes no export of coal to the near Continental ports, a trade in which your company was previously largely engaged. During the last few months export to these countries has recommenced in a small way. You probably read in the press and heard on the wireless the description of the s.s. *Dashwood* arriving at Rouen with the first cargo of British coals since the resumption of exports. She is one of your company's fleet and received a great reception on arrival. Since then we have continued to carry cargoes from time to time to the near Continent, and I hope that it may be the beginning of an increasing tonnage for export, not only from the point of view that it is a trade your company requires, but also, because it is of the greatest importance to the national economy.

In prewar days, large quantities of coal

were sold to the Continent on a c.i.f. basis by the exporters in this country. Up to quite recently, when the National Coal Board gave an allocation of coal to an exporter, he was debarred from quoting on a c.i.f. basis. The fixing of freight was therefore in the hands of the buyer, who naturally gave preference to his national flag, the result being that British tonnage was probably only employed if the foreigner had no suitable tonnage available.

One would have thought that if this country has coal for export at a competitive price, we should be in such a strong position that the National Coal Board could insist upon British shipowners being given at least an equal opportunity of carrying the coal. I am glad to say that the National Coal Board have now changed their policy and is allowing the exporters to quote c.i.f., but it is still disturbing to see inquiries advertised for foreign tonnage only, for the carriage of British coal from British ports.

I mentioned last year that our London/Goole department, which had practically ceased to exist during the war period, had come into its own with a good volume of trade. The results, however, have not been altogether satisfactory, but with the increased rates which have now been authorised and a more steady supply of goods, the position looks considerably more healthy.

ASSOCIATED AND OTHER COMPANIES

Holdings in associated and other companies largely comprise Colliery interests and those in Coastwise Colliers, Limited. With regard to the former, it must be remembered that there is no guarantee of any interim payment after the two year period from the date the collieries were taken over by the National Coal Board. This expires at the end of 1948, and at the moment everything points to there being no settlement of compensation for a considerable time after that date. There is therefore some doubt as to what return, if any, may be received on our Colliery investments after the end of 1948.

Coastwise Colliers, Limited, completed their first year of trading during 1947. The results were satisfactory, but the board settled to strengthen the company in this early period of trading by retaining the profits in the business.

The results of our subsidiary companies are on the whole satisfactory. One of these companies suffered from the transition from war to peace and failed to pay a dividend. This, we hope, however, is of a temporary nature.

THE FUTURE

Of the future, it is difficult to say much. There appears to be every likelihood of sufficient trade being available and at reasonably remunerative rates. As I have explained, we are still faced with no signs of reduction in costs, in fact, costs are still rising. During the coming year, the fleet should show a greater number of trading days now that all arrears of surveys are completed. If delays in ports for one reason or another can be kept to a minimum, if our export of coal expands and is equally available to British tonnage as to foreigners, there is no reason why the coming year should not show satisfactory results.

I feel that no review of the company's activities is complete without a word of tribute to the staff, both ashore and afloat. It is impossible to speak too highly of their loyalty and co-operation. I can assure stockholders that they all give of their best at all times, which reacts so favourably on the wellbeing of the company. Our thanks are due to one and all.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Mr J. D. Stobart, was re-elected, and the auditors, Messrs. Deloitte Plender Griffiths and Co., were reappointed.

The meeting terminated with a vote of thanks to the Chairman, directors and staff.

THE BRITISH ALUMINIUM COMPANY, LIMITED

IMPROVED RESULTS

The ordinary general meeting of the British Aluminium Company, Limited, was held in London on the 16th instant.

Mr R. W. Cooper, M.C., the chairman, in the course of his speech, said: The profit for the year 1947 amounted to £2,123,347, from which you will observe that there has again been an improvement in our trading results. The demand for alumina has been well within the capacity of our works at Burntisland and Newport and the works at Larnie are therefore still on a care and maintenance basis. The reduction plant at Foyers, constructed over 50 years ago, is too small to meet modern competition and we are taking steps to cease production of aluminium there and plan to put down plant for the manufacture of potassium and sodium chlorates and plans for this change are now being finalised. With regard to the works belonging to our Norwegian subsidiaries, the same conditions apply at Stangford as at Foyers and for this reason the works have not been restarted since the war. We have the whole question of our fabricating facilities under review and are giving close attention to plans for rationalisation, increased capacity and efficiency.

NEGOTIATION FOR NEW CONTRACT

I referred last year to the difficulties we were having at that time in negotiating a contract for our 1947 production. We finally agreed a figure, but I regret to say that we are experiencing even greater difficulty in negotiating a contract for our 1948 production. We have all along indicated to the Ministry of Supply that we are quite willing, in the interests of future large-scale development of the industry, to accept a price for our ingot which covers our costs and gives us a very low return on the capital employed. We are striving, not without success, to reduce these costs.

Last year we accepted a very low price, and at the same time we expressed our intention of proceeding with a very extensive reconstruction programme in order that our technique may be preserved and improved for future large-scale development. The price at which we sold our 1947 production was considerably below that at which metal produced anywhere else in Europe can be purchased, and we are in a position to accept an even lower price for 1948. Negotiations for the sale of our 1948 output have been proceeding since last autumn, and before the end of last year we agreed with the Ministry's accountants a close estimate of what our bare costs would be for the current year. So far, however, the Ministry have only offered us a price which is below this agreed bare cost of production.

ESSENTIALS FOR SUCCESS

If we are to bring to a successful conclusion the plans which I have outlined earlier, it is of course necessary not only to effect constant improvements in our technique but to maintain an adequate staff of skilled technicians and supervisory grades who could provide a nucleus for the development of this enterprise. It is therefore difficult to see how we could proceed to the realisation of these objects, the national importance of which I do not need to stress, unless the production of alumina and ingot metal in this country can be continued on a healthy basis.

The total profit for the year is £2,123,347, whereas in the previous year it was £1,368,095 after providing for E.P.T. We recommend a final dividend of 6 per cent. on the ordinary stock, which, with the 4 per cent. already paid, makes 10 per cent., less tax, for the year.

The report was adopted.

money the trade during 1947 was 176 per cent. more than in 1938, and the total of cars, commercial vehicles and tractors produced last year constituted an all-time record.

Export turnover, also an all-time record, was 21 per cent. greater than 1946, the previous record year, and 281 per cent. greater than in 1938.

Finally, taking cars, commercial vehicles and tractors together, we are not only the largest producer in the British motor industry, but also, we feel assured, its largest exporter—to a value of over £10,000,000 in 1947, and during the first two months of this year of £3,508,446.

We are not unmindful of the future, and in all fields of production are developing plans which we confidently believe will keep us well in the lead.

LACK OF FACTORY SPACE

We are severely hampered by lack of factory space. The curtailment of factory building, intensified since the recent Government reduction of capital expenditure, is to us a very serious matter indeed. At Dagenham we have a factory originally designed and located primarily to manufacture for export, but hitherto prevented from fully fulfilling that purpose by the barriers of quotas, currency restrictions and high tariffs which were raised in the pre-war decade. It still remains ideally sited for the inward flow of materials, for labour supply, self-contained as to low cost power supply and other services, integrated as a unit complete with blast furnace, foundry and machine shops, and with unrivalled export facilities from a deep-water jetty—the best-equipped privately owned jetty on the Thames.

Where can you find in England today a unit so ideally equipped for serving export needs? Although we own 500 acres of land on this site, there are serious restrictions on further expansion in the area, with limiting effect on future export from Dagenham.

I would suggest that national policy for location of industry should have as its prime consideration the development of economic manufacturing sites, so necessary to our ultimate survival as a low cost manufacturing nation, and that one such site is your Dagenham factory. Moreover, it must be remembered that development plans now made cannot possibly come to fruition in less than two years. It is a matter of extreme urgency that the ban on extension at Dagenham be removed at the earliest possible date.

Recently we had the great pleasure of a visit from Mr Henry Ford II, his first since the war and the first in his capacity as president of the American Ford Company. Decisions have been reached which will be of great value to your company.

Mr Ford is a man of remarkable attainments and has the advantage of youth. Last year he was acclaimed in the United States as "The Man of the Year." With Mr Ford at the head of the Ford world organisation, and a director of your company, you may have confidence in our future.

TRIBUTE TO EMPLOYEES

In the year 1947 there was almost uninterrupted production, to which all contributed by hard and consistent work. It can be said that our employees are fully conscious of their responsibility towards production and export needs, and I thank them all for their sustained efforts in the last twelve months.

The management have had no easy time during the past year, faced with shortage of materials and many other difficulties. To them also I know you would wish me to express your appreciation of their loyal and efficient service.

The report and accounts were adopted and the payment of a dividend of 10 per cent., less tax, was approved.

UNITED GLASS BOTTLE MANUFACTURERS. LIMITED

RECORD SALES AND TURNOVER

DEMAND EXCEEDS SUPPLY

SIR WALROND SINCLAIR'S STATEMENT

The thirty-fifth annual general meeting of The United Glass Bottle Manufacturers, Limited, will be held, on the 20th proximo, at the registered offices of the company, 8, Leicester Street, London, W.C.

The following is the statement by the chairman, Sir Walrond Sinclair, K.B.E., issued with the report and accounts:—

In presenting their annual report and audited accounts for the year ended December 31, 1947, your directors feel that, having regard to existing circumstances, a reversion to the war-time practice of submitting a statement by the chairman would prove to be of convenience to the shareholders. The formal proceedings at the forthcoming annual general meeting will, however, in due course appear in the Press.

PROFIT AND LOSS ACCOUNT

The manufacturing and trading profit at £528,049, after deduction of profits tax, shows an increase of £39,077. Net dividends from subsidiaries, together with sundry revenue, brought in an additional £64,738, thus giving a total credit of £592,787. The provision for depreciation is higher by £56,779 this year at £165,061, a large proportion of this increase being attributable to income tax allowances on new buildings, plant and machinery, and is reflected in the reduced provision required for income tax on the year's profits.

After charging all administration expenses, interest, pensions, group life insurance and making due provision for income tax on the year's profits, there remains a net surplus of £266,425, an increase of £7,203 over the preceding year. Including £86,745 brought forward, the disposable surplus is, therefore, £353,170 compared with £335,464 for 1946.

Having regard to the general conditions prevailing at this time, your directors have deemed it prudent to transfer £100,000 to Contingencies Account, bringing that reserve up to £275,000, and propose a final dividend of 10 per cent. on the ordinary capital for the year, but eliminating the cash bonus, thus making a similar total distribution on the ordinary capital to that of last year. You will note the dividend has been earned with a substantial margin but we are, in accordance with our usual policy, acting conservatively in the distribution of profits. The credit balance remaining to be carried forward to the current year is increased by £24,715 to £111,460.

BALANCE SHEET

Turning to the balance sheet, the fixed assets are higher by £95,296 at £2,648,184. No less than £93,625 represents the increase in land, buildings, plant and equipment, even after allowing for £165,061 for depreciation for the year to which I have previously referred. Current assets at £2,763,030 show an increase of £121,754 over the preceding year, largely accounted for by higher stocks and cost of stores and materials and partly on account of delivery packages expenditure, to which I specifically referred last year.

Sundry debtors have increased from £678,667 to £814,117. Investments in British government securities remain unchanged and the market value I am glad to say still shows an appreciation over actual cost. The reduction of cash in hand at the close of the year is due to the repayment of the bank loan necessitated by the recent elimination of the debenture stock and to the heavy expenditure on fixed and other assets previously mentioned. The various reserves and undistributed profits have risen by £120,275 to

the substantial sum of £1,611,326, due mainly to the increase in the contingency reserve and to the higher credit balance carried forward. Incidentally, these reserves, etc., comfortably exceed the total ordinary capital.

Current liabilities at £1,481,511 show an increase due to larger cash deposits for packages from customers and the amount outstanding on account of taxation. I would, however, direct your special attention to the fact that current assets exceed current liabilities, including taxation, deferred repairs and the final ordinary dividend by £1,281,519, which I think you will regard as satisfactory.

CONSOLIDATED ACCOUNTS

The consolidated accounts present a clear picture of the whole undertaking. Trading profits, after profits tax, reach the substantial figure of £801,002, the two principal charges against these being depreciation £260,102 and income tax £205,948. Net profit at £294,961, with the balance brought forward from the previous year, shows an available total of £576,529. The consolidated balance sheet discloses assets aggregating £6,400,255, to which current assets contribute £4,143,207. Current liabilities amount to £1,901,563, while the reserves and undistributed profits total £2,073,412, a position which I venture to suggest reflects considerable strength.

The trend of the past year has been to reduce administrative expense without loss of efficiency, a tendency that we endeavour to facilitate wherever practicable. In this connection, in order to simplify further the financial structure of the group and at the same time eliminate a considerable amount of unproductive clerical work, steps have been taken for the voluntary liquidation of several subsidiary companies from whose continued existence as separate entities benefits no longer accrue. The winding-up of these wholly-owned subsidiaries will, of course, in no way affect the existing productive capacity of your company.

Reference is made in the directors' report to the retirement of Mr J. S. Cannington from the board and of our deep appreciation of his many years of devoted service to our company. I am sure you will wish to join me in expressing our best wishes for his good health with many years of happiness in his well-earned retirement.

TRIBUTE TO STAFF AND EMPLOYEES

It is my privilege once again to acknowledge, through our worthy managing director, Mr Judd, the devoted service of the whole of our staff and employees throughout the organisation. They have without exception contributed their full quota to our continued success. Their whole-hearted efforts were particularly emphasised throughout the fuel crisis in the earlier months of the year under review when, through the remarkably skilful handling of technical and other details more particularly in connection with the furnaces and automatic equipment, we were able to avoid what would otherwise have been a major disaster.

As a result, despite the shortage and lack of balance of essential raw materials with the consequent loss of production, etc., we are able again to report record sales volume and turnover, although unfortunately still unable to meet our customers' full requirements. With the continued devoted co-operation of our whole organisation, our sound financial structure and general trading position, I am confident we can face the future with assurance.

GOVERNMENT RETURNS

For the week ended April 17, 1948, total ordinary revenue was £57,626,000 against ordinary expenditure of £55,611,000 and issues to sinking funds £20,000. Thus, including sinking fund allocations of £234,000 the surplus accrued since April 1st is £6,234,000 against a deficit of £19,154,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to Apr. 19, 1947	April 1 to Apr. 17, 1948	Week ended Apr. 19, 1947	Week ended Apr. 17, 1948
ORDINARY REVENUE					
Income Tax	13,091,500	52,862	61,777	18,742	18,975
Sur-tax	90,000	3,550	7,050	1,550	2,300
Estate, etc., Duties	160,000	8,150	9,050	3,900	3,600
Stamps	55,000	2,500	2,750	1,000	1,200
Profits Tax	250,000	1,750	4,800	500	2,850
E.P.T. Refunds	1,000	13,660	12,700	5,300	4,600
Other Inland Rev.	1,000	25	25	25	20
Special Contributions	50,000	...	...	...	...
Total Inland Rev.	19,151,500	82,497	98,152	31,017	33,545
Customs	820,600	35,169	36,666	16,936	15,277
Excise	726,550	13,100	14,651	6,600	7,651
Total Customs & Excise	1,547,150	48,269	51,317	23,536	22,928
Motor Duties	50,000	2,543	1,777	...	362
Surplus War Stores	102,000	154	4	7	4
Surplus Receipts from Trading	57,000	...	...	...	...
Wireless Licences	11,000	...	...	...	...
Crown Lands	1,000	...	...	...	...
Receipts from Sundry Loans	14,000	45	75	44	75
Miscellaneous Receipts	68,000	3,582	6,132	123	712
Total Ord. Rev.	37,653,000	137,089	157,457	54,722	57,626
SELF-BALANCING Post Office	150,200	5,400	5,320	1,800	2,370
Income Tax on E.P.T. Refunds	16,000	1,485	145	525	16
Total	39,315,000	143,974	162,922	57,047	60,012

Expenditure	Estimate 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Apr. 19, 1947	April 1 to Apr. 17, 1948	Week ended Apr. 19, 1947	Week ended Apr. 17, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	39,136	41,759	13,920	14,831
Payments to N. Ireland	26,000	...	...	...	...
Issue to Nat. Land Fund	...	...	...	...	...
Other Cons. Fund Services	8,000	267	249	235	249
Total	534,000	39,403	42,008	14,115	15,081
Supply Services	244,167	116,600	108,980	33,100	40,530
Total Ord. Exp.	297,567	156,003	150,988	47,255	55,611
Sinking Funds	...	239	234	130	120
SELF-BALANCING Post Office	150,200	5,400	5,320	1,800	2,370
Income Tax on E.P.T. Refunds	16,000	1,485	145	525	16
Total	314,187	163,127	156,688	49,710	58,117

After increasing Exchequer balances by £39,431 to £3,145,547, the other operations for the week increased the gross National Debt by £2,359,073 to £25,752 million.

NET RECEIPTS (£ thousand)		
Land Settlement (Facilities) Acts, 1919 and 1921...	12	
Cotton (Centralised Buying) Act, 1947, sec. 21 (3)...	500	
	512	
NET ISSUES (£ thousand)		
P.O. and Telegraph	400	
E.P.T. Refunds	21	
Overseas Trade Guarantee Act, 1939, s. 4 (1)...	6	
Local Authorities Loans Act, 1945, sec. 3 (1)...	3,850	
Finances Act, 1946 and 1947, Postwar Credits	450	
	4,727	

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings..... 200	Treasury Bills..... 1,994
2½% Def. Bonds... 535	3% Def. Bonds... *2,138
Other Debt..... 1,518	3% Conv. Loan... 100
Treasury Deposits. 14,000	1948-53..... 1,667
	3% Ter. Annuities... 3,452
	Tax Reserve Certs.
	Other Debt:—
	Internal..... 93
	Ways & Means Advances..... 4,450
16,253	13,894

* Including £1,392,000 paid off on maturity.

FLOATING DEBT						
(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
Apr. 19	2185.0	2708.6	583.8	...	1463.5	6941.0
Dec. 31	2250.0	2550.7	305.6	...	1402.5	6508.8
1948						
Jan. 10	2220.0	2516.3	317.2	...	1374.0	6427.5
" 17	2210.0	2474.3	373.7	...	1335.5	6383.5
" 24	2200.0	2426.6	341.1	...	1330.0	6297.7
" 31	2190.0	2357.3	371.3	...	1329.5	6248.1
Feb. 7	2170.0	2351.5	301.6	...	1329.5	6152.6
" 14	2160.0	2307.4	366.4	...	1274.5	6108.3
" 21	2160.0	2346.8	447.6	...	1256.5	6190.9
" 28	2160.0	2342.4	492.7	...	1201.0	6198.6
Mar. 6	2160.0	2667.5	446.3	...	1259.5	6533.3
" 13	2160.0	2692.2	416.7	6.5	1239.5	6514.4
" 20	2160.0	2712.5	403.8	20.5	1249.5	6546.3
" 27	2160.0	2712.5	334.8	6.0	1291.0	6542.0
Apr. 3	2160.0	2752.0	328.9	...	1326.5	6567.4
" 10	2160.0	2750.0	324.4	...	1340.5	6574.9

TREASURY BILLS						
(£ million)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1947						
April 18	170.0	280.7	170.0	10 3.10	51	
1948						
Jan. 16	170.0	251.2	160.0	10 3.41	57	
" 23	160.0	269.1	160.0	10 2.97	46	
" 30	160.0	282.7	150.0	9 11.56	36	
Feb. 6	150.0	276.5	160.0	9 11.49	42	
" 13	160.0	240.2	170.0	10 0.92	67	
" 20	170.0	266.0	170.0	10 0.16	52	
" 27	170.0	236.8	170.0	10 0.41	68	
Mar. 5	170.0	236.8	170.0	10 1.10	40	
" 12	170.0	292.7	170.0	10 1.48	45	
" 19	170.0	266.5	170.0	10 1.74	54	
" 25	170.0	300.5	170.0	10 2.87	30	
Apr. 2	170.0	295.1	170.0	10 2.49	42	
" 9	170.0	291.2	170.0	10 2.62	44	
" 16	170.0	267.8	170.0	10 3.15	55	

On April 16th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 55 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for April 23rd. For the week ended April 24th the Banks will be asked for Treasury deposits to an amount of £30 million (maximum).

NATIONAL SAVINGS (£ thousand)		
	Week Ended	
	April 12, 1947	April 10, 1948
Savings Certificates :—		
Receipts	8,400	3,750
Repayments	2,400	2,450
Net Savings	6,000	1,300
Defence Bonds :—		
Receipts	1,675	1,060
Repayments	441	729
Net Savings	1,234	331
P.O. and Trustee Savings Banks:—		
Receipts	10,660	14,394
Repayments	9,192	12,163
Net Savings	1,468	2,231
Total Net Savings	8,702	3,862
Interest on certificates repaid ...	480	441
Interest accrued on savings re- maining invested	2,255	2,310

BANK OF ENGLAND RETURNS

APRIL 21, 1948

ISSUE DEPARTMENT

£		£	
Notes Issued:—		Govt. Debt...	11,615,100
In Circulation 1237,524,981		Other Govt. Securities...	1288,174,156
In Bank, Department...	62,722,852	Other Secs. (other than gold)...	801,780
		Amt. of Fid. Issue.....	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	247,833
			1300,247,833

BANKING DEPARTMENT

£		£	
Capital.....	14,553,000	Govt. Secs.	330,519,291
Reserves.....	3,200,268	Other Secs. :-	
Public Depts.*	10,294,112	Discounts and Advances.....	14,534,271
		Securities.....	21,036,638
Other Depts. :-			
Bankers.....	308,062,048		
Other Accts.	93,265,381	Notes.....	62,722,852
		Coin.....	561,773
			429,374,815

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

COMPARATIVE ANALYSIS (£ million)

	(£ million)			
	1947		1948	
	Apr. 16	Apr. 7	Apr. 14	Apr. 21
Issue Dept. :—				
Notes in circulation.....	1396.6	1246.6	1241.8	1237.5
Notes in banking department.....	53.7	53.6	58.5	62.7
Government debt and securities*	1449.3	1299.3	1299.2	1299.2
Other securities.....	0.7	0.7	0.8	0.8
Gold.....	0.2	0.2	0.2	0.2
Valued at s. per fine oz.....	172/3	172/3	172/3	172/3
Banking Dept. :—				
Deposits :—				
Public.....	9.0	11.8	14.5	10.3
Bankers'.....	305.7	308.4	302.0	308.0
Others.....	100.1	91.4	94.0	93.3
Total.....	414.8	411.6	410.5	411.6
Securities :—				
Government.....	348.2	346.9	338.5	330.5
Discounts, etc.....	12.4	9.0	10.6	14.5
Other.....	17.6	19.3	20.1	21.0
Total.....	378.2	375.2	369.2	365.0
Banking dept. res.....	54.4	54.0	58.0	63.3
%	%	%	%	%
" Proportion ".....	13.1	13.1	14.3	15.3

was importing nearly 20 per cent more than in 1913 but exporting nearly 40 per cent less. This would have called for correction long before the war, had it not been for the "favourable" trend of the terms of trade and for the moderating effect of heavy unemployment. Had there been full employment in Great Britain in 1938, the deficit on the balance of payments in that year would have been not £70 million but at least double and perhaps three times that figure. Even before the war Britain could not have paid its way and maintained full employment at the same time. If further evidence is needed that something was radically wrong before the war, it can be found in the details of technological backwardness that have been uncovered in recent years in far too many British industries.

*

To call attention to these facts is inevitably depressing. But it is not done here with any intention of reaching a defeatist conclusion. On the contrary, what is to be drawn from these painful facts is a challenge to diagnose causes and to suggest remedies. There is no reason why the British economy should not be a self-supporting, or even a flourishing, one. The native resources of the land and people have not deserted them. If, then, the economy is limping, there must be a reason, and if the cause can be found it can be put right. For the past year, public opinion has rightly been concentrating on policy for the short term, and its pressure has achieved a quite remarkable change of front by the Government. But for the moment, there is comparatively little more to be said about short-term policy. Between Sir Stafford Cripps's new realism and the fresh respite—partial though it is—granted by Marshall aid, it is moving in the right direction. The attention of the public now needs to be focused on some of the problems of the longer run.

All those problems are, indeed, wrapped up in one—and that is to make the United Kingdom once more an efficient economic mechanism. It has been said that an economic system should have three aims—to be efficient, to be stable, to be equitable. Stability and equity have had a long and fruitful innings—Full Employment and Social Security are their watchwords. It is time that the spotlight was turned on efficiency and that the energies of politicians and economists were directed towards the search for means whereby the economy can once more be brought into the happy state of delivering the goods—the goods that are needed to sustain the standard of living at home and the goods that will be acceptable to the world in payment for necessary and desirable imports. It does not necessarily follow that stability and equity will have to beat any retreat—that will be for examination. But at the very least, they will have to mark time until sheer technical efficiency catches up. In the years between the wars it is now clear that Britain was living beyond its means—that is, beyond any means that it could permanently rely on. Now, with all the added dislocations and destructions of the war, the problem is far graver. Without a mighty effort of self-analysis and regeneration, Britain will find itself dying beyond its means.

As some contribution towards the discussion of these long-range problems *The Economist* proposes in the coming weeks—not in a formal series of articles, but from time to time—to take a number of them up for what can only be brief and summary review. It need hardly be said that the intention is not to score any political points or to establish a case for either capitalism or socialism as such—though it may be appropriate, when the enquiry is completed, to discuss whether there is a greater hope of effective economic statesmanship on the Left or on the Right. Until that point is reached, however, the endeavour will be to analyse the fundamental economic problems of Great Britain as they would be seen by a consultant called in from Mars, who had no knowledge of the present doctrines or past record of any political party.

What would such a visitor from Mars single out as the chief economic problems that Britain will have to face? The biggest, overwhelmingly the biggest, is of course the problem of striking a balance in the international accounts, of getting back to a position in which not only is there no deficit in the balance of payments, but the level of imports is allowed to rise enough to make most, if not quite all, of the rationing and allocation schemes unnecessary. But our Martian would not have to look very far beneath the surface of this problem to discover that, in so far as it was not caused by dislocations in the outside world beyond the control of any British Government, the anaemia of British selling power was merely a reflection of deeper weaknesses in the national economy. The balance of payments is not so much a problem as an epitome of problems, and it is to its causes that any searching enquiry must turn. Everybody will have his own candidates for the list of the most pressing topics, but the four that follow could hardly be omitted from any.

1. Perhaps the most important problem of all is for the British community to decide how much of its resources it will devote, year by year, to the replacement and improvement of its productive equipment. Capital, in the inter-war years, was undoubtedly neglected in Britain, and if this country is to keep pace either with Russia on the one hand or with America on the other, there will have to be a vastly greater volume of capital creation than there was before the war. It will have to be enquired why there was so little, and what can be done to increase the flow of productive capital projects. And to the extent that this is successful, it will have to be asked where the savings are to come from.

2. When the share of the national resources that is to be taken by capital creation has been determined, the next problem will be to consider how much should go to another of the three great constituents, to the services of the Government. This is the problem of the Budget and taxation. Is there any prospect of any sizeable reduction in taxation without an abandonment of some of the present activities of the Government? And if this is the choice, what should the decision be?

3. The third problem is to find the means whereby the present instincts of restriction, which still so strongly influence both the management side of industry and organised labour, can be converted into the opposite instinct of expansion. It can be done, for it has been done both in Russia and in America. How can it be done here? How can both the British employer and the British worker be persuaded that he can best serve his own interest, as well as the community's, by consciously trying to produce better goods and services at lower costs?

4. Finally, there is the problem of striking a better balance than has been achieved hitherto between the individual citizen's desire for, and right to, security and dignity and the community's need for maximum economic efficiency. In abstract terms, this is the clash between Security and Progress. In more concrete terms, it is the difficulty of seeing that social security, the right of collective bargaining and the rest of the apparatus of the welfare state do not too badly impede the path of constructive enterprise, whether privately or publicly owned. It is the problem of meeting the social demand for a national minimum without wholly breaking the connection between efforts and rewards.

And perhaps behind all these difficult issues there is a fundamental matter which is more one of the spirit. That is the task of persuading the British people that they are truly members one of the other and that no one class can help itself merely by penalising another. Whatever may have been true of the past, and whatever may once again be true in the future, for the next decade or two all the inhabitants of these islands are in the same boat. They will sink or swim together.

The Sterling Area

THE sterling area is under pressure. Forces both from within and from outside the area are making for its dissolution. Much of the external pressure arises from profound misunderstanding of the genesis, character and operations of the monetary mechanism represented by the sterling area. The main misconception, and one which prevails particularly in the United States, is that the sterling area is a consciously created and centrally controlled monetary bloc, capable of being used at the bidding of authorities in London as an offensive weapon of trade discrimination. In fact there is no consciously created sterling area. There is no central authority dictating the policy of this widely scattered and commercially important group of countries. Admittedly there is among them a certain homogeneity of monetary conditions and of exchange and commercial policy. Since 1939, moreover, the sterling area has represented an element of discrimination against the rest of the world inasmuch as payments are relatively free within the area and controlled between the area and non-sterling countries. But it would be wrong to assume that these are the product of dictation from London.

The genesis of this somewhat indeterminate, yet powerful and clearly recognisable monetary system goes back to the nineteenth century, long before the term "sterling area" or "sterling bloc" had been coined. It evolved as part of the commercial and financial growth of Britain in the last century. Those were the days when sterling was not merely an international currency but the international currency. When the gold standard ruled the world and London ruled the gold standard, it might have been claimed without excessive arrogance, that the sterling area comprised nothing less than the whole globe. But, in more specific form, the sterling area evolved out of the banking and monetary arrangements that grew up around the economic development of the dominions and colonies. The trade of these new territories was transacted almost exclusively with Great Britain. The capital which developed them was provided by Britain, either in the form of sterling loans or as direct investments. Their banking facilities were provided almost exclusively by British institutions, some of them with head offices, and others with capital largely subscribed, in London.

For these, and many other reasons, the countries in question found it convenient to keep their currencies stable in terms of sterling. That meant maintaining part, if not the whole, of their currency reserves in sterling. Where, as in most colonies, there was no local currency, sterling coin constituted a large part of their circulation. For the same reasons, these countries found it convenient to keep working balances in London and to use those balances as a fund through which they conducted the whole of their payments with other countries, whether sterling or non-sterling. If they traded with Britain the payments could be made directly. When they traded with other countries it proved equally convenient and efficient to use their sterling accounts in London as the clearing through which their payments were canalised. Sterling was acceptable to the world over and could, if necessary, be converted unconditionally into any other currency, or even into gold.

Out of all these influences there gradually emerged the monetary system which, without ever having been invented without being recognised (since it was part of the international gold standard), served the needs of a large part of the trading world. Recognition of the system dawned after September, 1931, when sterling left the gold standard and other countries had to decide whether they would follow gold or sterling. For many countries, which previously had based their currencies on

sterling, the choice was virtually automatic. Their reserves were invested in London, the bulk of their trade was transacted with Great Britain, and there was no real alternative to keeping in step with sterling. For others, the ultimate decision emerged from a much more careful weighing up of pros and cons. Experience soon showed that, in this troubled period of the early 1930s, it was sterling and not gold that made the running, that sterling prices kept relatively stable while gold prices continued to fall, that Britain maintained its demands for imports far better than the United States and that, in fact, the sterling area provided a haven of comparative safety from the economic blows that continued to rain on the countries that remained within the gold bloc.

The pull of sterling proved strong and the sterling area acquired a number of new adherents from outside the Commonwealth family, among them Scandinavian countries, Argentina, Japan and, somewhat later, France. But, while it was recognisable and took definite shape, the sterling area maintained its wholly informal and voluntary character. Members of it came and went unbidden. They changed the sterling parities of their own currencies on their own volition and without reference to London, as, for example, was done by Denmark and New Zealand. Some, such as Australia, even maintained restrictions on capital movements with other members of the sterling area. Adherence to the sterling area remained a matter of the convenience and self-interest of the participating countries. But it should be added that between 1930 and 1938 this convenience and self-interest in its turn depended on the standing of sterling as a currency acceptable to the world over, convertible into any other currency without restriction, though now no longer at fixed rates, and convertible even into gold, for which London continued to provide a free and active market.

*

With the outbreak of war more formal and fundamental changes occurred in this monetary mechanism. It acquired what it had never had before, a statutory definition and recognition. Exchange control had to be imposed in Britain and other sterling countries for obvious defensive purposes. In order to place as few obstacles as possible in the way of commerce between the sterling countries, payments were left free to move between them, and the barrier of exchange control was placed between the sterling area as a whole and the rest of the world. During the weeks which immediately preceded the outbreak of the war, when sterling was depreciating rapidly in terms of dollars, the area had lost most of its non-Commonwealth members, the would-be neutrals having no wish to be linked monetarily to one of the belligerents. In essence, however, the sterling area in its wartime form remained a voluntary association. Its members pooled their common exchange resources. Each determined what its import policy should be. All recognised the primary need to conserve dollars, but any import licence issued by one of the members was automatically eligible for an appropriation of dollars or other hard currency from the central reserve, or "sterling area dollar pool" as it came to be called.

This, essentially, is what the sterling area has remained to this day. It is a voluntary association of countries which pool their reserves of foreign exchange and draw for their requirements on the central pool, which is held by the British Government. Membership of the sterling area is not quite co-terminous with the British Commonwealth of Nations, but very nearly so. Canada and Newfoundland were never in the sterling area, and Palestine was recently extruded from it as a necessary precau-

tion against the time of troubles that was clearly impending. On the other hand, there are some non-British countries in the area. Iraq was an original member; Burma remained in the area when it left the Commonwealth; and Egypt was a member until it left in a huff some months ago. The association is voluntary not only in the sense that any member is free to leave it, but also in that each member operates its own import policy, which is financed out of the central pool. The British Government may advise, and warn and suggest—but no more.

It was in its wartime form that the sterling area came under the deep suspicion of the United States Administration. American experts and officials understood and appreciated the reasons why exchange control had to be imposed during the war. But they suspected that measures taken under the stress of war might prove convenient to a somewhat enfeebled ex-belligerent and become thoroughly ingrained habits. They saw the sterling area surviving as a permanent monetary bloc and weapon of discrimination that could be used against American interests. That was why the Anglo-American Financial Agreement, signed in December, 1945, concerned itself in such detail with sterling area arrangements. It laid down conditions about the liberation of payments arrangements between the sterling area and the rest of the world. In particular, it required that the current earnings of foreign exchange by sterling area countries be made available for current payments in any part of the world. Furthermore, although the Agreement recognised that the great bulk of the wartime accumulations of sterling balances must necessarily remain immobilised in London for the time being, it stipulated that, if any of these sterling balances should be liberated, they should be made available in a form that could be spent anywhere in the world—that is, in effect, that they should be made convertible into dollars. The general intention of these conditions was, in the words of the agreement, “that any discrimination arising from the so-called sterling area dollar pool will be entirely removed.”

This reference to “discrimination” gives one important clue to the American attitude towards the sterling area. Another is also to be found in the Anglo-American financial agreement. It lies in the clause which requires that no part of the line of credit of \$3,750 millions opened to Britain should be used to repay any other creditors of the United Kingdom. The intention

was to ensure that no part of the dollars lent to Britain would go to repay the wartime accumulations of sterling balances. These balances represented debts which the Americans thoroughly distrusted and likened to the lend-lease obligations which they, as creditors, were prepared to cancel and forget. The intention of this clause could be understood and appreciated. Its application, however, presented serious difficulties. These difficulties arose out of the pooling of the sterling area's hard currency income and reserves. Once dollars were in the pool it was impossible to distinguish those that were produced by the line of credit from those earned by sterling area exports to dollar countries. When the loan had been exhausted the Americans could not altogether suppress the suspicion that this clause in the agreement had been blatantly ignored. They could not but note that in 1946 and 1947 the balances of sterling area countries had run down by £201 million, and that over the same period these countries had on balance dipped into the central gold and dollar pool to the amount of £148 million in order to meet their direct deficit with the dollar area, plus another unspecified amount in making gold and dollar payments to other countries. Putting two and two together, the Americans probably made the answer considerably more than four. They may have seen a conscious utilisation of loan dollars to pay off sterling creditors and, therefore, a direct breach of the agreement where, in fact, nothing so calculated or preconceived had occurred. But at least the evidence that could not be ignored suggested that the generosity of Britain, in liberating accumulated sterling balances and putting hard currencies at the disposal of the members of the area, had played a considerable part in the unexpectedly rapid exhaustion of the loan.

This seeming diversion of loan dollars to unauthorised purposes appeared to arise inevitably from the principle of pooling the reserves of the sterling area. When, therefore, the situation of 1945 recreated itself some two years later with the British request for Marshall aid under the European Recovery Programme, the Americans suggested that a fundamental revision of the sterling area mechanism might be called for. How far that mechanism has in fact been at fault in the past, and what might be involved in its disruption, are among the issues whose consideration must be deferred to a subsequent article.

Freedom of Information

PUBLIC diplomacy concluded in Geneva last week one of its less unsuccessful occasions. For a month representatives of 55 nations—eight of them voting solidly with the Russians—argued and exchanged documents about freedom of information. They ended by adopting with varying majorities three conventions on separate aspects of the problem, chosen by the American, French and British delegations respectively as of outstanding importance—the first on the gathering and international transmission of news; the second on the duty to correct false news and the methods of doing so; the third on freedom of information in general. The mental exercise did everyone good and quite a number of elusive principles about the freedom of the press are now pinned down as working rules. The delegates of the west displayed a very healthy rivalry even in face of east European solidarity, and a strong and professional American delegation was a little surprised to find how natural it is for most free Europeans to take the principles and practice of the British press as their standard. Little harm and quite a lot of good was done; yet the result of so much labour by so many officials at so much cost in hard currency hardly comes up to expectations.

The conference was held under the auspices of the Economic and Social Council of the United Nations. The spirit in which it tackled its work is expressed in the language of its first resolution on General Principles:

Freedom of information is a fundamental right of the people, and is the touchstone of all the freedoms to which the United Nations is dedicated, without which world peace cannot well be preserved.

This is the language and the thought of the days of the Atlantic Charter and the Charter of Uno itself, when there was hope and belief that freedom would everywhere prevail as a result of war. So strong was this hope, that freedom was subdivided into fundamental liberties, for each of which an organ of the United Nations was made responsible. That is how the Economic and Social Council came to deal with freedom of the press, radio, news-reels and other “media of information.” Unfortunately, the assumptions on which such hopes and definitions were based are no longer tenable. The desire of all governments to co-operate in the observance of certain principles does not exist; the political and moral terms they use have been given diametrically opposed meanings; the rulers of half

Europe will not and dare not concede liberties which the rulers of the other half regard as fundamental. To the Russians at Geneva freedom of the press meant its control by the representatives of the people—that is to say the government. To the vast majority of delegates it meant exactly the opposite.

What then was to be achieved by reviving out-dated assumptions and aspirations before a conference so deeply divided from the very start? One of two things. The non-Communists could close their ranks, agree to disagree with the Communists and produce a resounding and general declaration of principles to which Russia and its satellites would refuse to subscribe. Such a result might have sounded impressive; it might have been accounted an engagement fought and won in the cold war; but it would have made no difference to the conditions in which journalists and other purveyors of information have to work. Or they could try to draft workable conventions on such matters as the handling of news, the treatment of correspondents and the correction of untruths and half-truths, which might secure some slight measure of observance in Communist countries and might set up uniform standards and practice in non-Communist countries. The conference chose to follow the latter course, well aware that the non-Communist delegations would disagree strongly among themselves by the way—causing delay if not deadlock.

The disagreements in the camp of the free countries were full of interest. They demonstrated once again—what must never be forgotten when high hopes are set on international action—that the drafts presented to such conferences by national delegates always reflect the national characteristics and political preoccupations of the governments or interests they represent. At Geneva the delegates ran true to form. The Russians seemed to want above all to check that criticism and reporting about themselves and their allies which they denounce as incitement to war, and which they attribute to the fact that the press in capitalist countries is beyond government control. The British stood stoutly for free trade in ideas, the running of risks and the simple formulation “when *Pravda* is wrong who corrects the *Pravda*?” Mr McNeil, himself a journalist, made one of the best speeches of the meeting on the theme that “contest in ideas is the basic condition of advancement.” Yet, when it came to detailed drafting, the convention on freedom of information submitted by the British contained no less than ten exceptions to this “fundamental human right,” to be enforceable by law—all contributed by the British delegation and generally opposed by the Americans who, among other things, disliked the British law of libel. Even the heart of Mr Bogomolov must have warmed to the British when he found them including in their draft the right of a government to penalise “expressions which incite persons to alter by violence the system of government or which provoke disorder.”

The Americans, who put all their weight behind the con-

vention on the gathering and international transmission of news, were chiefly interested in the rights of foreign correspondents. In fact, it was the impression of most delegations that the Americans wanted to secure for their news agencies that general freedom of the market for the most efficient which has been the object of all their initiatives in commercial policy—that they regard freedom of information as an extension of the charter of the International Trade Organisation rather than as a special and important subject of its own. And the stern opposition which they offered to Indian and Chinese efforts to protect infant national news agencies confirmed this impression.

The French, very appropriately, put all their weight behind one or two simple ideas, embodied in the convention “concerning the institution of an international right of correction.” They dropped, in the course of debate, a proposal for press cards which would have created a class of professional *journalistes tolérés*; but they secured a majority for a far-reaching proposal which—if it comes into force—will create quite novel problems for news departments of foreign offices, news editors and compilers of radio bulletins. In Article 1 of their convention a procedure for the correction of “false and distorted reports” is laid down. If, for example, the British Government felt that a message sent to Russia by the Tass Agency was likely to harm Anglo-Soviet relations and was false and distorted, it could submit its version of the facts to Moscow in the form of a communique. This communique would correct news reports only and would be “without comment or expression of opinion.” In length it would be “in no case more than double the number of words in the news report to be corrected.” Moscow would then be expected within five days to “facilitate the dissemination” of the correction; if it did not do so the British Government would be entitled to send the communique to the Secretary-General of the United Nations for publication by him.

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Here is a procedure which, used sparingly, might be valuable in a moment of international tension. Used frequently it would break down at the receiving end; for in no free country has the news department of the government the power to force the press to print such a correction, and in no totalitarian country would there be any likelihood of its being published. But in times like these, when diplomatic contacts between East and West work so slowly and noisily, this French proposal offers yet another of those subsidiary methods by which a government can indicate its willingness to negotiate or to exercise patience and restraint. It is just conceivable that it might be worked between East and West for the reason that both sides might gain equally by its use.

It would be unfair to submit all three of these draft conventions to the same test of practicability. Obviously it is easier

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to secure enforcement of rules about the transmission of news and the publication of corrections than to make governments abide by the lofty principles of the British draft on freedom of information—or to dissuade them from abusing the powers conferred upon them in the “exceptions” to the freedom of the press contained in the same draft. But even then it remains true that countries which may be called free could secure by bilateral agreements all the uniformity of rights and practice that journalists need. For journalists and purveyors of ideas and information form an old-established international society, whose code of behaviour is on the whole every bit as good as the code of commercial behaviour prescribed in the charter of the ITO.

In any case the three conventions adopted in Geneva have still some way to go before they have to be signed by governments. First to the Economic and Social Council at its next session, together with the comments of governments; thence to the General Assembly next autumn; thence to individual parliaments for such action as is called for. For the time being then it will be wise to treat the draft conventions produced by the conference firstly as bodies of doctrine, in which can be

found useful definitions of many points in the democratic case which have been vague or misleading; secondly, as definitions of aim which may make it possible for regional groups of governments at a later date to make freedom of information a reality among themselves.

It is a pity that the attempt to produce a set of agreed practical proposals should have prevented the conference from drawing up a coherent and dignified body of doctrine with a Miltonic ring to it. The world was, alas, too much with the delegates. If the code of rules they have laid down is enforced by governments it will demand few important changes in the present practice of free countries, whereas in countries where freedom is seriously curtailed there is no question of making the journalist's life easier by international agreement. If he is correspondent of a Western newspaper or agency—whether native or foreigner—he will have to come to some kind of terms with the regime he is reporting or give up hope of getting or sending news. In the process he may lose the confidence of his employers. To his dilemma, which contains in brief the whole problem of freedom of information, the Geneva conference could find no answer.

Examination for Schools

SYMPATHETIC parents and their harassed offspring could have been forgiven if they had derived from announcements in the press on Monday of this week the impression that the much-dreaded School Certificate is no more and, indeed, that the public external examination as a whole is an expiring species. Let them not rejoice too soon. Examinations may in future be less rigid; the mathematically purblind and the linguistically deaf may escape the discouraging experience of repeated failure. There may also be fewer examinations. But the standards set by public examiners will still remain the main influence on the education at least of the grammar school child.

The changes now proposed in the examination system go back to the report on “Examinations in Secondary Schools” by the Secondary School Examinations Council, which was published last September. The Committee's proposals were submitted unanimously, but the report in fact contains a host of compromises which erect verbal bridges between the conflicting views of the National Union of Teachers, with their dominant interest in the “modern” secondary schools—most of which are, and for some time are likely to remain, merely promoted elementary schools—and of the spokesmen of the secondary grammar schools. The report fell into two parts. The first went a long way towards releasing the schools, or some of them, from any formal written examination, set by an external body. It suggested that schools should conduct their own internal examinations, with some ill-defined system of “external assessment” to be applied by the Ministry or the Local Education Authority. There was also much talk of “objective tests,” which apparently meant intelligence tests. All this clearly looked mainly to the “modern” schools.

The second part of the report dealt with the organisation of external examinations for those going to the universities and for those “who have followed courses substantially beyond the statutory minimum leaving age.” (The exact wording is important.) This part of the report was the outcome of very widespread criticism of the existing examination system, which, it was alleged, restricted the freedom of the schools, hampered experiment, drove boys and girls along a narrow groove, encouraged cramming, over-specialisation and other undesirable practices. Much of this criticism was well founded; but equally a good deal of it came from those who blamed the

system for defects that were all their own. The Council's recommendations were, in brief, that the external examinations should be less rigid and taken later in the school life. They retained the present three grades of examination, with School Certificate, Higher Certificate and University Scholarship, re-christened Ordinary, Advanced and Scholarship, but they proposed that there should be no “required subjects” and that it should be possible to obtain a “General Certificate of Education” at either the advanced or the ordinary level with any grouping of subjects, or even with one subject alone. They also recommended that the external examination should not be taken before the age of 16.

What has now happened is that the Minister has accepted the recommendations of this second part of the report, without expressing any opinion on the first part. But he adds the significant rider that

he agrees generally with the principle that external examinations should not be taken before the age of 17 but he is prescribing a minimum age of 16 . . . until there is a substantial increase in the number of boys staying at school till 17 or later.

The only conclusion to be drawn is that when the school leaving age is raised to 16, the minimum examination age will rise to 17. This extraordinary statement is the outcome of strong political pressure from the National Union of Teachers, who oppose public examinations partly on grounds of educational principle, but also because they shrink from any objective comparison of the results of teaching in “modern” schools with that of the grammar schools. To them “parity of esteem” does not mean allowing a few modern school children to take the examination (the proportion of successful candidates would naturally be lower) but completely debarring them by regulation from having the faintest chance of competing at all. If any bright child should stray into a modern school—and the process of selection at the age of 11 is not so perfect that there will not be many such cases—he is to be denied the opportunity of showing what he can do rather than that the quality of the teaching to which he has been exposed should be objectively tested. Parity of esteem is apparently to be achieved by widening the gulf between the two types of schools. For many years to come the modern schools will inevitably be labouring under many disadvantages. But this attitude of the National

Union of Teachers seems to put the trade-union interests of the teachers before the educational interests of the pupils.

There are, indeed, some good educational grounds for thinking that the school certificate examination is taken too young by many schools—for example, at 14. There are many people who hold the view that the only way to defend the young from the excessive zeal of their masters is to prevent them from specialising until after 16. There is some strength in this criticism. But is it right deliberately to hold back the really bright boy simply so that his less bright companion should not be over-strained? If the bright boy, without undue pressure, can pass the test of the Ordinary examination at the age of 15, but is made to wait for one or two years, what is he supposed to do with his time? If this age restriction is persisted in, the best schools of the country, which are largely independent, will set up their own examination system, the state system will lose prestige, and one more wedge will be driven into British education.

The attitude of the universities in this controversy is equivocal. On the one hand, as examining bodies in their Joint Examination Boards, they appear to be content to abandon their right to ensure that the subjects taken in the public

NOTES OF THE WEEK

Sheep and Nenni-Goats

The Labour Party Executive was undoubtedly well advised to confine its disciplinary action to one single Member of Parliament—however much indignation may be created among those who vociferously proclaimed that they would stand or fall together. Mr Platts-Mills had a long tale of incidents to his discredit, and it was on the grounds of his “general political conduct” rather than on his instigation of the Nenni telegram that he was expelled. The other MPs who signed the telegram, apart from those whose names were taken in vain or who were so politically naïve as not to know to what or to whom they were committing themselves, have been let off with a caution. They have, in fact, been warned in no uncertain terms, and unless they sign along the dotted line within a week's time that they will behave themselves in future, they too will be expelled. The border-line between the sheep and what have been appositely termed the Nenni-goats is precariously thin, but it seems likely that the 21 offenders will agree to toe the line.

In this way, the honour of the party will have been saved and the embarrassment avoided of having to take any parallel action against those Members who act against party wishes and attend The Hague conference. The analogy between Nenni and The Hague cannot, of course, be carried very far. Support for the Nenni Socialists was diametrically opposed to Labour Party policy, even if the decision to support Saragat was taken without any formality, whereas The Hague ideal of Western Union is exactly in line with British official policy, even if it means fellow-travelling with Mr Churchill. It remains to be seen how many of the forty MPs who have said they will go to The Hague will risk the party's displeasure.

The whole incident is not very edifying. The washing of political linen in public is always an unattractive process, and there is a real danger in this case that it will lead to a stifling of genuine criticism of official policy, especially on foreign affairs. If the Executive is content to let bygones be bygones, at any rate until after the Scarborough conference, it will certainly improve its standing in the eyes of the public.

Problems for the TUC

The General Council of the TUC has made a wise decision and bowed to the inevitable. Reports that there would be a violent clash with the Government on the question of profits, prices and wages have been proved unfounded. Instead, the General Council has declared its willingness to give the scheme for voluntary limitation of profits a fair trial, while keeping a close watch on the course of profits and prices. Sir Stafford Cripps, it appears, has convinced the union leaders of the realities of the situation, and at any rate the good intentions of the White Paper have been saved. What happens to the claims of individual

examinations are fairly balanced. Since there are now to be no minimum requirements or compulsory groups of subjects, a boy can take as few subjects as he and the school pleases. The idea behind this is to put full responsibility on the schools, whose skill in evading the regulations in the past has often nullified the attempts of the Examination Boards to broaden the curriculum. On the other hand, the discussions which are now taking place between the universities about their own entrance requirements will almost certainly repeat many of the earlier rules about the number and distribution of compulsory subjects. A very desirable minimum uniformity may be achieved, but as long as the universities say, for example, that two papers at Advanced and four at Ordinary level are required for university entrance, and that two languages and mathematics are essential, the new examinations will not differ so very much from the old. Perhaps the principal gainers from the new rules will be the less bright children in the better schools. These may escape the pressure of being forced to take school certificate young and their teachers will be freer to experiment. This is a real gain. But whether it is enough to offset the general tendency in the direction of “levelling down” intellectual standards is considerably more doubtful.

trade unions—whether or no they voted with the minority at the conference of trade union executives—remains to be seen. The answer will probably be “the mixture as before”—with, it is to be hoped, at any rate some dilution. The main effect should be a general slowing-down of applications for wage increases and to more compromises on the amounts granted, which may or may not lead to industrial trouble, according to the influence of the Communists within the union.

The most pressing matter for the unions to determine now is the extent to which restrictive practices impede production. This week's meeting of the Minister of Labour's National Joint Advisory Council of employers and trade union leaders seems to have been remarkably indecisive, although it may have served a useful purpose in airing a subject which many people, particularly on the trade union side, would prefer to leave in the shadows. The main question—what is a restrictive practice?—seems to have been largely left unanswered, and both sides agreed that they needed more time to consider it and to consult with their constituent organisations before attempting to give a reply, or any indication of how restrictive practices could be eliminated.

It is easy enough for the outsider to produce damning examples of restrictive practices arising from unnecessarily stringent inter-union demarcation lines or rules about limitation of output, or the number of machines per worker. It is less easy to persuade the individual rank and file worker that by these methods he is responsible for a significant loss of output, since, for the most part, the unions are still thinking in terms of the unemployment of the inter-war period. It is, nevertheless, necessary that the investigation should take place, and that both sides of industry should be drawn in. The Government has hitherto been far too chary of treading on trade union corns. The inquiry will no doubt take some time, but at any rate a start has at last been made.

Hanging in the Lords

When an arch-Conservative like Lord Templewood receives “loud Ministerial cheers,” when one Liberal peer pleads for capital punishment to be decided by the executive rather than by the courts and another treats the subject with levity, and when a bishop of the Church of England supports in public the Old Testament principle of retribution, the ordinary citizen has some reason for feeling bewildered. If there is one thing he can be certain about, it is that in leaving the abolition or retention of capital punishment to be settled at the eleventh hour the Government made a bad mistake. That it should be settled by a free vote was quite right. But the free vote should have been taken before the second reading of the Criminal Justice Bill, which would have allowed time for modification and consideration before the Bill left the Commons.

As it is, abolition has become tangled up with the Lords' power of revising Bills, and it may well be that if, as seems likely, in the committee stage the Lords delete the clause suspending capital punishment for murder for five years, the Commons will cease to treat the question on its merits and will be more concerned with upholding their own sovereignty.

On the pros and cons of abolition it cannot be said that the hilarity and savagery which at times marked the debate in the House of Lords were any improvement on the emotions of the House of Commons. The influence of the law lords was thrown in against suspension, but this was to be expected since, on penal reform, the attitude of most High Court judges notoriously lags behind public opinion—as witness Lord Oaksey's support, not only of capital punishment, but also of hard labour and whipping. On the other hand, in view of the close vote in the Commons, this does seem an occasion when they should be given a chance to change their mind or at least to adopt one or other of the compromises now being put forward. Probably what makes many people hesitate before supporting abolition or suspension is the prevalent lawlessness and violence. Could not the Bill give powers to the Home Secretary to suspend the death sentence by Order-in-Council at some future date when society is less disturbed? This should satisfy the Government's own conviction that it is the occasion rather than the principle of abolition that is wrong. If, however, this opportunity for suspending capital punishment is lost, the country might have to wait twenty years or more before another one occurs.

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Teeth in the Brussels Treaty

The military implications of the Brussels Treaty are apparently being worked out with gratifying speed. The Permanent Organ in London, with Mr Gladwyn Jebb in the chair, is to meet once a week instead of once a month. The Defence Ministers of the five governments were to begin a conference on Friday at Lancaster House which should launch their military staffs on the work of the Permanent Military Committee. The recent visit to Washington of General Sir Leslie Hollis, chief staff officer to the Ministry of Defence, has put new life into the Combined Chiefs of Staff organisation; and now the French have established a joint general staff and a joint committee of inspectors-general of the armed forces.

With so much secret diplomacy under way it is difficult to sort out the realities from the appearances. But on present evidence it seems likely that co-operation on defence, with the Americans—so to speak—in remote control, will follow the example set in last summer's preliminary studies for the European Recovery Programme. That is to say, the Permanent Military Committee will first survey their resources and the means by which they could be strengthened through co-operation; they will then discuss with the Americans how the most obvious weaknesses are to be made good. Such a procedure, little though it will contribute to the immediate strengthening of western defences, is probably the only possible one in the present state of American opinion. And Mr Marshall is certainly right in assuming that a revival of lend-lease would be impracticable unless the Brussels Powers had shown in military precautions at least as much evidence of willingness to co-operate as they have shown in economic affairs.

Yet it is going to be difficult to steady the nerves of the waverers and pessimists in the West with nothing more than present sedatives. People on the Continent—especially in Germany—are still obsessed with the fear of Russian occupation and a Communist purge, and regard events in Palestine and Berlin with an alarm which is scarcely understood in this country. To find ways of reassuring them is as difficult a problem in foreign policy as has ever faced Mr Marshall and Mr Bevin.

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Dalton Doctrine for Europe

Western Union has had the bloom taken off it by Mr Dalton much faster than the gilt-edged market. In the few months that he has been chief representative of British Socialists in their dealings with continental colleagues he has caused a dangerous depreciation of the ideas of western co-operation, so cautiously launched by Mr Bevin and Mr Attlee in January. The meeting of representatives of 16 Socialist parties held in Paris last weekend was the occasion for decisions and resolutions which showed obstinate misunderstanding of the difficulties which will face western Socialists as the governments of free Europe work for political and economic association.

Whereas Mr Attlee has said quite firmly that Western Union will not be achieved on an exclusive basis of Socialist governments and ideas, Mr Dalton is reported as saying in Paris

“As Socialists we must make sure that the success of the Socialist policy now being pursued in Britain, Scandinavia and other countries is not jeopardised by the premature creation of a political union, in advance of the assurance of economic stability throughout the union.”

Of the members of such a union Mr Dalton demanded “full employment and economic planning in the public interest,” giving a broad hint that Britain would choose carefully the company it keeps. Yet he must be well aware that the instruments of western co-operation which Mr Bevin has signed contained no such qualifications for membership of Western Union. And he will learn from the new continuing organisation of Socialist parties, if he does not know it already, that the trend of opinion in the most important western countries is away from planning towards more liberal economic policies. The evidence of this in France and Belgium has been visible for some time and the Christian Democrat victory in the Italian elections is bound to give impetus to the revival of Right parties.

The moral for western Socialists should be clear. Execution of the Marshall Plan demands the closest co-operation of governments whose domestic policies already range widely between right of centre and right of Marxism. Several of them derive their strength from a powerful Catholic and anti-Socialist vote. Some of them—in France and western Germany for example—may stand quite alarmingly far to the right before the four years of ERP have passed. Will the Labour Party recognise the fact that of the 16 governments interested in the Marshall Plan only four are Socialist against five of the Right, five coalitions and two non-party? Or will it ignore the balance of power among continental parties and pretend that non-Communist Europe is, or might become, solidly Socialist?

It is a difficult and momentous question on which thought might have been much clarified if the 16 Socialist parties had not decided to boycott the conference on united Europe which meets at The Hague next weekend. For there will be represented groups of the centre and right with whom Socialists could work—as they now work in France, Belgium and Holland and have worked in Italy. And those men will need all the help that the moderate Left can give them in holding off discredited elements of the Right which claim the support of America for their return to public life. Some broad measures of economic planning there must be: they are an essential part of the whole conception of ERP. That fact, plus the principles stated in the preamble of the Brussels treaty, should suffice as a basis for the co-operation of all moderate parties in western Europe, provided their leaders do not take up doctrinaire attitudes. “No friends to the Right” is as dangerous a slogan as “no enemies to the Left.”

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Scandinavia and the West

The activity in Western Europe is being watched attentively in Scandinavia. The mild terms of the Russo-Finnish treaty—which seem to have been aimed at allaying the suspicions of Finland's neighbours—have done little to change their general attitude of wary suspicion. It is nevertheless an advantage for Russia that the waverers have been confirmed in their wavering for a little longer—perhaps Russia is not so bad after all. The more undecided opinion is, the less definite policy will be.

That a prominent member of the Swedish Cabinet should announce his belief that forestalling action by the West is a greater threat to Sweden than a move from the East is a sharp reminder of how far many Swedes have to go before assuming the rôle for which they are sometimes cast in Western Union. Even when allowances are made for the dialectical oratory and personal idiosyncrasies of Mr Wigforss, the influential Finance Minister, who expressed this opinion at the beginning of April, it must be admitted that he spoke for a larger body of opinion than is often realised. The liberal press and important professional circles, it is true, advocate an alliance with the West. The Premier, Mr Erlander, recently declared that his policy had four aims: to fight the enemies of democracy at home, to defend Sweden's national independence, to remain free from alliances and entanglements, and to participate wholeheartedly in the work of European reconstruction.

This statement of policy, however, leaves much to be decided. It can be argued, for instance, that the third and fourth aims are incompatible. The European Recovery Programme will result in a lasting organisation which, if it is to fulfil its purpose, will undertake political tasks. Wholehearted participation in recovery thus implies a change of policy which would be inconsistent with

neutrality. Similarly, the economic co-ordination of the Scandinavian states, the foundations for which were laid recently in Oslo, has far-reaching political implications. It may be that Sweden's participation in these projects will stop short of anything that is thought to involve an irrevocable departure from neutrality. And when, for their own interests, the great Powers place reservations on their participation in international agencies such as Uno, it would be difficult to blame a small Power for a similar course of action.

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Monopoly Bill Under Fire

Mr Harold Wilson's opening speech in last week's second reading debate on the Monopoly Bill made some points which call for comment. *The Economist* has criticised the Bill on the grounds that it unduly restricts the scope of the Monopoly Commission by making reference to it by the Board of Trade a pre-condition of enquiry. This provision is justified as a protection of the Commission's time and energies against “cranks and cases of relatively small importance.” This is not entirely convincing. The Commission need not be bound to institute inquiries at the behest of any crank or victim of persecution mania; they should be able to sift out for themselves those cases which call for enquiry from those which do not. It is surely better that the initiative of the politically-minded and possibly politically-motivated President of the Board of Trade should be supplemented by the initiative of the impartial and judicial Commission itself. This superiority will grow as the Commission's expertise develops. Mr Wilson's defence of the exclusion of nationalised industries—based on the existence, by reason of their legal constitution, of bodies protecting the consumer's interests in relation to each—would be wholly convincing if these bodies were in fact the armed and active champions that they ought to be. On an analogy which should appeal to a colleague of Sir Stafford Cripps, the Commission might be given the power to conduct a once-for-all enquiry into the adequacy of these safeguards, recommend amending legislation where needed, and then retire from the field. Similarly his reasons for excluding Trade Union restrictions from the scope of the Bill—good reasons enough in themselves, and concurred in by the Opposition as represented by Sir David Maxwell-Fyfe—would carry more weight if any parallel though separate enquiry into these practices were contemplated or indeed, under this Government, imaginable.

Sir David's speech, which largely reproduced the argument of his recently published pamphlet *Monopoly*, was a model of what his recently published pamphlet *Monopoly*, was a model of what an Opposition speech should be on a topic where ends are agreed and means in dispute; and his view that any definition of prohibited practices would involve administrative chaos deserves, at least, respectful consideration. It is arguable, however, that this would be avoided if the prohibitions were few enough and the definitions tight enough. Certainly it should be possible to profit by hard American experience and avoid the type of legal drafting which benefits no one except that particularly close corporation—the legal profession.

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Electoral Reform

The discussion in Committee of the Representation of the People Bill in the House of Commons only served to show the difficulties created by the Government in departing unilaterally from the recommendations of the Boundary Commission. The Government amendments, by splitting eight large constituencies and adding nine members to the representation of the larger cities, added 17 seats to the number allotted to England. This departure from the Boundary Commission's agreed proposals, while not entailing proposals in themselves objectionable, upset the balance of the Commission's scheme sufficiently to encourage the Opposition to table further amendments. Mr Churchill accordingly wrote to the Speaker pointing out that the Government's amendments had reduced the electoral quota from 58,670 to 56,730, with the result that certain suburban and rural areas were seriously under-represented and proposing that eight more constituencies should be created, two each in Surrey and Middlesex, and one each in Kent, Essex, East Sussex and Cheshire. He asked the Boundary Commission to give their advice unofficially on the demarcation of the boundaries of the new constituencies in the areas proposed.

The Speaker transmitted this request to his colleagues, and the Commission has prepared schemes of demarcation, without of course accepting any responsibility for the proposals, and Sir Rowland Burrows, the deputy chairman, points out in his

covering letter that in Essex and Middlesex the formation of additional constituencies is only possible by cutting local government boundaries, and that the creation of two additional seats in Surrey and Middlesex would result in those counties as a whole being over-represented. It remains to be seen what amendments in these circumstances the Opposition will be prepared to propose. The fear that the matter would end in a bargain between the two larger political parties was pertinently expressed by Mr Byers. There is, however, no reason why a series of Liberal amendments should not be allowed to add to the confusion. In the meantime the Government's second thoughts, inspired by Mr Dalton, have done nothing to increase the confidence of the public in its handling of constitutional questions. This has already received a sufficiently severe shock from the highly controversial proposals introduced into the Bill such as the abolition of the university seats and the representation of the City of London.

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The Motor Spirit Bill

At first sight, the Motor Spirit (Regulation) Bill looks like a cheap price to pay for the ninety-miles-a-month basic ration. It should do its job. The unscrupulous garage owner cannot regard the results of conviction as a normal trade risk when those results include a year's closure of his business; nor can the peccant motorist write them down as part of his motoring overheads when faced with the loss of his driving licence and the immobilisation of his car.

The Bill is, nevertheless, a depressing index of popular and legislative ethics. The Gilbertian elegance of the penalty in kind masks the grossest discrepancies of effect; a minor inconvenience to the erring pleasure-motorist may be a professional death sentence to the “E” driver—and neither in fact to incur these results need have been guilty of more than carelessness. The provision that the mere presence of commercial petrol in a private car shall constitute proof of guilt runs clean counter to the most honoured principle of British law. A citizen in whose house a corpse is discovered certainly has to answer questions by the police; he does not automatically find himself in the dock, which is where the *corpus delicti* in the tank places the car owner. He can plead that he took reasonable precautions; but what precautions are “reasonable”? The right of entry of the police to all premises not used as dwelling-houses extends a decidedly repugnant practice; and is a private garage, not physically attached to its owner's house, part of the “premises” in question, and so immune, or not?

In general, there is something more than repugnant about the imposing of heavy penalties, including prison sentences of up to two years, for merely economic offences; for actions, that is, which, but for the fact that they clash with the intentions of a planning authority would be perfectly normal or morally unexceptionable. The assimilation of the purely economic offender to the ordinary criminal is an unmistakable hallmark of the police state; and this Bill is best regarded as part of the price, not of the basic ration, but of the determination to direct every part of the national economy by brute force against the pull of the normal price system. The blind economic forces of the old regime had their demerits; but they did not, at least, make a variation in the chemical content of petrol a more heavily punishable offence than drunken driving or cruelty to children.

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Oil and the Palestine War

It has always been clear that, as soon as the Palestine war entailed a fight over Haifa, the oil supply that passes through that port must dry up. This development was inevitable for two reasons. Firstly, the source of the oil is Arab; it comes by pipe from Iraq, and the international company that extracts and pumps it could scarcely continue to dispatch its product to a terminal that might at any moment service Jewish forces exclusively. Secondly, the labour that works both the pipe-line and its terminal, as well as the British-owned Haifa refinery, is partly Jewish, partly Arab. It cannot be kept at work harmoniously while fighting proceeds in the vicinity. The refinery was temporarily shut earlier this year on account of Jewish-Arab disturbances (see *The Economist* of February 21st, p. 310), but was miraculously set to work again. On April 13th it closed once more. This time pumping from Iraq has had to stop. When work will start again no one can say.

The output of the Haifa refinery is about 4,000,000 tons per annum. This figure was made up in 1947 of some 2,200,000 tons of fuel oil, 700,000 tons of gas oil, 650,000 tons of motor spirit and 350,000 tons of kerosene. Some idea of its importance is

given by the fact that the British Economic Survey for 1948 estimated United Kingdom consumption of fuel oil at 3,500,000 tons per annum at the end of 1947 and total British consumption of all petroleum products for 1947 at 16 million tons.

The destination of the Haifa oil is interesting. More than half of it was consumed on the Mediterranean shore of the Middle East, principally in Palestine and Egypt. In 1947 Palestine alone absorbed 690,000 tons; Egypt consumed over 800,000 tons and the balance of the 1,400,000 tons consumed in the Levant was absorbed by Syria, Turkey and Cyprus.

Europe (principally Greece drawing on American account) took 900,000 tons, of which 200,000 tons went to the United Kingdom. North Africa absorbed 225,000 tons, and 500,000 tons were locally supplied to shipping from bunkers. Except for small refineries at Tripoli (Lebanon) and in Egypt, neither of which meets home consumption, there is no alternative eastern Mediterranean refinery available. At a moment, therefore, when the world is particularly short of refinery plant, a large and valuable unit is put out of commission and a large additional group of consumers must be fed from elsewhere. The situation is all the worse for Britain in that the Haifa output is largely (though not entirely) a sterling area source of supply.

So far as Palestine is concerned, the closing of the refinery means that military transport, factories, agricultural machines and the many household cooks who depended on kerosene must henceforth run on stocks, which are scanty. In view of the refinery position there are no alternative sources of supply save tanker-running for the Jews, and Lebanese self-sacrifice for the Arabs. Lack of fuel may work more effectively than anything else to determine the shape and course of the Palestine war.

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Prodigal Son of the Pacific

An article from an American correspondent in *The Economist* of April 24th showed how far the pendulum has now swung in America away from the days of Morgenthau fantasy, not only as regards Germany, but also, and even more, in relation to Japan. With the feeding of the Japanese people a burden on the American taxpayer and the thunderclouds of Communism lowering over eastern Asia, there is a will to let Pearl Harbours be byones and forget the time when Main Street's dearest wish was to "gut the heart of Japan with fire."

A report on Japanese industry signed by Mr Hoffman, now appointed to administer Marshall aid in Europe, and endorsed by Mr Draper, Under-Secretary for the Army in President Truman's Administration, virtually does away with the prospect of reparations from Japan, beyond the small deliveries which have already taken place. It looks forward instead to the restoration of Japan as the "workshop of Asia." Japan, it is held, "needs more, rather than less, productive capacity than she now has," and even the idea of drastic restriction of Japan's mercantile marine has been discarded. It is clear that American experts who have recently visited Japan have been impressed not only by Japanese business and technical capacity, but also by the docility of the Japanese under American supervision, in contrast to the political disorder and economic unproductiveness characteristic of other parts of the Asiatic scene. The present American tendency is to ask what a country can now do for itself and for the United States, not what it might do in other circumstances, nor yet what it deserves.

It is not to be expected, however, that the killing of the fatted calf for the prodigal son will evoke any more enthusiasm in his virtuous brother than it did in the scriptural parable. Australians and Chinese, who have borne the burden and heat of the day in the war imposed by Japanese aggression, naturally take a dim view of Washington's new policy and ask how Japan is going to behave once it gets back its industrial strength. The United States Government ought not to disregard the opinions and feelings of its former allies in the Pacific war and should explain to them in good time what measures it proposes to take in future to ensure that Japan's revived economic power will not develop into a dangerous new war-making capacity. There is plenty of good sense in the current American plans for enabling the Japanese to become a solvent, productive community instead of a degraded pauper among the nations. But in Canberra, Nanking and Manila their conversion to innocence requires to be demonstrated more convincingly than it is by the optimistic hand-outs from General MacArthur's headquarters.

New Vice-President for China

There was nothing unexpected in the re-election of General Chiang Kai-shek as President of China by the National Assembly sitting in Nanking. Even though, as a matter of form, he had announced his intention not to seek re-election and even though one rival candidate was put up and received about a tenth of the votes cast, it was clear enough that he could not be displaced in the present critical state of China without a fatal split in the Nanking regime. But for the Vice-Presidency there was no such obvious candidate, and for this office a real contest has taken place which may turn out to be of considerable political significance. From among six nominations the electors chose General Li Tsung-jen, who was supported by those elements most insistent on administrative reform in Nanking. His reputation as a practical reformer is based on his record in Kwangsi province; it remains to be seen what he can accomplish in the central government. But at least the reform party has shown its strength in opposition to the Kuomintang party bosses, and its initial success must have caused a flutter in the dove-cotes of corruption.

The National Assembly has granted emergency powers to the Government for the waging of the war against the Communists. But it has shown a measure of independence and initiative, especially where matters affecting China's international position have come up for discussion. In demanding a conference for a peace treaty with Japan with veto rights for the Four Powers it has set itself in direct opposition to American policy, which is unwilling to admit any veto right in the making of the Japanese treaty. The Government is also urged to announce the restoration of the Luchu Islands to China, though such a course could only be embarrassing to the United States. On the other hand, this recalcitrance towards Washington does not imply any approach to Moscow, for the Assembly demands that, if Russia does not return to China the industrial plant looted from Manchuria, the case should be brought before Uno. China is indeed attending vigorously to Chinese national interests, even though the Government's jurisdiction is disputed by force not many miles from the capital.

* * *

Liberals in Conference

The Liberal Party Assembly at Blackpool last week certainly showed a vigorous diversity of opinions which gave rise to some animated discussions. European Federation was a case in point. A resolution in the same terms as the motion in the House of Commons recently supported by no fewer than 190 members of all parties, was carried by the conference, notwithstanding the objections raised by such influential members of the party as Lady Violet Bonham-Carter and Lord Samuel. Like other parties, the Liberal Party has its right and left wings, and at this conference the latter clearly gained the prevailing voice. A motion to abolish all rationing except that of food was decisively turned down, and a resolution deploring the measures taken by the Government for the compulsory direction of labour and the continuance in peace time of conscripted military service and demanding a reduction in the demand of the armed forces in both men and materials was carried, although the implications of such a proposal, at a time when the United States Government is trying to introduce conscription, were clearly pointed out by Lady Violet Bonham-Carter.

Even less happy was the passing of a resolution on compulsory co-ownership in industry, which roused the enthusiasm of the younger members of the party. Under this scheme, every industrial concern with a capital of not less than £50,000 and/or not less than 50 employees would be required to submit to a specially constituted commission an arrangement whereby, after provision has been made for maintenance and reserves and the payment of a non-cumulative return at gilt-edged rate on the ordinary share capital, the surplus profits would be apportioned between the employees and the ordinary shareholders. Workers would also be entitled to elected representation on the board of directors. This scheme is supposed to represent the Liberal Party's alternative to public ownership, but the element of compulsion, which extends far beyond any project yet put forward by the Socialist Party, makes it a little difficult to take this manifestation of Liberal principles at all seriously—quite apart from the obvious practical difficulties involved. Co-partnership in industry may be an excellent thing which needs political encouragement, but compulsory co-ownership, without any obligation of the "co-owners" to contribute any capital to the under-

taking, is an entirely different matter, which is certainly bad Liberalism and would be likely to prove disastrous economics.

The conference was on much sounder ground in its affirmation of Liberal principles on the matter of trade unionism, both as regards restrictive practices and the closed shop, and the return to the principle of "contracting-in" on the political levy. The unfair advantage which the Labour Party has enjoyed in this matter is more than ever an anomaly now that the party is in power, and the reintroduction of real freedom of choice would go far to redress the class bias of the trade union movement, though precisely for that reason it will be fought tooth and nail. Mr Clement Davies in his speech promised a programme of Liberal policy in the form of "a short comprehensive statement of the party's policy on each of the questions which immediately confront the country." It will be interesting to see how that programme will compare with the rather irresponsible manifestos of the Blackpool assembly.

* * *

A Higher Housing Target

Mr Bevan announced last weekend that the Government were already revising the housing programme for next year, and that it was going to be substantially more than the 140,000 houses announced in the House of Commons some little time ago. The reasons for this change were not given, but it cannot be due to any improvements in the country's ability to buy timber. Timber shortage was the reason given last autumn for the cuts in the housing programme, and in spite of the contributions from ERP, dollars for this purpose must be almost as short as ever. The real reason must, therefore, either be political—that the builders' unions will not consent to so drastic a thinning of their ranks, and the local authorities will not restrain their house-hungry electorates; or administrative, because the cuts in the programme were too sudden and severe to keep the industry in running order.

Both forces have probably been at work. Owing to the smoke-screen behind which the adjustments in the housing programme were made last year very few people understood what was happening. Only as the effect of the cuts resulted in the refusal of contracts and the unemployment of building workers has their significance been realised. To judge by the comments at a conference of local authorities at the Housing Centre last week, very few understand the economic and financial duress under which the cuts were made, and are, therefore, strongly critical of the present policy. The reaction from the unions is probably still more violent.

There is good reason for thinking that the administrative arguments have been important also. The initial cuts designed to reduce the numbers of houses to be completed in 1948 to 140,000 were so great that there has been acute anxiety about keeping any smooth flow of building work going. The effect of these cuts was aggravated by the pressure to get schemes for permanent prefabricated houses approved before the expiry of the subsidy in December, 1947. As the result, schemes for traditionally built pre-houses gave way temporarily before those for permanent prefabricated houses, and the demands upon the building industry proper were still further reduced. To meet this difficulty it had already been decided to increase the programme to 180,000 houses. It may be that Mr Bevan is only giving ministerial blessing to a change of policy which has already been in operation for some weeks. At any rate he is now optimistic enough to expect 200,000 houses to be completed this year and to break the back of the housing shortage by the next General Election.

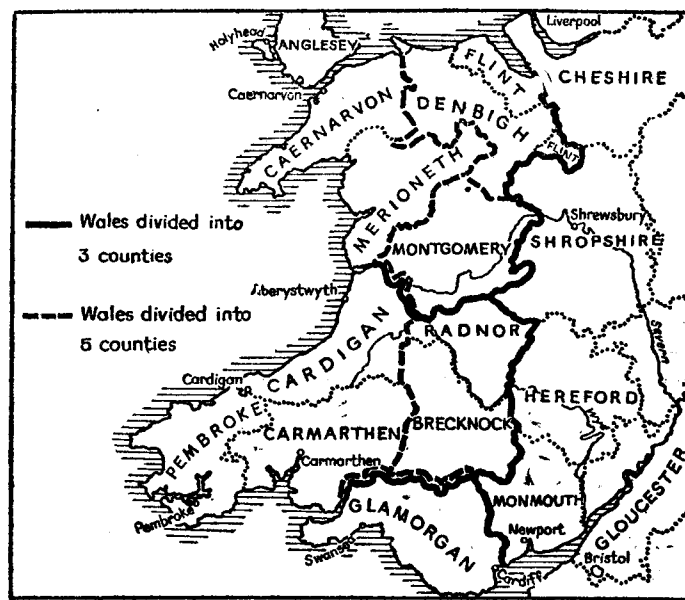
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How Many Welsh Counties?

The Local Government Boundary Commission, whose scheme of reform for England was discussed in the issue of April 17th, has also put forward for discussion several alternative ways of redrawing the administrative map of Wales. In any event, the industrial county of Glamorgan would be left much as at present, with the present county borough of Cardiff (and possibly Swansea as well) retaining their all-purpose character as "one-tier counties." But all the rest of Wales, outside Glamorgan, presents a particularly difficult problem. Its total population is under 1,000,000, with a density of only one person to 4½ acres, and with no towns of even moderate size. None of its eleven counties come up to the minimum population (200,000)—few come anywhere near it—which the Commission considers to be generally desirable for a major unit of local government, and

especially so where financial resources, as in Wales, are scanty.

The Commission therefore suggests alternative ways of grouping the eleven counties into larger administrative units. The simplest way would be to reduce Wales to two counties—a North and a South, but each would cover a vast and difficult terrain. Alternatively, the more populous North might be divided, making three counties in all. Perhaps the best alternative, however, is the suggested division into four new counties, which would comprise a North-west Wales (Anglesey, Carnarvon, Merioneth) corresponding to ancient Gwynedd, a South-west Wales (Cardigan, Carmarthen, Pembroke) corresponding broadly to ancient Dyfed, a convenient union of Denbigh with Flint, and a grouping of the three central counties of Brecknock, Montgomery, and Radnor



which would have some similarity to ancient Powys. The first three of these new units would be reasonably satisfactory from most points of view; but the fourth, despite its large size and very difficult communications, would have a population of only 117,000 and a rateable value of only £654,000. Although the suggestion sounds heretical, it seems likely that the only effective remedy for the depopulated border counties of central Wales would lie in their union with English counties, thus helping to solve a difficult administrative problem on both sides of the Border. If this adjustment could be made by a triumph of reason over sentiment, then the remaining part of this particular plan represents as good a reform of Welsh local government as can easily be imagined.

* * *

London Traffic Congestion

London's traffic problems are so serious that yet another attempt is now being made to solve them. A survey, announced this week, is to be made to discover the distribution of traffic converging on inner London. The new scheme follows quickly on the recent reports to the Minister on peak-hour traffic made by fourteen Local Transport Group Committees. The London octopus is so gorged that it can no longer move. Train follows on train and bus on bus and yet the queues on the pavements still jostle and the platforms seethe. To travel from Tottenham Court Road to Liverpool Street is to feel that man is lower than the beasts. Between the hours of 8.30 and 9.30 a.m. and 5 and 6 p.m. no further transport facilities can relieve the strain.

The short-term remedy which has so far been adopted by the Ministry has been to persuade employers to stagger hours. This policy has met with considerable success, and at the end of a year's work 94,000 persons out of the 500,000 who travel in the peak periods had had their hours of work staggered. As, however, during the same period the number of insured workers in the Central London area increased by 100,000, much of the benefit was absorbed. Continued efforts are now being made to increase the number of firms working either earlier or later and adjustments covering another 56,000 people are being considered. But the committees evidently do not hope to solve the problem this way. The wide acceptance of the five-day week in industry with the 44 hours spread over a shorter week has resulted in the

release of more workers between 5 and 6 p.m. The habit, formed in wartime of closing shops earlier—now 5.30 p.m.—means that floods of shop girls and shoppers emerge during, instead of just after, the peak period.

As one way of easing the difficulty it has been suggested that something approaching nearer to the prewar arrangements for "an evening in town" should be restored: that restaurants should stay open longer, and that theatres and cinemas should start later, so that more people are tempted to delay their return home. Discussions with West End managers have been continuing to this effect. This attitude on the part of the transport authorities completely exposes the excuses made by the caterers and entertainers that it was transport difficulties which brought restaurants to a standstill and plunged the theatres into darkness at 9 p.m. The real villain is the postwar convention that no one shall work outside the normal daylight hours, that no letters shall be collected after 6.30 p.m., that no cleaning shall be done before 9 a.m. and that society can be efficiently run on the basis of a five-day week without shifts.

* * *

Dollars for the Colonies

One of the many problems to be considered by the Organisation for European Economic Co-operation is the proportion of Marshall dollars that should be set aside for the colonies and dependencies of Britain, Holland, France, Belgium and Portugal. The Foreign Assistance Act defines a receiving country as including "dependent areas under its administration," and it should, therefore, be safe to assume that America intends to promote the development of the colonies as well as the recovery of Europe. But, until Mr Hoffman announces exact details of how he intends to administer Marshall aid, the powers of the OEEC to make specific allocations to the colonies must remain uncertain. Judging from the precedent of Lend-Lease, however, and guessing at the sort of machinery which will have to be used, the prospects of direct benefit to the British colonies from Marshall aid are poor.

Indeed, from Britain's point of view, such direct assistance might well prove more embarrassing than helpful. For, under

Lend-Lease, the variety and smallness of the colonies' needs made almost impossible the bulk buying which was necessary. The colonies tended to be forgotten altogether, and it has been estimated that they were left about two years behind hand with their orders. The same might happen again. At present British colonies draw what dollars they need from the sterling area dollar pool. Moreover, taken all together, they are net dollar earners. If they were to be directly involved in the ERP machinery, each of the fifty odd colonies would probably have to have its own purchasing mission and its own dollar equivalent fund. Considering, too, the small and specialised quantities of goods in which they would be dealing, it is easy to imagine the administrative chaos which would result. While they obviously need more dollars than they are getting, they benefit more under the present system than they are likely to do if they have instead to queue up for a share allotted to them by Mr Hoffman or the OEEC.

But to omit from ERP any specific allocation to the colonies does not mean that their claims should be neglected. The International Bank exists to provide loans precisely for the sort of capital expenditure they need. It should also be possible for the British Government to allow them greater latitude than they have at present in drawing dollars from the sterling area pool. The greatly increased production of rubber and tin in Malaya and the higher prices which the Gold Coast is now getting for its cocoa should provide a big net dollar surplus from colonial trade this year. It would be good business as well as fair dealing if more of that surplus were ploughed back than has hitherto been permitted.

But it would be bad business to throw good money after bad. Much more care must be taken in weighing up the relative merits of the opportunities offered in each of the colonies. For the moment, quick returns are more important than long-term projects which may not mature for many years. It is better for instance to improve the tin mines in Malaya than to open up new industries in Uganda. There are signs that the British Government is now adopting this principle. The objective should be to combine, within the limits set by the resources available, the encouragement of going concerns with pioneer work on new, long-term projects.

Letters to the Editor

D-Day for Western Union

SIR,—The article in your issue of April 24th calling for clarity appears to me to darken counsel instead—unusual in the case of an article in *The Economist*.

You urge not only co-operation between Western European countries and Governments but some pooling of sovereignty. You say that "Western Union, if it is to mean anything at all, must mean some pooling of authority, some willingness to submit, on some defined questions, to the decision of a central authority." You admit that the decision is a grave one. "It is no small thing for a Government to hand over any of its responsibilities to a foreign body." You ask Mr Bevin to "face it now." But to whom are the British Government and the other Governments and their Parliaments to hand over authority? Clearly not to Mr Bevin and his colleagues individually. Is it to the Permanent Consultative Council collectively? But the subjects to be discussed by this Council are foreign affairs, defence, matters involving peace or war, and incidentally involving huge expenditure. You cannot mean that these Foreign Ministers themselves are to have collective authority to determine the fate of Europe and its constituent states. If this is admitted, are they then to be responsible, say, to a Bundesrat or Council of Western European nations? If so, what sort of Council and by whom selected? Is such a Council to be supplemented by a European Parliament, as the German Bundesrat was supplemented by the Reichstag? You cannot divest yourself of sovereignty without transferring that sovereignty to some other sovereign authority. What your proposal really involves is a Western European Constitution and it seems unfair on Mr Bevin to blame him for his backwardness in not creating one.

You say it would be foolish to underrate the gravity of the decisions involved. Indeed it would, in my opinion, be impossible to overrate it. In no existing Federation has such a step been taken except after years, rather than months, of discussion and consideration. And in all such cases—except Switzerland which represents a growth of centuries—the populations of the Federated States have spoken the same language and had the same laws and history. Nothing approaching a democratic union of such deep-rooted and exceedingly different nations as those of Europe has ever before even been thought practicable.

The fact that we ourselves have no written constitution seems to blind even the most intelligent and experienced people to what must happen when you set out to create a new Government *ab ovo*. Moreover, the British people have not even begun to think of what is involved for themselves, for the Commonwealth and for their whole future, if all the most important of the sovereign powers of the British Parliament and Government are to be handed over to some other sovereign Parliament and Government.

My own opinion is that the urgent problem of the defence of Western Europe must be based on the solid foundation of existing Governments and co-operation between them, rather than on the uniquely hazardous experiment of attempting now to create a new European Government. Who knows to what strains it would be subject and what stability in existing circumstances it would show. A good many countries co-operated with very good

success to fight the last war. Is there any reason to suppose the countries represented in the Permanent Consultative Council cannot devise the methods by which they can successfully co-operate in their own defence?—Yours faithfully,

11 Old Broad Street, London, E.C.2

BRAND

[We did not suggest that powers of sovereignty should be handed over without there being a body to receive them. Nowhere did we suggest that "all the most important of the sovereign powers of the British Parliament and Government" should be handed over "to some other sovereign Parliament and Government." Our carefully chosen phrase was the one quoted by Lord Brand—"some willingness to submit, on some defined questions to the decision of a central authority." We are unshaken in our belief that without this (which, with all respect to Lord Brand, was done during the war) Western Union will not amount to much. But this does not mean that all subjects must be decided centrally; nor does it necessarily imply, at this stage, a central Government; nor, finally, were we criticising Mr Bevin for not having a Constitution all ready. What we did say was that a great many people were being led to believe that when the British Government talked about a Western Union, it meant a Western Union, not a new form of alliance between sovereign states; and that if this is not what it had in mind, not necessarily for the immediate present, but for a not too remote future, it ought to say so now, before misunderstanding has gone so far that the removal of it will be dangerous. This was the question that we asked Mr Bevin to face.—EDITOR.]

Consumption Up or Down?

SIR,—Mr Harrod argues that personal consumption in 1947 was 12 per cent lower than in 1938 and not, as the White Paper states, with important and well-emphasised reservations, slightly higher. The argument is not easy to follow.

1. Mr. Harrod calculates "from information provided in the White Paper that costs of production, including profit, were up on the average by some 80 per cent." There is no readily available information about costs in my copy of the White Paper (except for consumer's goods and services). To get from the National Income statistics to changes in costs presumably requires some rather intricate calculations. As it stands, however, it is not clear exactly what this 80 per cent signifies.

2. The next stage of the argument appears to assume that price index numbers, however different their weights and construction, and whatever the range of goods covered and the stage of production concerned, may not differ from one another by more than a certain amount. Mr Harrod's justification for this assumption is a reference to some very elaborate calculations he has made, but he does not tell us what sort of calculations they were.

3. Prices are measured *per unit of output*. If, as Mr Harrod does in his second paragraph, we include profits in cost, then—apart from subsidies and indirect taxes, which do not seem to be in point here—changes in money cost per unit of output are by definition the same as changes in price. What then does Mr Harrod mean when he talks of prices rising more than wage rates and other costs? If he is referring to costs *per unit of factor*, e.g., time rates of wages, how does he treat profits?

Mr Harrod cannot expect us to accept his final conclusion without showing us more precisely his method. Meanwhile he runs the danger of spoiling a valid criticism of the authors of the White Paper. Each year important estimates are changed, sometimes by considerable amounts, and it is only rarely that we are given an explanation. May we ask that in the complete study

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of the National Income for the ten years 1938 to 1947, which is promised for later in the year, the authors will give us not only the "final official estimates" but also a detailed account of the method of arriving at the figures in all the principal tables?—Yours faithfully, G. D. N. Worswick

Magdalen College, Oxford

[The details of Mr Harrod's calculations were omitted from his letter at our request.—EDITOR.]

The Experimental Period

SIR,—A death is by murder when so proved, not otherwise. In certain countries—in one of which at least the knife is readily drawn—it was found after the death penalty had been abolished that the number of deaths proved to be by murder did not increase. Accordingly Britain is to try if this phenomenon is repeated here over an experimental period of five years. The

argument is that if less murders are disclosed the experiment will be deemed successful and as a conclusion it will be continued permanently. The conclusion may be good, since a bad argument may lead to a good conclusion, but the logic is a complete *non sequitur*. We might as well try reducing the police till no murders are detected and rejoice at a clear statistical record. Is there any reason why we should not be told today whether we are to abolish the death penalty because more murders a year are detected in the experimental period or because *less* are brought to justice in that period?

In my view, what the experiment has to prove is whether more criminals are armed and whether more poisoners "try it on." We should forthwith take steps to establish comparative records on these criminal habits—as for the total of murders discovered, this has no known relation to the number committed, and proves nothing.—Yours faithfully,

MERVYN O'GORMAN, Lieut.-Colonel

21 Embankment Gardens, Chelsea, S.W.3

Books and Publications

Documentary History

"Documents on British Foreign Policy, 1919-39." E. L. Woodward and Rohan Butler, Editors. HMSO. First Series, Vol. I, 1919. 30s. Second Series, Vol. II, 1931. 21s.

It has been the fashion among some reviewers and historians to give a poor, and sometimes ungracious, reception to those volumes of these documents which have so far appeared; and it may be of interest to consider the reasons advanced to justify this attitude.

In the first place, the good faith of the editors has been questioned. It has been suggested that they are subordinating their independence in the choice of documents to the Foreign Office. Needless to say, this suggestion has been made without any evidence to support it, and, apart from the fact that the editors have publicly denied it, there is no need to take it seriously. It has even been implied that the decision to follow the method of arrangement by subject, instead of in strict chronological order, was due to this subordination, on the grounds that it is easier to hide deliberate omissions if arrangement by subject is the method used. This deduction is unreasonable. Given that some selection must take place, it would be just as easy to conceal deliberate omissions—if that were the intention—under the chronological method as under the other. The truth must surely be that there was just as much to be said for either method, and the choice was a matter of preference.

A more reasonable complaint has been against the editors' decision to exclude Foreign Office minutes from the collection. This is a serious matter, and the explanation of this decision, in the general preface to the collection, is not entirely satisfactory. It is true that the number of such minutes must be very great. Selection may make them unintelligible, and the editors assure us that to include them all would more than double the size of the collection. Among other reasons for their exclusion they remark that "as a rule it is unnecessary to print minutes, since the executive decisions taken on incoming material are given in the outgoing dispatches and telegrams." This suggests that they are overlooking the point that the minutes are important, not so

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From The Economist of 1848

April 29, 1848.

THANK God! we are Saxons! Such is our daily thanksgiving; and at every fresh escapade of our two inscrutable neighbours, we reiterate in a fresh access of the sincerest gratitude, thank God, we are Saxons! Flanked by the savage Celt on one side, and the flighty Gaul on the other—the one a slave to the passions, the other a victim to the theories of the hour—we feel deeply grateful from our inmost hearts that we belong to a race, which, if it cannot boast the glowing fancy of one of its neighbours, nor the brilliant esprit of the other, has an ample compensation in the solid, slow, reflective, phlegmatic temperament, which has saved us from so many errors, spared us so many experiments, and purchased for us so many real, though incomplete and unsystematic, blessings.

While there is observable a marked similarity, there is, also traceable, a definable distinction in the general character and the present proceedings of the Irishman and the Frenchman. . . . The Frenchman is a civilised Celt. The Irishman is a barbaric Gaul. Both are deplorably excitable, and, when aroused, furiously wild. Both are slaves to the ear—both are to be swayed almost with equal ease by a clever jest, or an eloquent declamation—both are set on fire by watchwords. But the Frenchman requires ideas, pungency, and nerve, in the eloquence to which he succumbs: the Irishman is satisfied by mere violence and rant. . . . Both the Frenchman and the Irishman, too, are prone to worship idols of their own construction; but the Irishman makes his idols out of coarser clay, and he clings to them "through glory and shame" in spite of all exposures of their low humanity. . . . The Frenchman often bows down to an ignoble shrine; but, let his idol be once convicted of some monstrous folly, or some mean and shameless iniquity, and he is sensible of the degradation, and the altar and the idol sink together in the dust. . . . Lastly (and this, perhaps, lies at the root of nearly all their differences), the Frenchman is carried away by *wrong ideas*; the Irishman, by *bad passions*. What is Communism in France, becomes highway robbery and burglary in Ireland.

editors. It has been suggested that the formal record of the proceedings of the Supreme Council (a part only of which takes up the whole of Volume I of the First Series, which runs to nearly 1,000 pages) need not have been included in the collection. It is true that the entire record has already been published by the United States Government; but that is surely no argument against its inclusion in the British collection of published sources.

A more sensible argument for its exclusion has been that it is unrelievedly detailed and dull. The peace treaty with Germany had already been signed when the record begins. The great topic had been settled; the principal figures had departed. The Council had been entirely occupied with the detailed wreckage which resulted from the outstanding fact that, besides the German and Austro-Hungarian Empires, the Ottoman and Russian Empires had also foundered during the First World War. All this is true, and the 1919 Volume will, accordingly, be of no value or interest for the general reader. But to resent its publication on these grounds is to overlook the fact that the conduct, and so the history, of international relations is unbelievably detailed and dull at many periods. It need not be concluded, as has been done, that at such periods vital and exciting developments were taking place outside the Foreign Office, which only the records of the Cabinet, the papers of the Prime Minister and the proceedings of the Committee of Imperial Defence would reveal. It goes without saying that it would be valuable to have these additional records published, and it is legitimate to regret that many valid considerations stand in the way of this. But it is by no means the case that dissatisfaction with the dullness of what is being published would thereby be relieved.

Another deduction, highly ingenious but fundamentally unsound, has been reared on this misconception. That this collection is to be confined to Foreign Office documents, whereas all the interesting developments would be revealed only if the records of the Cabinet and of other departments were released, this—so goes the argument—is an attempt to reassert the independence of the Foreign Office which has been lost since 1919. It need hardly be said that this is a fantastic suggestion. It may be true that between the wars, as this argument continues, British foreign policy has largely been made elsewhere. But has this been more true since 1919 than it was before? The making of British foreign

policy has never been solely, or even largely, the work of the Foreign Office. It has always been the collective responsibility of the Cabinet. The influence of the Foreign Office within the Cabinet will be smaller or greater according to the calibre of the Foreign Secretary, both absolutely and relatively to that of his colleagues. It is arguable that since 1919 the Foreign Office has been held by a series of comparatively weak Secretaries and that its importance has accordingly been smaller than at other periods. But it is ridiculous to suggest that the aim of the Foreign Office under a strong Secretary would be to assert its independence of the Cabinet or that the collection of Foreign Office documents now being published is an attempt to reassert an independence which the Foreign Office has previously known.

The further implication is that the records of the Foreign Office alone, especially in a weak period like that since 1919, cannot be expected to reveal the foreign policy which the Cabinet made. This, in its turn, would probably not bear serious investigation. It would, of course, be ideal if all the other records could also be made available. But it is futile, because they cannot be, to ignore the fact that this comprehensive collection of Foreign Office documents, when complete, will provide a sure insight into British foreign policy between the two wars. It is misleading, as well as malicious, to suggest that its editors are engaged on a useless task.

Shorter Notice

"Baltic Background." By Bernard Newman. Illustrated and with Maps. 280 pages, Robert Hale. 16s.

MR NEWMAN is not to be congratulated on this latest addition to his already copious works. In this book he discusses the history, geography, politics and prospects of the countries of the Baltic region. When the author sticks to facts and figures available in other published books the summary has some value, but when he indulges in a more philosophical or prophetic view some remarkable irrelevancies and errors of judgment appear: he thinks, for example, that Sweden will be the architect of a Scandinavian Federation. Such blemishes show up the egotistical and superficial character of the book and reinforce the reader's feeling that, in spite of the many personal anecdotes, its air of authority is spurious.

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THE WORLD OVERSEAS

Report from Germany—II

Bizonia in the Marshall Plan

(From Our Special Correspondent)

FROM the inception of the Marshall Plan, the principle was laid down by Mr Marshall himself and his chief advisers, that the recovery of the German economy was an essential condition of European recovery. In fact, Western Germany will probably be allocated the largest share in American aid after Britain. The German total consists not only of the \$437.4 million proposed for Bizonia under ERP proper, but also of about \$800 million which Congress may vote as appropriated funds for the War Department's use in occupied territories, together with whatever funds or services Britain may supply. Further, the Administrator has proposed that the French Zone shall receive \$96.4 million under ERP, and the Saar Basin another \$15.6 million.

Nevertheless, if it had not been for the urgent demand of the Dutch, Germany would have been left out of the report of the Committee for European Co-operation in Paris last year. As it was, a section was included by the British and French Military Governors. The report for Bizonia was not a German product, though in the vital part dealing with food it was the result of close co-operation and agreement between Herr Schlange-Schoeninger's department and the Anglo-Americans.

It was not until the talks held in London last February between America, Britain, France and Benelux that a concrete decision was taken to include Western Germany in ERP and eventually—when a German Government exists—to allow it to take part in the Continuing Organisation. In the meantime, it was conceded that Germans might take part in the technical committees. However, at the foundation of the Organisation for European Economic Co-operation in Paris on April 16th, owing to French opposition, no representative of the German States Councils signed with General Robertson and General Koenig the pledge of mutual aid on behalf of Germany.

Dollar-Happy Planners

In Frankfurt, the start has been equally inauspicious. At the end of last month, the heads of the bizonal administration handed over their first estimate of Bizonia's balance of payments for the first Marshall Plan year, and were ceremonially given the drafts of the Continuing Organisation, with the announcement that Germany would take its place in it. The Germans showed their complete misconception of the Marshall Plan, which they both over- and underestimate. Dr Koehler, president of the Economic Council, went too far, and prepared the ground for future disappointment, by declaring that Germany was now "a partner with equal rights" in the Western organisation. Their first estimate was a shopping list drawn up by dollar-happy planners with even less idea than their counterparts in Paris last July that the Marshall Plan requires them in increasing measure to give as well as take. Their ignorance is not entirely the fault of the Germans, cut off as they are from the world, with no means of buying publications abroad (except, as a very recent concession, trade journals). Even the editor of one of the leading economic newspapers has never seen, and would be unable to secure, such basic data as the CEEC report, or the Harriman report. German news agencies and press are too unskilled and parochial as well as too restricted to fill the gap.

The news that Germany was in the Marshall Plan hardly sugared the pill represented by General Robertson's warning that unity is a dream to be forgotten for an indefinite time to come. The average German is too taken up with the problem of existence, and has had too many broken promises of increased rations, for him to respond to any more official forecasts of better times to come.

To the German businessman, the Marshall Plan seems a poor substitute for economic unity. If the German East, including the Polish territories, had not been cut off, the economy of the

country—he argues—would be more or less all right; though it would need annual credits of about three billion marks to set it firmly on its feet. If it were not forced into the dollar area, it could restore its prewar trade, particularly its food imports from the South-East of Europe. As it is, the Marshall Plan will merely load future generations with debt, and will not in any case solve Germany's balance of payments problem. The Marshall countries and America, to which trade must be diverted, will never accept the \$2 to \$3 billion worth of German exports a year, which will be necessary eventually if Western Germany is to be viable. They fear German competition and will impose restrictive tariffs. So the arguments run, and they are not easy to refute.

Economists stress that the investment needs of Western German industries amount to many hundreds of millions of dollars. At the same time, it is pointed out that if American capital is extensively invested in German firms, the workers will be roused by Communist propaganda on "capitalist imperialism." Clearly, the Marshall Plan has not made an encouraging psychological start in Germany.

Trimming the Estimates

The first German estimate of requirements was a shock to the British and Americans. Its worst features were that the import list was headed by 5,000,000 tons of coal, at a cost of \$106 million, and imports of 750,000 tons of semi-finished steel; while exports included only 150,000 tons of scrap, or little more than the present contract for Britain, and only 75,000 tons of steel.

This estimate was revised on request. The second version, which the *Frankfurter Rundschau* secured for publication, showed a deficit of \$1.6 billion for the year 1948-49. Total imports were placed at \$2½ billion, still including the coal, and exports at \$660 million, including this time 600,000 tons of scrap. This version was again returned for revision by the Anglo-American economic authorities. The total deficit was larger than the sum which is likely to be available to the bizonal area.

A third version was therefore produced under protest just before the Paris meeting on April 16th. This has now been approved by both the German Chambers with a reservation that it must be slightly amended in Paris. The compilers of the estimate, however, privately maintain that it is already so distorted that Germany's commitments under it are not likely to be fulfilled.

This third version showed a total deficit reduced to the required figure of \$1.2 billion. The reduction had been achieved by cutting imports to just under \$2 billion and increasing exports to \$730 million, chiefly by doubling the exports of scrap, to 1,200,000 tons. Imports of food and seeds remained at the figure of \$900 million, as everyone agrees that this sum, large though it is, is essential if a ration of 1,800 calories a day for the normal consumer is to be provided.

Imports for industry have now been placed at \$1 billion. How vast the increased flow into Germany will be can be judged when it is recalled that imports for industry, excluding oil, amounted last year to only about \$50 million. The proposed 5,000,000 tons of coal have been removed and coal imports to the value of only \$6,000,000 remain. Small amounts of American coal are already being imported, as part of an arrangement by which Germany in return exports more coke, which will lead to the production of over one million tons more steel in the recipient countries. Some small amounts of coal are also being imported for special purposes from Czechoslovakia.

Only small cuts were made in imports of ores (\$42 million for iron ore and \$4,500,000 for other ores), or for semi-finished steel and iron (\$75 million in the second version). Textile raw materials have remained almost the same as the original figure of \$180

million; chemicals now stand at \$110 million, cellulose and paper at \$56 million. The very large figure of capital equipment required for the railways, mines and power plants was cut to \$128 million.

After cuts, the Germans put their minimum import needs for consumer goods, tobacco and coffee at nearly \$98 million for the year. If currency reform is to be a success, and nobody likes to think what will be done if it is not, consumer goods will have to be imported. The figure estimated is apart from \$45 million worth of goods, including foodstuffs, which will be imported as part of the incentive scheme for miners and the bonus scheme under which export firms can buy abroad with 10 per cent of their foreign exchange proceeds.

Twentyfold Export Increase

In return for the twentyfold increase in imports for industry, the Germans undertake to export a total of \$730 million for the first Marshall Plan year. The total for 1947 was only \$222 million. Raw materials—coal, timber and scrap—will still account for half the total (\$363 million). (In 1947 the proportion was as high as 72 per cent, to the extreme resentment of the Germans.) Export of manufactures will realise, it is estimated, about \$300 million, or approximately eight times the 1947 figure. The balance is made up of exported gas and services.

The second version of exports, which was little changed in the third version, with the exception of scrap, gave the following main exports of manufactures: machinery, \$32 million; chemicals, \$10.2 million; pharmaceuticals, \$2.8 million; rolling-mill products, \$10 million; vehicles, \$29 million; electrical goods, \$9 million; photographic goods, \$13 million; clocks and fine mechanical goods, \$11 million; ceramics, \$10 million; rayon and staple fibre textiles, \$16 million; cotton textiles, \$30.8 million; wool textiles, \$21 million.

Coal is the main hinge on which the whole plan turns. The scene of decisions on this vital point has now changed from Frankfurt to Paris, where politics will play their part.

The German planners maintain that they can only reach their production targets, and thus export targets, if the Moscow sliding scale of coal exports is reduced, or coal—presumably British coal—is imported. If five million tons of British coal were imported, it could be used for general consumption, while the present scale of coking coal exports could be maintained.

At present total bizonal production is still only about 48 per cent of the 1936 figure—or less in the German estimate, which presupposes that a rise of 10 per cent at least will be achieved. Industry operates on 50 million tons of coal a year, compared with about 200 million tons in Britain and 75 million tons in France. The minimum which the German planners say they require is 64 million tons. They have been made to cut this figure to 59 million tons. Though the German estimates of needs are certainly inflated, there can be no doubt that they cannot be ignored. To retain 64 million tons for German industry with the present sliding scale of exports in operation, it would be necessary for daily output to reach 370,000 tons—a figure which no one thinks possible. The figure of 59 million tons itself is based on an output of 310,000 tons of coal a day, rising to 330,000 tons a year hence. At present the daily output is only about 270,000 tons, though it spurts occasionally over the 300,000-ton mark (at which point it is 75 per cent of the prewar output), in order to earn a bonus food parcel. Many believe that the incentive scheme has lost its power; but hopes are placed on better output as the numerous recruits become trained. The increase achieved over the last year has been mainly due to more than 100,000 new men having been taken on. It is hardly denied in Frankfurt that only a series of miracles can prevent German industry from being short of about two million tons of coal in the last quarter of the Marshall year, unless the sliding scale of exports is altered, or British coal sails to Hamburg.

Pressure from Americans

It is probable that American support will be forthcoming in Paris for the German case. Apart from the influence which Mr Harriman will exert as ERP ambassador, America, represented by General Clay's economic adviser in Paris, is to a certain extent one of the Marshall Plan nations itself, owing to its responsibility, shared with Britain, for Bizonia. It may also be recalled that the export of British coal, with increased production of French wheat, has from the outset been pressed by the American advisers behind the Marshall Plan.

At present, an extraordinary situation exists with regard to Ruhr coal. Owing to lack of dollars, Norway did not take up its allocation this quarter, and several countries are in arrears with payments. Denmark, which owes \$10 million, has just

been cut off from further supplies. This situation calls for immediate attention in Paris.

In the German view, their commitment to export 1.2 million tons of scrap is a grave weakness in the plan. Scrap is a well-known subject of conflict between the Germans and the British. German industrialists declare that they need 1.8 million tons themselves if they are to produce the 6,000,000 tons of steel in the year beginning July 1, 1948, which is demanded of them. At present, the steel industry, they maintain, is only getting 70,000 tons of scrap a month, whereas it needs 150,000 tons.

Search for Scrap

The American view is realistic. They know that there must be 8,000,000 to 10,000,000 tons of scrap lying round, but that nothing to speak of will be secured from the German scrap-owners until incentives are provided. The Germans will admit unofficially that large quantities are being hoarded for Bizonia's D-day—currency reform—though probably not in immediately usable form, since to keep ready material would be inviting trouble from inspectors. But any hope of securing any hoarded scrap for export before currency reform may be buried.

The most important fact for the future is that the German Marshall planners propose to solve the problem. They will suggest—after currency reform—the establishment of a collecting organisation, which would be provided, by the Americans and British, with equipment and incentive goods for the workers. This organisation would have to be allowed to allocate a percentage of its haul to German industry, which would otherwise find itself short of scrap, as all available workers would be attracted to the firm that gave them food and clothing. With this scheme working, the Germans believe they could provide the 1.2 million tons which have been entered in their Marshall Plan. One may ask why their first estimate started with a figure of only 150,000 tons.

To conclude, one may truly say that a new period has begun for the two-thirds of Germany west of the iron curtain. So vast is the increase in supplies of raw materials and goods that will now flow into Germany that the crazy German economic structure, its labour reserves and its creaking administrative apparatus, may not be able to cope with it. One set of problems is giving way to another.

(To be continued)

Who Will Lead Italy's Workers?

[FROM OUR ROME CORRESPONDENT]

THE biggest problem now facing Italy is whether a Premier with so much political power and responsibility can co-exist with a Communist leadership of the Trade Unions. The Italian General Confederation of Labour, created in 1944 by agreement between the Communist, Socialist and Christian Democratic parties, enjoys in practice a monopoly of the representation of labour and is in theory above party politics. Office holders at each level are chosen by indirect election from below. In practice candidates are presented and supported by the political parties. The Communist and "Nennian" Socialist parties are reckoned to control fully 80 per cent of the voting power and constitute the majority of the executive, while the Christian Democrats have one of the three secretaryships. There are also vice-secretaries representing the independent Socialists and the Republicans. The minority parties have been able to exert some influence by publicly dissenting from strike orders and other measures ordered by the majority.

Following the general elections, there has been a demand for the overhaul of the whole organisation, which under the new constitution of the Republic enjoys its status on condition that its internal arrangements are "democratic." The Communists passionately desired that the Confederation should remain a single and united body, for the existence of a powerful separate Catholic Confederation in 1920 is looked back upon as one of the conditions which facilitated the rise of Fascism. Yet the first act of the General Secretariat since the general elections has been to issue a manifesto calling for mass demonstrations on May 1st to demand the realisation of the slogans of the Popular Front—distribution of the land, control of industry by factory councils, and no entanglement of Italy in any "war bloc."

At the same time the Confederation's Manifesto warns the workers that employers are now preparing a big drive to discharge redundant labour and to revise the sliding scale which is now in

force for adjustment of wages to rising (but not to falling) prices. It cannot in fact be doubted that the Government, with the high prestige which the elections have conferred upon it, will now try more vigorously to carry through Professor Einaudi's campaign for the stabilisation of the lira. The deflation policy was intensely unpopular not only among business circles and traders, but also among Christian Democratic political circles which diagnosed a grave danger of a drift of small business voters to the ranks of the Popular Front. Although the economic signals were already more favourable a month or more before election day, it has been noticed that the economic policy of Professor Einaudi was passed over in silence by the Premier and his lieutenants in their election. A dropping of the economic pilot was expected and desired by many. Now, however, the decisive election results and the resulting sense of liberation from an incubus, have restored commercial confidence in a way which may allow of the prosecution of the currency defence campaign in a shorter, sharper and altogether more promising manner. It is generally expected that Professor Einaudi will remain in charge as Vice Premier, Minister of the Budget and chief economic counsellor of the Premier.

Next Attack on Inflation

There is a current Budget deficit of some 600 milliard lire, leaving 40 per cent of current expenditure uncovered, and the Government now proposes to eliminate or reduce this source of inflation. Subsidies on food prices, and the maintenance of a gigantic surplus bureaucracy, are two main drags upon financial recovery which cannot be eliminated painlessly. The Marshall Plan, according to the Minister of Industry, Dr Tremelloni, will look after Italy's balance of payments for the next five years. But the problem of readjusting Italian industry to a world in which its chief customers and providers, Germany and Eastern Europe, have provisionally gone out of existence, cannot be solved if the Government's deflationary drive is met by a four-square resistance to change—except of a sort that adds to production costs—by the embattled revolutionary trade unions. It has, for example, been hitherto impossible to liberate industry from the burden of carrying some 150,000 redundant workers on account of the Trade Unions' attitude, although the emergency statute which required their retention has long since been nominally repealed. A massive inflow of foreign capital is considered by Dr Tremelloni to be the only cure for unemployment in industrial Northern Italy, which is fed by an annual net addition of over 400,000 souls to the population. Foreign (namely American) investment once again raises questions upon which it seems to be fundamentally necessary that the Trade Unions should not be in official and diametrical opposition to the policy of the Government. Will the Communist leaders seek to save the unity of the organisation and their place in it by meeting the Government (and its friends inside the Unions) half way? Or will the lost electoral battle be fought out afresh on the syndical field? This is perhaps the most serious question thrown up by the memorable elections of April, 1948.

Two Native Policies in South Africa

[FROM OUR JOHANNESBURG CORRESPONDENT]

SOUTH AFRICA's first postwar general election on May 26th will be primarily a battle between two native policies—the 76,000-word document prepared by the Government-appointed commission under Mr Justice Fagan and the rival report of the Nationalist Party.

General Smuts's United Party says the Nationalists propose to set up a slave state for all non-Europeans. The Nationalists accuse the Government of cutting the throat of "white South Africa" by proposing the gradual extension of democratic rights to educated non-Europeans. Of these criticisms, the United Party's seems nearer the mark.

In 1936, native policy achieved an uneasy compromise between the Cape liberal theory of ultimate "equal rights for all civilised men," and the theory of dividing the country into native Reserves and white areas, and somehow having parallel development of the different communities. The Cape natives were no longer allowed to vote on the common roll, but at the same time were allowed three European representatives in Parliament, while a Natives' Representative Council was set up to advise the Government on native aspirations. Thus the natives were no longer

encouraged to believe that in time they might become full citizens of a common state; but they were not entirely excluded from common citizenship either.

Of the Union's 8,000,000 natives, one-quarter are now living in urban areas, and their numbers continue to grow. The eroded Reserves are grossly over-populated. The towns welcome labour for the new factories, but continue to frown on natives in their other capacity as urban immigrants who have to live somewhere as well as work. In consequence, "shanty towns" have sprung up illegally, and crime has increased.

Back to the Reserves

The Nationalists' solution is to demand a return to the pre-industrial system of migrant labour. No natives are to live permanently in urban areas. Those now there, apparently the whole 2,000,000, are to be sent back to the Reserves, "the natives' true fatherland." But from the Reserves the State will recruit labour and allocate it to mines, factories and white farms. The migrant labourers will not be allowed to organise trade unions and will have no political rights. Propaganda, by churches and other bodies which criticise this native policy, will be "checked" as "foreign to the nation."

The Fagan Report dismisses this theory of *apartheid* (separation) as hopelessly impracticable. The Reserves are already over-populated without adding to the numbers living there, and industries could not exist on a basis of migrant casual labour. The Fagan solution is to accept the urban native population as permanent, and to give native townships in urban areas a small degree of self-government—though they will still be under white municipal or State control. Present restrictions, whereby, for instance, a native's wife and family may not join him in an urban area, are dismissed as an out-of-date legacy of the days when natives in towns really were migrant labourers with homes in the Reserves. Migrant labour is also accused of breaking up native family life on an enormous scale and producing an incidence of venereal disease and tuberculosis which is the highest in the world.

Another legacy of the former system is the pass laws—natives in towns have to carry one or more passes, permission by their employer to move about, tax receipts, etc.—and produce them on demand or go to gaol. Educated natives are exempted, but as they must show their certificate of exemption on demand, this too becomes a pass. The Fagan Report does not recommend the abolition of the pass system, but suggests a voluntary system of identity cards which if accepted by natives might in time supersede the various passes. The identity card would have the native's finger prints or photograph.

Prospects for the Elections

Thus the Fagan Report accepts the accomplished fact of a permanent urban native population. But the native policy it proposes is still a compromise. Natives would still have only limited political rights, would have no representation on town councils, would at best have to carry one pass instead of several, and would still be restrained by law or more powerful custom from doing any but unskilled jobs. Unkind critics who do not understand the complexities of the Union's racial problems might be tempted to say that the only important difference between the Fagan Report and the Nationalist proposals is that the former proposes, on the grounds of practicability and convenience, to replace the worn-out Reserves with urban native townships under white control as handy reservoirs of underprivileged labour.

Both Government and Opposition are basing most of their election propaganda on the rival reports. But it is doubtful if the election will really be decided by either. No doubt the half-caste coloured people in the Cape, who are still on the common roll, will vote against the Nationalists, who propose to remove them from it and segregate them as well as the natives and Indians. But on the other hand the Government's more enlightened non-European policy may conceivably lose it some white votes. The United Party confidently expects to win, and a Government victory is indeed a virtual certainty. But this will probably not be because the majority of white voters are either highly shocked by the Nationalists' native policy, or especially enamoured of the Government's more liberal one. It will be because the Nationalists continue to be rent by divisions, while the United Party, though a far from homogeneous political unit, continues to hold together round the dominating personality of General Smuts. "When Smuts goes," there may very well be a realignment of political forces—but that will not be in time for this election.



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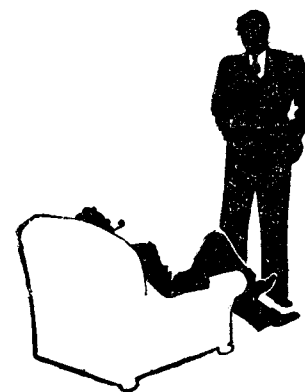
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The Capital Budget

A YEAR ago, an attempt was made in *The Economist* to give the outline of a capital budget. It was a mixture, as all such attempts must be, of hazy arithmetic and hopeful guess-work, but if its sums were in some respects wrong, its broad conclusions have stood the test. It was suggested that if the capital investment programme last year proved to be non-inflationary, it would be so only because of greater borrowing from abroad, because of close restriction on new capital investment in the non-Government sector of the economy, and because of failure to rebuild the stocks of industrial raw materials, which a year ago had been run down to the limit. During the summer, it became obvious that the conjectural figures of capital formation on which this judgment was originally based would in fact be far exceeded; the aggregate demand upon the nation's resources was too big; external loans and reserves were being exhausted at a fantastic rate; and the Government, seized with alarm, decided to reduce the investment programme for 1948 from a gross figure of £1,600 million (which it would "probably have reached") to £1,420 million.

The cuts in capital investment which were proposed in the White Paper issued last December were severely criticised from the first on the ground that they fell with particular force on new industrial capital; there has been plenty of evidence during the last four months to show that in certain cases they are having a dire effect. Any discussion of the capital budget this year must rest on the foundation that industrial capital investment has already been severely cut; and if, later in the year, it begins to look as if Sir Stafford Cripps has gone too far in the direction of disinflation, that would be an argument for restoring the damaging cuts already inflicted upon industry before any other relaxations are permitted. There is no doubt about industry's claim, and it must not be jumped.

A capital budget for 1948 can draw usefully on the Economic Survey and on the national income statistics. The Economic Survey made a brave attempt, four weeks in advance of the Budget and the National Income White Paper, to give a *pro forma* capital budget, on what was then known about the projected volume of investment work this year and of the public and private savings that would be required to finance it. The Budget has since given greater precision to the estimates of savings which were tentatively put forward in the Economic Survey. In particular, it has accepted the view that the volume of personal saving for which the Economic Survey called, in order to finance the investment programme without resort to further inflation, was far more than is likely to be forthcoming. The Chancellor has decided that since individuals will not save enough voluntarily, they must save involuntarily by producing a large budget surplus from the taxes they pay. So far as the current year is concerned, that is the big change in principle between the Survey, issued on March 9th, and the Budget on April 6th. But there were other changes in the Economic Survey figures during the same four weeks which were disconcertingly large. Reference was made to some of these perplexing changes in an article on the National Income which appeared on April 10th. The task now is to see whether this tentative and vulnerable series of estimates about the volume of capital investment and the savings which are expected to finance it points towards inflation or deflation this year.

The first step is to explain the connection between capital formation and the other claims on the national resources for personal consumption and the needs of the Government. There is no better guide to this relation than the first table in the national income estimates; it is indeed fundamental to a proper understanding of the process of inflation:—

TABLE I—GROSS NATIONAL PRODUCT AND BORROWING FROM ABROAD (£ Mn)

	1938	1946	1947		1938	1946	1947
National income of the United Kingdom....	4,707	8,100	8,770	National cost of:—			
Provision for depreciation and maintenance	450	725	775	Personal consumption	3,713	5,573	6,161
Gross national product	5,157	8,825	9,545	Government	767	2,411	2,115
Borrowing from abroad and sale of assets to foreigners	70	380	675	Gross capital formation at home	747	1,221	1,944
Total resources available for use at home	5,227	9,205	10,220	Total resources used at home	5,227	9,205	10,220

The table shows the impact of three sets of demands upon the nation's resources. If these three—personal consumption, the Government's needs, and capital formation—exceed the total national output (at a given level of prices) then inflation at home can be avoided or mitigated only by borrowing from abroad. This is a much simplified way of putting the problem for there was inflation in plenty last year, despite heavy borrowing from abroad. But it illustrates the truism that what is used from the national resources for capital investment cannot also be used for personal consumption or for the Government's current needs. If the public or the Government are demanding too much (in other words, if they are not saving enough) prices will rise and inflation will be let loose.

Thus the problem is whether the projected capital investment programme in 1948 can be financed without inflation—whether the incomes which this volume of capital formation will create during the year will be offset by an equal amount of saving from this year's national income. That would be the perfect solution, neither inflationary nor deflationary; an excess of capital investment over savings would mean further inflation while an excess of savings over capital investment would produce a tendency towards deflation. But while these theoretical principles have an attractive neatness, it is a hazardous business to translate them into figures. The White Paper on the national income admits that no direct estimate of all the constituents of capital formation has been made for any years since 1938, and declares that the figures for investment are "undoubtedly the most vulnerable estimates in the whole Paper." So rudimentary is the state of knowledge about capital investment that it is given in the White Paper merely as a balancing item between the estimates of total resources and of personal and government expenditure. Statistically, as in fact, capital investment is a residuary legatee.

The same conjecture and groping after the truth is illustrated by the marked differences between the estimates given in the Economic Survey for total capital formation in 1946 and 1947, and of the means by which it was financed. The Survey suggested that gross capital formation at home in 1946 amounted to £1,350 million, and in 1947 to £1,900 million; the White Paper puts these figures at £1,255 million and

£2,020 million respectively. (There is an unexplained difference between this last figure and the estimate given in Table I.) If the White Paper is right, the Survey underestimates the depreciation allowances by £125 million in each year, and private saving by £100 million in 1947, while the dis-saving of public authorities was underestimated by £200 million for 1946 and by £100 million for last year. The reason for setting out these wide changes in detail is not to convict any one of error (for no one knows what the truth is) but to emphasise once more the tentative nature of all arithmetic about savings and capital investment. These changes in official figures over a period of a few weeks are disturbingly large, simply because the national income approach to the problem of inflation has now been adopted by the Chancellor. The new approach is most welcome; but until it is served by better statistics it will not produce the best results.

In many respects, the estimates about capital formation in the Economic Survey have been much changed by the White Paper and again by the Budget. In the second table, the estimates which were given in the Survey for 1945 and 1947 have been re-worked from the National Income figures, and the Survey's estimate for the current year has been revised, mainly in the light of the Budget:—

TABLE II—COMBINED PUBLIC AND PRIVATE CAPITAL ACCOUNT (£ Mn)

	1938	1946	1947	1948	
				Econ. Survey Estimate	Revised Estimate
Depreciation allowances	450	725	775	700	800
Saving of public authorities	—89	—617	—135	+275	+400
Private saving	339	767	705	575	350
Total sums set aside	700	875	1,345	1,550	1,550
Gross capital formation at home	770	1,255	2,020	1,800	1,800
Net borrowing abroad	70	350	675	250	250
Total capital formation	700	875	1,345	1,550	1,550

According to the national income estimates, gross capital formation at home last year amounted to £2,020 million—though this figure may, in fact, have been overstated by some £100 million, because it includes exports already shipped for which cash had not been paid and shipments of capital equipment for British oil companies. On a strict calculation, therefore, gross capital formation at home might be £1,920 million, and overseas disinvestment would be reduced to £575 million. Total capital formation was, therefore, £1,345 million, of which £775 million was financed by depreciation provisions by industry, and £705 million from private saving, less £135 million represented by the deficits (dis-saving) of public authorities. The two sides of the account balance, but that is not to say that last year's capital programme was financed without inflation. Quite

obviously, the high volume of private saving was fed in part by the wage and cost inflation which took place last year, and was further assisted by the Government's deficit financing.

What of the prospects for the current year? When the capital cuts were decided on last Autumn, it was thought that the highest volume of capital investment that could be carried out in 1948 would be £1,600 million, reckoned in terms of 1947 prices. It was decided to reduce that rate to £1,420 million for the current year. But these estimates refer only to fixed capital, and some allowance had to be made for additions to stocks and to work in progress. So the original estimate of £1,600 million was raised to £2,000 million (to include additions to stocks and to allow for increased prices), and the revised programme of investment in fixed capital and stocks was put at £1,800 million. That figure, first put forward in the Economic Survey, has remained unchanged in the Budget discussions, though it may in fact proved to be too low—perhaps by £100 million. So has the assumption that borrowing abroad and overseas disinvestment will not exceed £250 million, compared with £675 million (or was it £575 million?) last year. The problem, therefore, can be simply put: will depreciation allowances, the savings of public authorities, and private savings, together suffice to finance £1,550 million of total capital investment? It will be noted that the problem in this form makes two assumptions: first, that the external deficit will be kept as low as £250 million, which is by no means certain; and secondly, that the Government's policy of stabilising personal incomes is successful.

The answer to the problem is suggested in the last two columns of Table II. First, it is evident that depreciation allowances will exceed the £700 million allowed in the Economic Survey; the Chancellor has himself put the figure "somewhere between £700 and £800 million" and, perhaps, £800 million is not likely to be far out. He has also disclosed that the savings of public authorities (from the Budget surplus, so far as it relates to the calendar year, from the savings of local authorities and the accumulation of the insurance funds) will amount all told to "about £400 million." The residue required from private saving, therefore, has been reduced from the impossibly high figure of £575 million which was mentioned in the Economic Survey to £350 million largely because public saving, in the form of a large genuine Budget surplus, has replaced the need for such a big volume of private saving. On these assumptions, the financing of £1,550 million of investment work this year will present no difficulties.

Of the three constituents of saving, depreciation allowances and the surpluses of public authorities are known within tolerable limits of accuracy. If, therefore, private saving can be reduced with safety to £350 million, granted the intended



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volume of capital investment, how will it be made up? The third table provides an analysis of private saving, taken from the White Paper for the past years, and with a revision of the Economic Survey estimates for 1948:—

TABLE III—ANALYSIS OF PRIVATE SAVING
(£ Ml)

	1938	1946	1947	1948 From Survey Estimate	1948 Revised Estimate
Total private saving	339	767	705	975	350
Of which:—					
Personal savings	154	711	445	450	100?
Undistributed profits	170	269	320	225	325
Depletion of tax reserves ..	+15	-210	-60	-100	-75?

The task is to provide £350 million. Towards this, the undistributed profits of companies will contribute possibly £325 million this year, and certainly much more than the £225 million expected in the Survey. There may be some further depletion of their tax reserves, and an allowance of £75 million should cover it generously. That would mean that personal savings need not contribute more than £100 million towards the capital programme.

This is an astonishingly small figure. Despite the blow which has been dealt to saving by the Special Contribution, it is

The Builders' Merchant

WHEN Mr Harold Wilson moved the second reading of the Monopoly Bill last week, he quoted in support of the Bill evidence not at that time published—the Report of the Committee, under the chairmanship of Lord Simon of Wythenshawe, which has been inquiring into the trade in building materials and components and the part played by the builders' merchants. The report*, now published, reaches conclusions which handsomely support the case for the Monopoly Bill. Many of the factors which contribute to the inflated cost of building in this country are outside the Simon Committee's inquiry, but one of them at least is analysed, expounded, and established in full detail. The report declares that

our examination of the field has revealed no industry producing building materials or components in which we can state with confidence that there is free competition in prices.

It shows in detail how prices are maintained and competition circumvented in certain branches of the trade. For others it leaves the point still to be proved, and the method open to conjecture or to later inquiry; when the Monopoly Bill is passed, there will still be questions in the building trade for the new Monopoly Commission to investigate.

The bulk of building materials and components are distributed through builders' merchants. The builders' merchant does not necessarily handle the goods; about 19 per cent of his trade, according to an estimate quoted in the report, passes through his books, earning a substantial margin for him, though it does not enter his stores. In some of this business he still performs, no doubt, a true trader's function; for he knows the trade and finds what the builder wants. Most of the goods he handles, whether they enter his stores or not, are resold in bulk; only about 7 per cent are disposed of by what are called "over the counter" sales. The strictures which the report makes on the high margins charged by the builders' merchant are clearly influenced by this fact.

Since the argument of the report rests to a large extent on its examination of the trade practices of the builders' merchant, it is important to know how much trade he handles. Bricks

*The Distribution of Building Materials and Components. 2s. 6d.

surely to be expected that personal savings will comfortably exceed £100 million. To the extent that they do, there would be a clear argument for restoring the capital cuts as soon as physical supplies permit. For the implication of this year's Budget is not an impetus towards further inflation, but the development of conditions in which appreciably more capital investment could be done, without any risk of inflation, than has in fact, been planned. It would be wrong to start any scare about a threatened "deflation." That cry will be taken up quickly enough by the ex-Chancellor and his supporters long before the proper time. Indeed, the danger is that the consequences of disinflation—the occasional pockets of unemployment in the less essential industries—will be misinterpreted as the beginning of a slump. Nothing could be further from the truth; these symptoms will be the first stage in a more rational distribution of labour and resources than has been possible during a period of rampant inflation. But it begins to look as if the capital cuts which were inflicted on industry early in the winter could be safely restored before the year is out. It will be a test of economic statesmanship that this decision is taken in good time, and that industry's prior claim is protected against the competition of other claimants for capital, such as housing, which, however desirable they may be on social or political grounds, make no direct, and little indirect, contribution to national productivity.

are largely a separate story; the curious price structure of the brick industry appears to be maintained less by trade practices than by Government intervention, and the Committee, though it took evidence from brickmakers, has not gone into their affairs in detail in the report. In the brick trade the merchant plays only a minor part. Fifty per cent of bricks are supplied direct to builders, only 25 per cent to the builders' merchant, and the remainder to other merchants. Of concrete products for the building trade the merchant deals in less than 5 per cent, and less than one per cent enters his yard. But as the value of materials or components rises in relation to their bulk, the proportion handled by the merchant rises too. Between 60 and 75 per cent of cement used in building is sold through the builders' merchant; 53 per cent of lead sheet and pipe; 47½ per cent of glazed tiles, and 68 per cent of tiled fireplaces; 60 per cent of brass and copper tubes; 70 per cent of range boilers, and 79 per cent of cookers; 79 per cent of baths; 95 per cent of brassfoundry products; 95 per cent of sanitary earthenware; 100 per cent of plastic fittings and of locks and latches; and 100 per cent of cisterns.

The report is clear that the builders' merchants play a useful part in the trade. Its criticisms are directed mainly to the way the merchants are organised, to the agreements with manufacturers' associations which give them advantages so long as they keep to the terms which the manufacturers lay down, and to the fact that prices are higher than they need be because of these arrangements and give the merchants excessive margins of profit. There is competition between merchants, but not in prices; it takes the form of showrooms, sales facilities, and transport services which the Committee regards as lavish and wasteful. The merchant is under penalty not to perform the one service which, above all others, should justify his existence—to help the builder to buy where goods are cheapest and thus help the public to get cheaper houses.

Builders' merchants (who must, by their own definition, have no part or share in any building concern) are organised into associations which negotiate price-fixing agreements with the various associations of manufacturers. The actual agreements

are made between the individual merchant and the manufacturers' association, which maintains a list of approved merchants. Twelve associations of manufacturers which maintain agreements of this sort are listed in the report, but there are analogous arrangements in many other branches. In general, the merchant undertakes to buy only from members of the manufacturers' association at its list prices; to sell at the list prices less only the authorised discounts for the different classes of buyers; and to produce his books for inspection when required. A standing joint committee of merchants and manufacturers with formidable powers of enforcement administers the agreements; it can withhold rebates, impose fines, withhold supplies, or even strike a recalcitrant merchant off the list. No merchant can afford to break the agreements openly. Furtive undercutting of the list prices is not unknown, but in general the manufacturers' aim of keeping prices up is secured.

The practices of the trade provide every encouragement to keep to the agreements. The latter offer financial inducements for everybody, by a system of discounts and rebates. In addition to the standard trade discount and cash discount, the merchant gets an "association discount" (usually 5 per cent) which buyers who have not signed price-fixing agreements do not get, and a "deferred rebate," similarly exclusive, which varies between 1 and 5 per cent but is sometimes even higher. All this assures to the well-disciplined merchant a substantial margin, the working of which is shown by the following specimen figures referring to an order for galvanised tanks valued—at list price—at £500:

MANUFACTURER TO MERCHANT					
	£	s.	d.	£	s.
List Price	500	0	0	305	7
Trade Discount 32½ per cent	162	10	0	11	0
Cash Discount 5 per cent	337	10	0	16	17
Association Discount 5 per cent	16	17	6	0	8
Less Association Expenses	320	12	6	15	4
Deferred Rebate 5 per cent (or £320 12s. 6d.)	16	0	8	7	11
(a) NET COST TO MERCHANT	289	7	3	16	0
MERCHANT TO BUILDER					
List Price	500	0	0	81	2
Trade Discount 20 per cent	100	0	0	9	10
Quantity Discount 5 per cent*	400	0	0	370	10
Cash Discount 2½ per cent	20	0	0	9	10
(b) NET COST TO BUILDER	380	0	0	21	9
Gross Margin (b) minus (a)	28	per cent.			
Percentage on Cost Price (a)	28	per cent.			
Percentage on Sales Price (b)	21.9	per cent.			

* This may vary from nil to 15 per cent.

The report comments pointedly on this system:

The less enterprising and efficient a merchant is the more these benefits are likely to appeal to him. They prevent or make it more difficult for new and improved products to reach the public, except those made by manufacturers within the associations which can be sold at or above the minimum price. Where there are fixed margins, merchants are prevented from passing on to the public improvements in efficiency in the form of lower prices. There is an induced search for substitutes which would not arise if a competitive price were charged for the original article.

The Committee's examination of the costs and profit margins of builders' merchants confirms the inference that these arrangements inflate the profits of merchants beyond a reasonable level. The value (though not the volume) of their sales has risen substantially in recent years; expenses have not risen in proportion; and no benefit from the lower margin of expenses has been passed on to the consumer. At the same time gross margins earned by the merchants have risen, and net margins (which were already on the high side, in the Committee's opinion, before the war) have risen even more sharply. The effect is shown in the tables in the next column.

The expenses in these tables include interest on working capital. For the trade as a whole, they show a gross margin in 1946 of 20.97 per cent, expenses of 14.27 per cent, and a net

margin of 6.70 per cent of sales value. Already in 1946 the merchants were doing much better than before the war. In the Committee's opinion they are by now doing better still, for prices have risen still farther:

We are informed by the Ministry of Works that the average annual turnover may fairly be taken to be four times the capital employed. If we regard a net annual profit of 10 per cent on the capital employed as reasonable, this would involve a net profit on turnover of 2½ per cent. In fact, the actual net profit on turnover in 1946 of 6.7 per cent would on this basis represent a return of 26.8 per cent on capital employed.

This being so, what is to be done? The Committee has described a state of things not peculiar to the trade in building materials. Excessive margins; once useful trading functions which have become blurred, embedded in comfortable habit, and lost to view; the state of mind in which accommodation has

MERCHANTS WITH SALES IN 1946 UNDER £50,000
(Percentages of Sales Value)

	1938			1946		
	Gross Margin	Total Expenses	Net Margin	Gross Margin	Total Expenses	Net Margin
All	18.97	15.37	3.60	22.26	14.99	7.27
London	23.54	18.79	4.75	26.01	17.16	8.85
Rest of South	18.05	14.38	3.67	21.92	14.60	7.32
North	18.26	15.42	2.84	20.81	14.54	6.27

MERCHANTS WITH SALES IN 1946 OVER £50,000
(Percentages of Sales Value)

	1938			1946		
	Gross Margin	Total Expenses	Net Margin	Gross Margin	Total Expenses	Net Margin
All	18.57	15.04	3.53	20.56	13.98	6.58
London	20.05	17.18	2.87	22.55	15.89	6.66
Rest of South	19.81	15.34	4.47	21.73	14.51	7.22
North	13.72	9.97	3.75	15.23	9.58	5.65

more attraction than initiative—these are symptoms of a sickness which spreads widely outside the Committee's field of inquiry. Its members, no doubt, were aware of this. They have not accepted it as inevitable. Two members visited Canada and the United States, and found that the anti-trust laws have a real effect and provide evidence that the removal of restrictive practices would create keener competition and cheaper and more efficient service. This is achieved partly by publicity; the mere publication of the facts in authoritative and well-documented Government reports brings an informed public opinion to bear upon the problems, and the Committee believes that "this atmosphere of broad daylight is a good safeguard." Restrictive practices in England, it adds, are not in fact all furtive or secret, but too little is known about them.

As an immediate measure the Committee urges that the Government should control distributors' margins on building materials and components. The proposal, it is clear, is made with reluctance and with no faith in the long-term value of price control. But the existing price controls, based so far as the merchandising processes are concerned merely on the Prices of Goods Act, are ineffective; so long as manufacturers' prices are fixed, distributors' prices should (the Committee holds) be effectively controlled too by Government action.

For the permanent cure the Committee relies (in addition to the virtues of "broad daylight") on the Monopoly Bill. Its members wrote without knowing what the Bill would contain. They suggested that it should give power "after specific inquiry by the appropriate body" to require the registration of agreements on trade practices; to declare agreements illegal; to prohibit price discrimination; and to control profits and margins. Their inquiries in North America convinced them that anti-trust laws can do much to freshen the commercial atmosphere. But the first task is to establish the facts. For that reason alone, the Simon Committee's Report is invaluable.

Business Notes

The Special Contribution

A first impression of the clauses in the Finance Bill which deal with the Special Contribution suggests that the draftsmen have made a good attempt to cover an immensely complicated issue. But despite their labours abundant doubts will still remain to be settled in debate and by later interpretation by the Courts. The method of assessment, as was to be expected, is founded on the surtax returns of individuals. Investment income, on which the levy is calculated, includes all income apart from earned income. It includes, for example, the Schedule A value of a house, though not the value of property used for business purposes. But it does not include terminable annuities or pensions from a business in the hands of the receiver on death or retirement. On the other hand, payments made for pensions may not be deducted by the payer in calculating his investment income; nor is he entitled, for the purpose of the Special Contribution, to deduct payments under covenants "not made for full consideration," although they are allowed, under certain conditions, as deductions for surtax purposes.

Trusts, as the Chancellor recognised in his Budget speech, present special difficulties. The Finance Bill makes no attempt to cover the case of foreign trusts, with which, indeed, the authorities are quite impotent to deal. Detailed consideration is needed of the position of trusts and their beneficiaries. If investment income arises wholly or partly from a trust, the beneficiary can transfer the whole or the proportionate liability for the Contribution to the trust. Trustees are empowered to apply capital or to raise money to pay the contribution. But these are the obvious arrangements which had to be made. Their application in practice will involve a multiplicity of parties and great complication.

For this reason, if for no other, strong objection must be taken to the provision that the contribution will be surcharged with interest at 2 per cent if it is not paid by January 1st next year, whether it is assessed or not. It is good law that liability to tax does not depend on assessment, but arises as soon as the statute is passed. To the three stages laid down by Lord Dunedin—declaration of liability, assessment, and measures for recovery—the Government proposes to add a fourth, between the first and the second. This is a financial penalty for failure to pay what may well be an unknown sum at a fixed date. Whatever its legal foundations may be, this administrative provision is repugnant to ordinary sense and justice.

Reform of Expense Allowances

Part IV of the Finance Bill, which deals with expense allowances and benefits in kind, will be generally approved, except perhaps by those who have enjoyed the benefit of tax free emoluments on an unjustifiably generous scale in the past. It applies to directors and employees—the latter only if their total income including expenses (whether allowable or not under Rule 9 relating to Schedule E assessments) amounts to £2,000 a year or more, and the former irrespective of any income limit. All sums paid in expenses or benefits in kind received by such individuals will in future rank as emoluments and will be subject to tax, save to the extent that they can be shown by the receiver to be expended "wholly exclusively and necessarily" for his office or employment. Benefits of a long-standing kind—like the bank manager's flat over the bank premises, or the headmaster's house—are allowable. The general rule is that the practice must have prevailed for twenty years, and that residence in such premises is "necessary." There is no extension of the number of items which can be brought under tax. The effect of the clauses is to require the receiver of such payments to prove that they reimburse him for expenses wholly exclusively and necessarily incurred in his profession or business.

Meals taken on business premises are not to be counted as benefits in kind, provided that they are available "for the staff generally." The directors' dining-room, in other words, must also be accompanied by a works' canteen. The clauses also give a wide definition of the word "director," and controlling partners of a business are equally covered by their provisions. It is evident, too, that members of public boards will be affected, though not members of that informal body of persons known as the Cabinet—though perhaps the senior ministers would in any case be protected by the twenty-year rule.

Fortunately, room has been left for a fair degree of administrative discretion in deciding what expenses are legitimate, and companies can obtain, at the discretion of the surveyor, a clearance on payments in cash or kind which they submit for his consideration. This kind of arrangement has worked fairly satisfactorily in connection with contracts for directors' service, but the surveyor's decision is not open to appeal, and if he rejects a statement submitted to him, the company has no recourse but to appeal within the meaning of the precise words of the Act.

No Increase In Coal Prices ?

Lord Hyndley's letter to the Minister of Fuel and Power was doubtless intended to clarify the outlook for coal prices, but it seems, on examination, to have confused it instead. The purpose of the letter was to assure the Minister that the revision of the price structure of the coal industry, on which the National Coal Board is engaged, will not in itself lead to a general increase in coal prices.

The purpose of this revision (wrote Lord Hyndley) is, of course, to bring qualities and prices into a more rational relationship, and we can assure you that we do not think there will be any need for a general increase in inland coal prices except in so far as such increases are necessary to cover increases in costs beyond our control or increases in wages within the limitations of the White Paper on Personal Incomes, Costs and Prices.

In other words, the National Coal Board will not put up the price of coal unless it has to. But what the average person wants to know is whether the price is going to rise, from whatever cause; and on this question Lord Hyndley's letter sheds no light at all. It is necessary to wait for the Board's financial statement on its first year's operations, expected in May, to see whether the Board is making ends meet on the present price of coal. If it is not, and if productivity cannot be improved or some other economy achieved, then prices will no doubt have to go up.

The increase in supplies of domestic coke for the coming year, announced this week, has led to questions about the general coke position. The steel industry, it is known, is not getting enough coke; nor are the steel industries of the Continent. Could not the coke be better used for steelmaking? Technologists answer that domestic coke is of two kinds: coke from the gas-works, which is too soft for steelmaking, and that part of the output from coke ovens which is too small for the blast furnaces. It is true that the blast furnaces can, when necessity presses, use smaller coke than the ironmakers consider ideal. Lately because of the shortage, they have been taking a good deal of small coke, although this makes it difficult to get a strong enough blast in the furnace. Supplies have now improved enough for them to return to something nearer their normal practice, and the domestic user benefits. Whether the position is really so satisfactory as to justify the relaxation still seems doubtful.

Marshall Supplies

No further news has been received from Washington about the first annual appropriation requested by the Economic Co-operation Administration. It is apparently taken for granted that the total sum of money requested—£1,325 million, of which Britain was to receive £331 million—will be cut by the Appropriation Committee. Moreover, it is doubtful whether the allocation of funds to specific commodities is at all hard and fast. Must Britain spend £41½ million on cotton supplies in the first year, or could £20 million of this first allocation be used to pay for wheat purchases? Again, no price limits for the various commodities have been fixed; hence to assess the physical supplies which will be provided by Marshall aid must be largely a matter of conjecture.

The attempt to estimate physical supplies which has been made in the accompanying table therefore represents a hopeful statistical exercise to discover something about their order of magnitude. The allocations for specific commodities have been taken as first announced, and converted into physical quantities by using average current prices or British contract prices. The table also gives a rough comparison between Marshall aid (on these necessarily rough assumptions) and British food import requirements as submitted to the Paris Conference last summer and the

requirements of certain raw materials based on consumption last year.

Of the staple foods, cheese alone looks like being fully provided by Marshall supplies. Less than half of Britain's supplies of grain from dollar countries last year will be paid for by ECA, and only 30 per cent of the sugar. According to the table, British meat requirements should be fairly adequately covered. But if the allocation of £15½ million for meat should also include bacon, the actual quantity of meat available will be well under 500,000 tons, and in that event less than two-thirds of Britain's

BRITISH IMPORT REQUIREMENTS AND MARSHALL SUPPLIES
(000 Tons)

	Total Import Requirements	Actual Imports, 1947					Possible Supplies under E.R.P.
		Total	U.S.A.	Canada	Argentina	Other "Dollar" Sources	
Bread grains ...	5,400*	5,300	350	3,440	390	...	1,500—2,000
Coarse grains ...	2,600*	2,800	130	100	430	...	
Sugar ...	1,800*	1,880	...	130	500	1,500	450
Meat ...	2,150*	1,430	60	...	...	...	525—625
Cheese ...	225*	190	60	20	...	...	80
Copper ...	355†	365	60	70	...	60	95
Lead ...	200†	160	10	40	...	10	60
Zinc ...	220†	150	60	50	...	...	60
Cotton ...	365‡	320	90	...	...	...	200

* Based on data supplied to Conference for European Economic Co-operation.

† Based on U.K. consumption of virgin metal in 1947.

‡ Based on U.K. consumption in 1947 of which American type cotton amounted to 185,000 tons.

hard currency meat supplies would be met by Marshall aid. It must also be remembered that 400,000 tons of Argentine meat and 1,250,000 tons of Argentine maize (which might strictly be regarded as hard currency supplies) have already been purchased this year from the proceeds of the sale of the British-owned rail-ways. Will Marshall aid be available for the purchase of more Argentine meat? Or can dollars earmarked for meat be used to pay for other more urgently needed commodities?

The prospects for raw materials look more satisfactory. All hard currency lead supplies, one half of the copper supplies and more than one half Britain's dollar zinc purchases could be paid for by ECA, while cotton supplies should be more than adequate. Is Britain to substitute American cotton for Brazilian and West African? For some cotton supplies from soft currency or sterling countries, Britain has long-term commitments. Are these to be interrupted or is Britain to build up a large stockpile for future use? This discussion about the quantities of goods under use? Marshall aid must for the time being remain largely hypothetical. In any case, the commodities listed in the table account for less than half of Britain's proposed first year appropriation—£150 million out of £331 million.

"Abstention from Spending"

The salutary realism which Sir Stafford Cripps has brought to bear upon budgetary policy is already having its effect upon the National Savings Movement. The theme for this year's savings campaign, the launching of which was announced by Lord Mackintosh this week, is to be "Abstention from Spending." An appeal on this basis is in welcome contrast to the publicity technique of the movement during the war, when noisy "War Weapons" drives put all the emphasis upon mere subscriptions to savings securities, regardless of whether they were financed simply from accumulated cash resources without any new act of saving at all. It is in even greater contrast to the notorious "last-tricks of inflating monetary subscriptions by the notorious 'last-chance' devices or by raising the limits upon individual holdings. Now the emphasis is put squarely where it always ought to have been, revealing that subscriptions to "savings" securities are not saving at all unless the money has been found by genuine abstention from spending out of current income. As the Chancellor himself said, in his Budget speech, "the amount saved is more important than the particular security or institution in which the savings may be held, but money saved should be invested safely and kept unspent until it is wise to use it." If in the past the whole efforts of the Savings Movement had been exerted in this direction, instead of in a pursuit of meaningless "targets," the pressure of inflation in the past two years might have been significantly lessened.

A refreshing consequence of the change in attitude is that no national financial target is to be fixed for this year's campaign. Instead, local savings committees are being asked to focus their

attention upon increasing the membership of savings groups, and, if they wish, to fix their own targets in these terms. It is to be hoped that every effort will be made by the central authorities to bring home to local organisers the significance of these changes. In the year 1947/48, for which the financial target was £366 million, net savings, as officially defined, amounted to only £203 million, of which £106 million may be regarded as merely the counterpart of the 3 per cent Defence Bonds repaid at maturity. After this depressing performance, there is clearly a danger that rank-and-file workers in the Movement may jump to the conclusion that the real object of the omission to fix a target this year is to ensure that any comparable failure would be less apparent. The policy-makers in the movement have learned the lesson at last; but the habits bred by the methods of the past decade will not be easy to eradicate among the publicity experts and workers at the perimeter. After all these years, the process of educating the public in the true nature of savings has only just begun. As an object lesson in the new process, it might be useful if the Committee now explained to its members why the "savings" figures of recent weeks are not quite so depressing as they look, by contrast with the figures shown at this time last year. Then subscriptions were still being inflated by the last minute rush to secure savings certificates before the rate of interest was reduced.

European Clearing

The Finance Ministers of the five Western European signatories of the Treaty of Brussels have been meeting this week in Brussels to discuss financial problems of mutual interest and, more particularly, the difficulties arising out of the distorted balances of payments between the five countries. It is known that the Ministers have before them the latest version of the Belgian proposal for a multilateral compensation of clearing balances arising from intra-European trade. The fact that Belgium should have taken the initiative in framing such proposals is not surprising, in view of the creditor position of that country in its trade with other European nations. The first result of this initiative was the Basle compensation operated through the Bank of International Settlements. That scheme has quickly shown its limitations owing to the persistent creditor status of one or two of the members and the equal persistence of the debtor status of others. It had been hoped that with the infusion of a dollar reserve the scheme might be made to work. Such hopes have had to be abandoned at least so far as they envisage the allocation of Marshall dollars for this purpose. The United States have shown themselves adamant in their refusal of this proposal, and this attitude is now confirmed by the manner in which the first 12 months' allocation for ERP has been passed. This leaves no room for assistance to the Basle compensation scheme.

The ingenuity of the European countries concerned has since then been applied to devising some other scheme which would help to get trade inside Western Europe moving again and to tide over the difficult period that must elapse before European production and exports have revived with the help of ERP assistance. The latest version of the Belgian plan appears to envisage the use of local currencies deposited as a counterpart to Marshall assistance to finance intra-European trade. Under this scheme creditor countries such as Belgium would lend their own local currency to others such as France. This would have to be done with the approval of the Economic Co-operation Administrator in Washington. In itself it would achieve little more than the raising of the present overdraft limits under which European trade is being largely financed.

There is no question of introducing a common currency for all five countries, though it is possible that accounts might be kept in a new unit of account that would protect creditors from exchange risks. Until such time as the clearing can be underpinned by a dollar reserve, whether contributed by the United States or by the participating countries out of their current hard currency income or accumulated resources, it is difficult to see that much more can be achieved by refining the clearing technique. The creditors need dollars and nothing but dollars. The best solution, therefore, would be to find some source other than ERP from which dollars could be injected into the European compensation scheme which is now being worked by the BIS at Basle.

Shipbuilding at the Peak ?

A slight decline in the tonnage of ships under construction is recorded by Lloyd's Register of Shipping for the first quarter of 1948. The world total (excluding Russia, Germany and Japan)

has declined from 3,971,978 tons gross at the end of 1947 to 3,919,374 tons at the end of March. Great Britain's proportion of the total has decreased slightly to 54.6 per cent, its total of 2,138,035 tons gross being 24,947 tons lower than in December, 1947. The decline in the volume of work in hand in the shipyards is too small to be taken as indicating a downward trend in activity; probably it means that the arrears of work in the fitting-out stages, which were the result of shortages of components and also of a large reconversion programme, are gradually being worked off. Ships completed during the quarter, for example, totalled 233,639 tons, a figure higher than for any quarter of the previous year except the last. Launchings totalled only 181,168 tons, compared with the exceptional figure of 390,626 tons for the previous quarter and 270,000 tons for the corresponding quarter of 1947. It will be recalled that last year launchings exceeded completions by some 250,000 tons; in consequence, more ships are likely to be completed in 1948, while launchings and hulls newly begun may decline owing to the uncertainties about steel supplies and the reduction in working hours. A much smaller volume of new shipbuilding work (213,451 tons) was begun during the quarter than in any quarter last year.

The proportion of export work in British shipyards continues to increase. More than half of the tonnage begun during the quarter was for Dominion or foreign account, bringing the total to 696,416 tons gross (32.6 per cent). This includes 207,443 tons for Norway, 104,317 tons for Portugal, 97,369 tons for the British Commonwealth, 68,852 tons for France, 63,945 tons for Argentina, 35,500 tons for Panama and 33,143 tons for Sweden. The flow of new orders has not diminished, for the *Shipping World* lists ships under construction and on order totalling 3,687,235 tons gross at the end of March, compared with 3,462,185 tons at the end of December. Of these, 1,297,120 tons were for registration overseas in March, compared with 1,142,722 tons in December. Tankers account for as much as one-half of these figures. *Lloyd's Register* records that work is in progress on 54 ocean-going tankers of 439,155 tons gross in British yards, out of world totals of 89 tankers of 812,227 tons gross. As the work on this large tanker fleet progresses the demand for steel will increase, but it is too early to say with any certainty whether lack of steel will in fact restrict shipbuilding output for 1948. For the time being the shortage of electrical equipment appears to be a cause of delay in fitting out.

* * *

The Engineers' Claim

The engineers' claim for higher wages has now been published as a pamphlet. Mr Jack Tanner, who presented the claim on behalf of the Confederation of Shipbuilding and Engineering Trade Unions, based his arguments on four main grounds: first, that the cost of living had increased by 74 per cent over 1938 while engineers' wages had risen only by 54½ per cent; secondly, that skilled engineers were underpaid in relation to other skilled workers; thirdly, that the increased wages could well be met out of the engineering industry's current profits; and finally that the claim was justified by increased production. To support this argument, Mr Tanner put in evidence a "productivity index" purporting to show a 22 per cent increase in productivity in the metal, engineering and shipbuilding industry between January, 1946, and December, 1947. On all these counts, he argued, the claim did not infringe the principles laid down in the Government's White Paper on Personal Incomes.

It may well be that engineering workers who are on minimum rates regard themselves as underpaid, although in practice average earnings are well above average rates. The unions also feel aggrieved because negotiations for a complete revision of the wages structure, to bring different grades of skill into more sensible relationship are still hanging fire. But the value to be attached to comparisons of present "productivity" with the early period of 1946 is more doubtful. At that time many men were not fully productive owing to the reconversion of industry. The rise of output in the latter part of the two years may be largely a reflection of the industrial rearrangements which were being made early in 1946 and resulted in unduly low output at that time.

On the face of it, the engineers' claim for a national rate of 115s. for skilled men and 100s. for unskilled men may seem reasonable. But any claim, judged in isolation, might be reasonable; the task is to put it in its national context. There is, at least, no labour shortage in engineering, and the dependence of the export drive on the output of the industry is a strong argument against any increase in its costs. It now rests with the

employers to consider the claim; should they reject it, the unions would then have recourse to arbitration.

* * *

South Africa's Reserve Problem

It is not often, in these days, that the legal rules which govern the operations of central banks are seen to have an impact upon policy. The world-wide expansion of credit which resulted from the war and its aftermath created such a need for flexibility in banking systems that many people have come to take it almost for granted that, wherever necessary, the rules will be adapted to fit the circumstances. In many countries, bankers have long forgotten the constrictions which formerly played so important a part in determining the scale and nature of their operations. But perhaps, after all, it is time to revive the habit of scrutinising central bank returns for indications of official policy. A study of the recent returns of the South African Reserve Bank strongly suggests—surprising though it may seem—that legal considerations may have played an important part in South Africa's recent decision to try to restrain the influx of funds from Britain.

South Africa waited for fourteen years before revaluing its gold holding to give effect to the depreciation of the South African pound in terms of gold. When it did so, in mid-1946, the official reserve ratio—the proportion of the Bank's gold holding to its liabilities on notes and deposits—was raised by the stroke of a pen from 46 to 87 per cent compared with the statutory minimum of 30 per cent. At that level, it might have been thought, legal constrictions were so remote as not to deserve a moment's consideration. But, owing partly to the pressures on the Union's balance of payments on current account and partly to the gold sales agreement with Britain, the Reserve Bank's gold holding dropped from £257 million in mid-1946 to £191 million early in 1948, reducing the reserve ratio to 74 per cent. During the second half of 1947, when the gold holding was slowly rising, the declining trend of the ratio was wholly due to a steady growth in the Bank's deposits, for which the influx of sterling funds was mainly responsible. The Bank's sterling balances, which had been around £20 million last summer, stood at £52 million by end-January last, despite the demands which had been made during 1947 on the sterling area dollar pool and despite the large payments that had to be made for purchases from the sterling area and from other countries then committed to accept sterling.

That was the position when, in the second half of February, South Africa delivered the £80 million of gold due to Britain under the three-year loan agreement—an operation which reduced the Bank's gold holding to only £111 million and the reserve ratio to about 42 per cent. When the South African authorities launched their restrictions upon the inflow of capital, the spectre of the legal minimum of 30 per cent could already be discerned, for under the new agreement the gold sent to London has ceased to be—what, in effect, it formerly was—an overseas reserve that could be tapped at will. South Africa is now committed not to draw upon the central dollar pool, and, moreover, must offer gold in settlement of deficits for current trade with the sterling area. That perhaps explains why the gold holding dropped further, by nearly £4,000,000, in the first half of March (the latest return for which full figures are available is dated March 19th). At the same time, the rise in deposits continued, reducing the ratio to only 39½ per cent. The attempt to restrain the inflow of hot money seems to have given only momentary relief. The latest cabled figures, for mid-April, show sterling balances at no less than £76 million—some £23 million more than at end-January. Necessarily, there has been an almost corresponding rise in bankers' deposits at the Reserve Bank—from £166 million to £185 million.

The failure of the recent measures to stem the inflow was to be expected, for they excluded (among other things) transfers for the purpose of buying quoted South African securities. Is it possible that the South African authorities were so obsessed by the forms and formalities of their problem that they supposed a mere ban upon acquisition of *deposits* would suffice? If so, they were doubly mistaken: even from the technical point of view the effects are the same whether British residents acquire securities or deposits. If the legal ratio is to be regarded as sacrosanct it seems that, for that reason alone, a tightening of the regulations may shortly be needed. Unless the pressure is relieved at its sources, the South African authorities have the room for manoeuvre within their legal framework. Even if they wanted to neutralise the growth of sterling balances by open-market operations in domestic securities, it would be hard to exert any large effect. At mid-March they held less than £3,000,000 of Govern-

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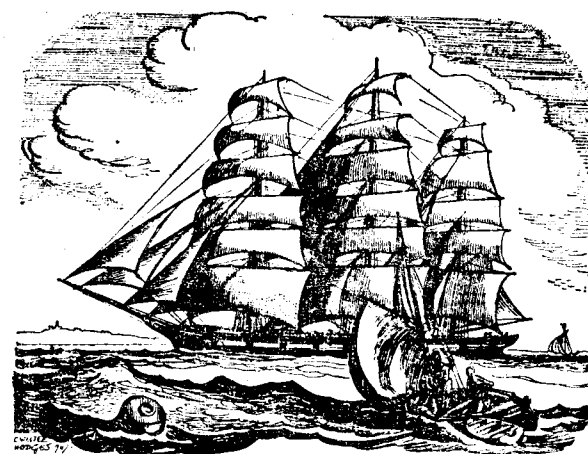
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ment securities; and, of the £85 million of "other" loans and advances, £80 million represents the loan to Britain.

* * *

Vickers Group Reserves

Following the acquisition in December, 1946, by Vickers Limited of the share interests of Vickers-Armstrongs in English Steel Corporation (amounting to 64.6 per cent of the equity), the process of consolidating the reserves of the Vickers group has been carried an important stage farther in 1947. That was clear from the recent preliminary profits statement of the group; the full report and accounts disclose details of the changes. The most important transaction in 1947 was the further transfer from English Steel Corporation, Vickers-Armstrongs, Cooke Troughton and Simms, and The Isle of Walney Estates to Vickers Limited of reserves and provisions no longer required totalling £4,513,767. Cammell Laird, which holds the remaining 35.4 per cent of the equity of English Steel Corporation, also shared in the distribution of the reserves and provisions of that company. In addition Vickers Limited has taken over from Vickers-Armstrongs advances of some £1,055,000 made to George Mann and Co. (1932), Palmers Hebburn Co., and G. J. Worssam and Son, as well as the investments represented by these and three other subsidiaries valued at a total of £1,320,421. The consequent increase in the reserves of the parent amounts to nearly £5,000,000 net, bringing the total to £14,365,511, while some of the transfer of indebtedness is obviously reflected in the increase from £10,225 to £12,140,043 in amounts owed by subsidiaries shown in the balance sheet.

The motives behind these internal rearrangements of Vickers are probably only partly dictated by the desire to put the resources of the group as far as possible out of reach of steel nationalisation. Whereas the reserves of operating companies could hardly escape the net, their possession by the parent which is now mainly a holding company might be construed differently. But there will be other more direct advantages. For instance, in view of the coming into force of the full provisions of the Companies Act on July 1st there is obviously much to gain from the centralisation of the finances and a simplification of the structure of the group.

After its great activity during the war years, the Vickers group inevitably experienced a sharp fall in profit in 1946, but the figures for last year show that the concern has projected itself with vigour into the peace-time tasks of reconstruction. Consolidated earnings have recovered sharply and on the most favourable analysis, earnings which fell to 26.6 per cent in 1946 increased to 69.3 per cent last year, which is only slightly below the 1945 level. And apart from the internal adjustments of reserves already referred to, group reserves last year were raised from £18,145,487 to £22,587,764, of which £1,643,087 was appropriated out of the profits for the year.

* * *

Lancashire's Export Task

The size of the task which faces the Lancashire textile industry is emphasised by an analysis of exports of cotton and rayon textiles to world markets in 1947, which appears in the *Bulletin* of the Cotton and Rayon Merchants' Association. The following table shows British exports of cotton and rayon piece goods to hard currency markets in 1938 and 1947:

PIECE GOODS EXPORTS FROM UK (Mn. Sq. Yards)				
	1938		1947	
	Cotton	Rayon & Mixture	Cotton	Rayon & Mixture
United States	8.7	...	7.6	...
Canada	64.5	4.2	8.1	6.9
Argentina	97.6	0.9	6.2	...
Other Latin America	22.0	0.1	1.8	0.5
Belgium	4.7	...	1.9	...
Belgian Congo	1.9	...	5.0	...
Portuguese East Africa	6.5	...	0.5	...
Sweden	20.2	...	6.2	...
Switzerland	13.9	...	4.6	...
Iran	1.7	...	3.3	...
Total to hard currency areas	241.7	5.2	45.2	7.4
Total exports	1,386.2	60.7	531.2	109.6
Hard currency exports as percentage of total exports	17.0	8.0	8.0	6.0

The Board of Trade intends that 35 per cent of all British cotton and rayon exports shall be shipped to these markets in 1948 and the export target has been fixed at 800 million square yards. This means that some 280 million square yards of cotton and rayon piece goods must find purchasers in the markets listed above. Evidence suggests that 100 million square yards will not be sold to Canada without difficulty. From Toronto it is reported that the British Textile Agents' Association in Canada has repeatedly warned Lancashire that no further price advances will be tolerated above the present level (which is 260 per cent of prewar), and that Canadian buyers are growing impatient for the medium and staple types of fabrics which formed the bulk of British exports to that market before the war.

At the same time, Japanese textiles are reappearing in Canada. The Primary Textiles Institute of Toronto describes the process by which these are reaching the Canadian market as "something history never before encountered." American dollars for the purchase of American textiles are rationed under the quota restriction, but the Institute claims that they are available in unlimited quantities from the Canadian Foreign Exchange Control Board to importers who wish to purchase textiles from Japan. Presumably the Lancashire representatives were aware of this situation when they gave their assent to the report and proposals of the recent Anglo-American Cotton Conference. Having agreed to facilitate the marketing of Japanese textiles in the sterling area, the British industry must still expect competition from them in dollar markets.

*

But even if Canada can be counted upon to take the expected 100 million square yards, what are the prospects of raising exports to other hard areas to 180 million square yards? Unless openings in Argentina and the other Latin American republics develop on a scale at present entirely unforeseen, they are not bright. There is no reason to expect any spectacular rise in imports into the USA, whose own exports fell by 10 per cent in volume between January, 1947, and January, 1948. The reviving Belgian industry may be expected to provide strong competition in the Congo, and in Portuguese Africa priority is given to cottons from Portugal. Imports of piece goods by Sweden and Switzerland are not likely to return to the prewar level; their main demand on Lancashire in the future will be for more yarn.

* * *

Contraction of World Cotton Trade

It is now clear that the contraction of world foreign trade in cotton and rayon textiles which was evident before the war is likely to continue. One of the most significant contributions to the recent talks between leaders of the British and American cotton industries was the following table, drawn up by the Cotton Board, to show the changes which have taken place in the pattern of production and foreign trade in cotton textiles since before the war:

COTTON TEXTILES: PRODUCTION AND EXPORTS (Mn. Sq. Yards)				
	Production		Exports	
	1936-38 Average	1947	1936-38 Average	1947
United Kingdom	3,500	1,800	1,741	531
United States	8,530	10,800	252	1,500
Japan	4,230	660	2,512	400
Mexico	370	450	...	10
Brazil	900	1,200	7	160
Indian Union	...	5,600	200	250
Pakistan	3,920	70	...	...
France	1,400	1,300	374	320
Italy	850	1,000	364	110
Belgium	500	550	142	120
Netherlands	500	400	186	70
W. Germany	2,000	700	190	100
Spain, Portugal, Switzerland	700	1,400	60	...
U.S.S.R.	3,600	2,500	200	15
Czechoslovakia	550	300	60	80
Poland	500	450	10	...
Totals	32,050	27,310	6,298	3,686

This table shows that foreign trade in textiles is not recovering at the same rate as production in the leading countries. In 1947, production had recovered to about 85 per cent of the prewar volume; but foreign trade was no higher than 57 per cent. Moreover, in 1936-38 about 20 per cent of total production was exported; in 1947 the figure was only 11 per cent. Nor, in the view of the Cotton Board, is it likely to rise any higher. In a

"tentative estimate of the position in 1950" it is argued that by that year world consumption of cotton and rayon textiles will be at the level of some 44 billion square yards (of which cotton piece goods will represent 35-36 billion square yards), and that no more than 10 per cent of this will be provided by imports. This leads to the sobering conclusion that "the volume of international trade in cotton goods is unlikely to be much above its present level."

* * *

Blocked Balances in Germany

The restrictions in the use by foreign-owned undertakings of their blocked balances in Germany were discussed in *The Economist* on February 21st. A statement by the Foreign Office in the *Board of Trade Journal* announces that they are to be relaxed to "allow United Nations and neutral enterprises to play their part in the reconstruction of the German economy." But it is a severely limited relaxation. Foreign firms in the British and American zones will be able to use their accumulated Reichsmark funds for investment—but only on specific conditions. In particular, it is stipulated that the proposed investment must be devoted "either to the reconstruction of existing property or to the replacement of essential property, lost to the owner for any reason since 1939, by property similar in character."

This is no mere formality. A foreign-owned enterprise wishing to enter into any capital transaction—say, to extend its buildings or to buy additional plant—will still have to apply to Property Control for a licence. This licence (which an ordinary German firm wishing to do the same thing would not need) is in addition to all the other licences needed in Bizonia to carry out any industrial operation. To obtain it the owners must do more than show that the extension would be useful or would assist reconstruction in the western zones. They must show what property they have lost, or what damage needs to be repaired, and state what property they wish to acquire or what rebuilding they wish to undertake to replace it. They must even be prepared to show that the proposed investment "could not have the effect of putting the applicant in a superior position in the particular industry concerned to that which he occupied in 1939."

Reichsmark balances in the hands of foreign-owned undertakings in Germany are large. The German undertakings belonging to members of the Committee of British Industrial Interests in Germany hold about 165 million marks in German banks, the accumulated earnings of many years during which money could not be sent out of Germany. They would have liked to use these funds—as German firms have been able to use them where the state of trade allowed—for expansion or improvement, and even to enter fresh fields of enterprise. But expansion and new enterprise will clearly be out of the question within the framework of the agreed Anglo-American statement. And since the German business world knows that an attempt at currency reform cannot be delayed much longer, they will hardly find it easy even to rebuild and renew in the next few months.

* * *

A Free Metal Market?

This is the high season for study groups. Last week the Tin Study Group finished its second session in Washington, and on Monday the Rubber Study Group opened its fifth. These conferences of producers and consumers are useful, but they also involve Government officials—to the embarrassment, it would

seem this week, of the Minister of Supply, who has postponed a statement about the possible reopening of the London Metal Exchange until his adviser has returned from Washington. A new scheme for the resumption of private trading in metals (which, it is understood, overcomes the difficulty of foreign exchange shortage) has recently been submitted to the Government. The problem ranges beyond mere provision of dollars. The maintenance of a high level of industrial activity in the United States will increase its demand for base metals far beyond its domestic sources of supply, and this demand may be further increased by the new American defence programme and by larger stockpiling purchases. If the London metal market were open it might do a good business and for dollars; but its sales to America might also have the effect of seriously depleting the already restricted supplies of base metals which British industry now receives.

The reopening of the London Metal Exchange would involve the question of the continued international allocation of tin, about which, apparently, no decision was taken in Washington. The Study Group estimated tin production this year at 150,000 tons, increasing to 170,000 tons in 1949 and to 200,000 tons in 1950. These estimates are smaller than those made a year ago owing to the difficulties of Far Eastern rehabilitation, although current tin production in the Netherlands East Indies was stated to be 60 per cent of prewar capacity and may reach 100 per cent by the end of the year. This recovery will be of particular importance to the United States and will no doubt help to maintain the Texas smelter in operation. Potential industrial consumption—that is, if tin were freely available with no restrictions on its use—was estimated at 190,000 tons annually for the next three years. In view of this statistical position, the delegates agreed to recommend to their Governments that a "working party" should examine the possibility of framing an inter-governmental tin agreement to conform to the general spirit and principles of the Charter of the International Trade Organisation. Such an agreement would presumably have to forgo the restrictionist elements of the prewar days. But it seems a little early to be worried about the emergent "surplus" in tin. And does the recommendation presuppose that £500 tin is here to stay?

* * *

Malayan War Damage Payments

The non-payment of war damage has long been a matter of grievance to tin and rubber producers in Malaya. In October, 1942, the British Government declared its general aim to restore productive activity, property and goods in the Colonial Empire. This week a joint plan has at last been published by the British and Malayan Governments, which deals with war damage claims on an austerity basis and restricting the total cost to £55 million. This sum is made up of a free grant of £10 million from the United Kingdom, of £10 million from the proceeds of Japanese reparations and a maximum of £35 million from Malayan sources. Both these last two amounts virtually have the backing of the British Government, although its assistance is limited to £6,000,000 a year for the first three years. The Malayan Government has in return agreed to maintain its sterling balances in this country if necessary by continuing or extending import restrictions.

This news will cause little rejoicing by rubber and tin producers. War damage claims total some £129 million, and a



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further £22 million is due, as a legal liability, under the War Risks Insurance scheme. The insurance fund, however, has only £12 million, so that £10 million from the £55 million must be used for this purpose. Moreover, the management of the insurance fund is reported to be contesting many claims on legal technicalities such as seizure, frustration and abrogation which may increase the compensation for war damage by a further £5,000,000. Hence a maximum of only £45 million is available to meet war damage claims of £134 million: on an average, therefore, only one-third of the claims can be met, and the period of repayment has not been laid down.

The total allotment of £55 million has evidently been assessed on the basis of the British and Malayan Governments' ability to pay rather than on the legitimacy of the claims—rather like a composition offered to creditors. Much of the physical rehabilitation of the tin and rubber properties has been carried out, new plant and machinery has been installed. Last year's rubber output in Malaya was an all-time record. Industry found the money by drawing on its reserves and by borrowing, and now desires reimbursement. Physical rehabilitation has been achieved to the limit of British productive capacity and dollar resources. Thus cheques on war damage payments would not reduce Malaya's dollar earnings, and therefore the present Government may be unwilling to impose a further burden on the British taxpayer in order fully to reimburse the expenditure of rubber producers and tin miners, despite the earlier undertaking of 1942. This will be small consolation to those who will suffer by this "austerity plan."

* * *

Exchange for Foreign Travel

With the lifting, this week-end, of the ban on tourist traffic to countries outside the sterling area, the Bank of England has issued new instructions to the banks about the allocation of currency for tourism, as well as an explanatory leaflet for the guidance of travellers themselves. The new regulations do not differ substantially from those in operation before the ban was imposed, but the basic allowance, now restored, is necessarily at the level to which it was reduced by the emergency cut made last summer. Until end-August last the allowance for an adult was £75 for the twelve months beginning on November 1, 1946. It is now £35 for the twelve months beginning today. The allowance for children will be £25, which is an improvement of £5 upon the limit fixed last summer. As in the past, special allocations of exchange will be made against applications by travellers for "genuine business purposes," and will be related to the duration of the trip. A bank authorising such applications must be satisfied that:

the applicant is a business executive and/or properly accredited representative of a business house in the United Kingdom who is travelling genuinely and solely on business directly connected with the export of goods from, or the import of goods into, the United Kingdom and that imports into or exports from (as the case may be) the countries to be visited are part of the normal

Public Documents

Report on Black Market in Petrol
Trustram Eve Committee's Scheme for Local Govt. Reform.
Budget for 1948-49

U.S. Foreign Assistance Act
Report of the Economic Commission for Europe
White Paper on National Income and Expenditure
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business of the firm or company on whose behalf the journey is undertaken.

In certain circumstances, special allocations of exchange may also be made for travel for purposes of health or education or on compassionate grounds.

The regulations emphasise that in every case the exchange is solely for the personal use of the individual to whom it is allotted, and may not be used even on behalf of his wife or family. Travellers are advised to finance their main expenses during their stay abroad by travellers' cheques or letters of credit; the maximum they may take with them in foreign currency in the form of notes is the equivalent of £10. Any notes so taken will, of course, rank as part of the exchange allowance. In addition, however, up to £5 may be taken in sterling notes for use on British ships and aircraft and to cover the landing expenses on return to Britain. As in the past, these sterling notes will not rank against the exchange allowance. Where the traveller is proceeding by a "normal direct" route, and is able to purchase travel tickets in the United Kingdom for payment in sterling, these payments will not rank against the allotment of exchange, even though the transport companies concerned are resident outside the sterling area. But where the journey is not by the normal direct route, the amount of the payment may be deducted from the exchange allowed. Payments to booking agents in the United Kingdom for other purposes, such as hotel accommodation, guides or entertainment, will definitely be treated as part of the allotment if the services are to be provided outside the sterling area. Travellers are warned that it is illegal to cash cheques outside the sterling area, or to borrow currency or enter into any arrangement to obtain foreign currency, unless permission to do so has been granted.

* * *

Can the Dockers do More?

This week's meeting of the National Dock Labour Corporation to wind up its affairs provided an occasion for some plain speaking on the need for speeding the turn-round of ships. Mr Bevin, a former dockers' leader and the author of the wartime scheme for decasualisation, appealed to men and managements to co-operate in an effort to clear ships as fast as in 1938, so that the maximum value could be got from Marshall Aid. Before the war employment in the docks was notoriously casual. Now that the dockers have gained their lifelong dream of decasualisation, they might be expected to do at least as well as they did before the war. Neither dockers nor dock managements are entirely to blame for delays to shipping, for much of the equipment in ports is run-down and obsolete, and there has been no opportunity for nearly a decade to improve and mechanise the docks. But even in existing conditions there is room for an increase in efficiency and greater co-operation from dock labour.

The report of the Ministry of Transport's "working party" on dock organisation in the major ports will soon be available, and many of its recommendations about the Port of London are already known. They include schemes for nationalisation and re-deployment which may be resisted by the men, improved lighterage facilities, elimination of unnecessary time taken at the Customs, and, in general, a radical reorganisation of methods in this essentially conservative industry. The difficulty will arise in putting the recommendations into practice.

One important policy of the Corporation, which it hopes the new National Dock Labour Board will continue, has been to raise the standards of welfare. In many ports these are still more appropriate to casual than to regular employment. Although there are exceptions, the dock industry as a whole has lagged behind factories and mines in providing reasonable amenities. Since the Board is now responsible for labour conditions in every port in the country, it has a twofold task—to reduce the delay to ships in port and to complete the process of raising the status of the dockworker.

* * *

Light on the Lamp "Ring"

The second reading of the Monopoly Bill produced a debate about the influence for better or worse of the Electrical Lamp Manufacturers' Association. This body comprises 10 firms who together supply 60 per cent of all lamps, though in some lines presumably the proportion may be higher. The ten firms, whose manufacturing interests in most cases extend well beyond the manufacture of lamps, are General Electric (Osram), British Thomson-Houston (Mazda), Ediswan (Royal Ediswan), Metropolitan Vickers (Cosmos), British Electrical Lamps (Bell), Philips Electrical, Siemens, Cryselco, Aurora Lamps and Crompton.

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President and Chairman: **SIR GEORGE TILLEY, F.C.I.I.**

Points from the Annual Report and Balance
Sheet for the year ending 31st December, 1947.

FUNDS £161,471,881 GROSS INCOME £31,268,948

INVESTMENTS

The funds show an increase of £8,334,173. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to £19,069,270. Premium income in the Industrial Branch was £13,494,657, an increase of £787,948.

FIRE AND GENERAL

In these Branches the premium income was £3,651,548.

REVERSIONARY BONUSES

ORDINARY BRANCH—£1 per £100 sum assured on policies entitled to participate in full profits.
INDUSTRIAL BRANCH—Amounts appropriate to the classes and dates of the policies concerned. £13,351,137 has now been allocated in bonuses in the Industrial Branch up to date, £1,032,745 having been allocated on this occasion.

TOTAL CLAIMS PAID £224,786,381

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

SECOND NASSAU INVESTMENT CORPORATION, LIMITED

FINANCIAL POSITION STRENGTHENED

WELL SPREAD HOLDINGS

MR R. K. FRAAY ON GOLD PRICES AND INFLATION

The third ordinary general meeting of shareholders of Second Nassau Investment Corporation Limited was held, on the 15th ultimo, in Johannesburg.

Mr R. K. Fraay, the chairman, presided, and in moving the adoption of the report and accounts said:—

The total revenue amounted to £706,710, as compared with £318,244 in the previous year.

In comparing these results one must, of course, take into account the fact that the capital of your corporation was substantially increased during the year under review.

You will note that the revenue was obtained from the following sources:—

Dividends Received and Accrued	£271,153
Profits less Losses on Investments realised	432,412
Underwriting Commission and Sundry Revenue	3,145
	£706,710

The total expenditure increased from £43,247 in the year ended December 31, 1946, to £59,179 during the year under review, sub-divided as follows:—

Administration Expenses	£33,610
Expenses re New Issue of Shares	4,202
Interest	15,989
Directors' Fees and Bonuses	5,378
	£59,179

After deducting the expenditure from the revenue there was a balance of £647,531 (last year £274,997) to be carried forward to Appropriation Account. To the net profit of £647,531 must be added £38,023, being the balance unappropriated at the beginning of the year, making a total of £685,554.

The following allocations have been made:—

Dividends on Ordinary Shares	£354,375
Dividends on Preference Shares	20,000
Provision for Taxation	90,000
General Reserve	125,000
	£589,375

Leaving a balance to be carried forward of 96,179

£685,554

I am pleased to be able to add that the results for the first three months of the current year have been very gratifying, and that in consequence the unappropriated profits have been substantially increased since the beginning of the current year.

An interim dividend of 7½ per cent. was declared payable to shareholders registered on June 30, 1947, and a final dividend of 7½ per cent. to shareholders registered on December 31, 1947, making a total of 15 per cent. on the ordinary shares for the year. This compares with 12½ per cent. for the previous financial year.

A total dividend of 4 per cent. was declared payable to the holders of the convertible cumulative preference shares. The holders of these convertible cumulative preference shares have the right to convert their shares into ordinary shares during the six months ending June 30, 1950, on payment of a premium of 5s. per share.

Your directors have continued to follow the sound policy of increasing dividends gradually, without losing sight of the necessity for strengthening the general reserve account and increasing the balance on appropriation account. I feel sure that you will agree with this cautious policy.

OPTION TERMS

At the extraordinary general meeting of ordinary shareholders, held on March 27, 1947, it was decided to increase the authorised capital of your corporation to £3,650,000 by the creation of a further 1,050,000 ordinary shares of £1 each. Your directors were then authorised to offer 525,000 new ordinary shares of £1 each to ordinary shareholders registered in the books of the corporation at the close of business on June 30, 1947, at 40s. per share, being at a premium of £1 per share, in the proportion of one new share for each four shares held at that date. These shares were all taken up by shareholders. Your directors were also authorised to grant to the persons to whom the 525,000 new ordinary shares would be allotted options to take up at 40s. per share the balance of 525,000 ordinary shares in the capital of the corporation, in the proportion of one option for each share so allotted, provided that such options were to be exercised between July 1, 1948, and July 31, 1948, only. Your directors were also given the necessary power to allot any shares not so taken up to other persons, whether shareholders of the corporation or not, at prices not below 40s. per share.

This means, therefore, that option certificates are at present in circulation in respect of the balance of the unissued capital of 525,000 ordinary shares, entitling the holders of such option certificates to take up these shares at 40s. per share between July 1 and July 31, 1948. I consider that holders of these option certificates will be well advised to exercise their options, because it would be against their interests to allow them to lapse. I also take this opportunity of reminding the holders of these options that any shares which are not taken up under these options on or before July 31, 1948, will, in accordance with the powers given to them by shareholders, be allotted by the directors to other persons, whether shareholders of the corporation or not, at a price not below 40s. per share.

In consequence of the issue of new shares made in 1947 the total issued capital of your corporation was £3,125,000 at the end of the year under review, divided into 2,625,000 ordinary shares of £1 each and 500,000 4 per cent. convertible cumulative preference shares of £1 each, all fully paid.

General Reserve.—This account showed a balance of £650,000 at the beginning of 1947. A premium of £525,000 was received on the new issue of 525,000 ordinary shares, and this amount was transferred to general reserve, and, in addition, £125,000 was appropriated from the profits made during 1947, thereby increasing the general reserve to £1,300,000 at the end of the year under review. A further £525,000 will be received by your corporation as premium on the 525,000 ordinary shares to be taken up during July, 1948, when the options are ex-

ercised. This will naturally strengthen the position of your corporation still further.

VALUATION OF INVESTMENTS

The investments of your corporation at December 31, 1947, appear in the balance sheet at £5,027,722, representing their cost, which includes brokerage. The market value of these securities based on the ex dividend quotations on January 5, 1948 (the first business day in 1948 on the Johannesburg Stock Exchange), was £5,193,259.

There has been an even greater appreciation in the market value of the holdings of your corporation as compared with cost since the beginning of this year. On April 7, 1948, your corporation held shares in 145 companies, with a market value of £5,649,117 and a book value of £5,188,167. This shows convincingly that the position of your corporation has improved considerably during the last three months.

The investment portfolio is under daily and close supervision, and changes are effected whenever it is thought desirable in the interests of shareholders and with a view to strengthening the position of your corporation. I need not add that, in these uncertain times, it is even more necessary to effect changes in the portfolio from time to time than it would be in more normal times.

I have always maintained that devaluation of various currencies is inevitable; in other words, that the gold price must eventually rise. Such a rise in the gold price will be followed by an increase in the price of gold-mining securities, and this will naturally benefit investment companies such as yours on account of the large holding of gold-mining shares.

LIST OF SECURITIES

In my statement to the Company Law Amendment Enquiry Commission, I strongly advocated that an amendment to the company law should make it compulsory for all companies holding shares in other companies, including subsidiary companies, to state once annually on a date common to all companies, in the Union of South Africa, the number of shares held in each company. The publication of such holdings would enable shareholders in companies to have, at least once annually, a clear picture of the investment portfolio held by their company.

Such a provision would prevent a great deal of undesirable speculation, and such speculation should be prevented in the interest of the general investing public. I am of opinion that many debacles in the past could have been prevented if such information had been available. I hope that the Commission will strongly advocate that the publication of such information should be made compulsory.

It has been decided, however, by the directors of your corporation that, pending the passing of such legislation, a detailed list of the holdings of your corporation will be given by the chairman in his address at the annual general meeting.

ANALYSIS OF INVESTMENTS

Having read the list of the company's holdings, he continued: This holding comprised shares in 149 companies, and I will, as usual, give you a closer analysis. Only 0.37 per cent. of the total holding was in shares not quoted on the Stock Exchange, and 4.98 per cent. in quoted securities which had not yet reached the dividend-paying stage, leaving 94.65 per cent. in quoted dividend-paying shares; 31.29 per cent. was invested in shares of land and financial companies (including 18.65 per cent. in our associated companies); 27.18 per cent. in industrial and commercial companies; 37.09 per cent. in gold-mining companies; and 4.44 per cent. in collieries, diamond and base metal companies.

The information I have given you is very detailed, but I wish to make it clear that I prefer the compulsory publication of holdings by all companies on a common date. This

procedure can be followed only if the necessary legislation is passed.

You will agree with me that the holding of your corporation is well spread over a large number of companies. It will be the constant endeavour of your directors to increase the dividend income of your corporation and thereby to reduce the difference between dividends paid by the corporation and its dividend income. On the other hand, it is reasonable that shareholders of the moment have the right to receive, in the form of dividends, part of the profits derived from the realisation of investments.

It will be seen from the accounts that, although a portion of the profits realised on investments has been paid to shareholders by way of dividend, the major portion of revenue of this nature has been utilised to cover expenses and to increase the general reserve account and the balance on appropriation account.

It is sometimes said that the profits of your corporation derived from the realisation of investments will be subject to heavy fluctuations, but I feel little apprehension on this score, due to the nature of our business. Your corporation has become one of the most important investment companies in this country and exercises a steadying influence on the Stock Exchange because it is a constant buyer and seller of investment securities.

ALTERATIONS TO ARTICLES OF ASSOCIATION

This meeting will be followed by an extraordinary general meeting of ordinary shareholders for the purpose of considering, and if deemed fit passing with or without modification or addition, a special resolution to effect various alterations to the Articles of Association.

Proposals in this connection were submitted to you by your directors simultaneously with the notice of this meeting, and I take it that these proposals are quite clear to you.

It is proposed that various clauses of the articles be amended in order to conform with the requirements of the Stock Exchange, London, because it is the intention of your directors to apply in the near future to the Council of the Stock Exchange, London, for permission to deal in the shares of your corporation. A number of shares in your corporation are held by overseas shareholders, and it will be to the advantage of those shareholders and the shareholders resident in South Africa to have the shares of your corporation quoted in London. This will, no doubt, tend to a broadening of the market in the shares of your corporation.

COMPANY LAW AMENDMENT ENQUIRY COMMISSION

I have already made reference to the memorandum submitted by me to this commission, in which I recommended, in the interests of the general body of shareholders, various amendments to the Companies Act.

I cannot at this meeting repeat all the recommendations I made to the commission, but there are a few special points to which I should like to make reference.

I felt justified in stating that my experience has proved that the large majority of companies in the Union are managed as efficiently as possible in the interests of their shareholders, taking South African conditions and the South African outlook on life into account. It must be realised, of course, that the development of a new country and its enterprises is bound to be more rapid than that of older countries, and that the outlook of the population in new countries is usually more speculative than in older countries.

There is, admittedly, a greater tendency here than overseas for some directors to look upon the companies of which they are directors as their own private property, and it is therefore essential to impress upon such directors that they are in a position of trust towards their shareholders, and that they are, in fact, only

the representatives of the whole body of shareholders.

This attitude amongst directors is accentuated by the fact that most shareholders in public companies display very little interest in the affairs of the companies in which they are shareholders, unless difficulties are encountered.

It is my contention that control over companies in South Africa should be stricter than elsewhere, because, as already stated, this country suffers from certain disadvantages which cannot very well be prevented in a new country.

DEVELOPMENT OF SOUTH AFRICA

An American visitor remarked some time ago—in my opinion quite rightly—that conditions here could best be compared with the conditions which existed in the United States of America 80 years ago. The United States of America had then, just as South Africa has today, to contend with the problems which can be looked upon as the birth pangs of a new nation.

South Africa is, for its development, just as America did 80 years ago, drawing for the strengthening of its population on the emigrants from various countries. It is inevitable, therefore, that the outlook and attitude towards different problems must differ amongst those emigrants. It may take generations before such differences disappear.

Another opinion I expressed was that the Press in South Africa should play a bigger part than it does at present in shaping public opinion on financial matters. I explained that this was only possible if some protection were provided against unwarranted libel actions, and suggested that it was necessary to investigate how this could best be achieved.

It has been said that the Press need not fear libel actions if comments are in the public interest. It might, therefore, be interesting for you to know that the frank comments which I have made from time to time on certain financial matters have been strongly resented by certain interested parties, who obtained legal advice to find out whether a libel action could be instituted against me. I would naturally have welcomed such action, because I feel strongly that what I have said from time to time was not only in the interests of the shareholders of the different companies forming our group but of the general investing public as a whole.

I have dealt with this matter fully, because I am firmly convinced that legislation, however strict, will never be able to stop undesirable financial practices unless ways and means can be found to induce investors and the general public to display a greater interest in business matters. Investors and the general public can only be guided in this connection by a well informed Press. After all, public opinion is a stronger deterrent against malpractice than even the strictest legislation.

INCREASED GOLD PRICE AND INFLATION

In my remarks to shareholders of Unit Securities and Trust Company of South Africa, Limited, on March 12, 1948, I touched upon two matters of great importance to this country, namely, the influx of capital from Europe and its dangers, and the inevitable devaluation of various currencies. I said then that it might be advisable for this country to devalue independently even before other countries are forced to do so. Such an independent devaluation would mark the beginning of an independent South African financial policy.

My remarks in connection with devaluation have—as I fully expected—been severely criticised in some quarters, mainly on the assumption that devaluation would create further inflation. One critic went so far as to write that currency devaluation is nothing but a snare and a delusion.

I cannot agree that general devaluation means the beginning of greater inflation. Devaluation is, in my opinion, nothing but the acceptance of inflation as an accomplished

fact. Inflation, or rather a reduction in the purchasing value of money, has been a continuous process, but has been accentuated by the two world wars during this century. It is just as necessary to increase the price of gold—in other words to devalue currency—after a major inflation has taken place, as it was to increase wages to meet the reduced purchasing value of money due to this inflation.

I have always felt that much suffering during the depression between 1920 and 1931 could have been prevented if we had been realistic enough in 1919 to admit that the inflation caused by the 1914-18 war was a natural consequence of that war, and that that inflation had come to stay. Instead of this, everything possible was done to try and put the clock back, thereby creating unnecessary economic upheavals, followed by the political repercussions which had much to do with the outbreak of the 1939-45 war. Are we going to repeat the same mistakes? We all agree that the purchasing value of money has decreased substantially since 1939, but many of us are not prepared to face the position realistically by agreeing to devaluation.

As far as the influx of overseas capital to this country is concerned, it is well known that this has gone on uninterruptedly since my remarks to the shareholders of Unit Securities and Trust Company of South Africa, Limited, were made. Certain measures are now being taken to control this movement of capital, but I am doubtful whether such control will be successful, because experience has shown that it is very difficult to make such control effective. Total prohibition of the export of capital from England to other parts of the British Commonwealth might be successful, but would severely strain the relations between the different Commonwealth nations.

THE ECONOMIC POSITION

I have lately discussed the present economic position of South Africa with various prominent overseas financial experts. Some of these experts were unimpressed in their praise of what has already been accomplished in this country. Others criticised certain aspects of our economic set-up, including housing accommodation for the lower income groups and our native population, our agricultural productions, etc.

I felt justified in telling these critics bluntly that they should not overlook the following facts:—

(1) That practically no Europeans were living in the three provinces, Orange Free State, Natal, and Transvaal, 125 years ago, and that consequently practically all our development has taken place in that short period;

(2) That most of the European immigrants who arrived in this country up to as recently as 30 years ago came with the main object of trying to make sufficient money to return to their homeland to retire. This attitude stemmed practically all undertakings started by these immigrants before the 1914-18 war. In other words, there was no desire or intention to build lastingly;

(3) That the attitude towards life of our native population has changed tremendously during the last few decades. This population has become largely detribalised, and has moved from its native reserves to the towns, thereby creating the ordinary problems which follow in the wake of a movement whereby a large part of the population of the country turns from agricultural and pastoral pursuits to unskilled labour in industry, mining, and other occupations.

TOWN PLANNING

I would like to address you today about a matter which has exercised my mind during the last 12 years—namely, whether the time has not arrived to change drastically our ideas about town-planning in this country. It cannot be denied that the cost of living in South Africa has always been greatly affected, and to a much greater extent than in other countries, by the high prices ruling for land

and houses. This will seriously retard progress, and everything should be done to reduce this burden resting upon our wage-earning population.

Most of the European population in our towns are today living under similar conditions to those of 50 years ago—that is to say, in houses surrounded by gardens measuring from one-quarter of an acre to many acres, even when these houses are near to the centre of the town. This was a luxury falling within the means of the man with even a moderate income 50 years ago but we want more out of life now than we did then in the form of essential services such as good roads, water, light, transport and sanitary arrangements, and the cost of upkeep of these requirements becomes too heavy a burden if the acreage covered by a town is too large in comparison with its population.

I feel that we will have to get used to the idea of concentrating our towns on a much smaller acreage than at present in order to reduce the cost of living and to bring down land values outside the flat area.

The present position has also created other problems such as the provision of sufficient transport and parking accommodation for the many motor-cars required by our town population to cover the enormous distances in the towns, etc. It has also aggravated the economic difficulties of that part of our native population which finds employment in the towns. These natives have to live outside the European areas, and therefore so far away from their places of employment that a very considerable part of their income is swallowed up by the cost of transport.

The high cost of land and building makes an investment in houses for letting purposes in this country unprofitable. This has, in its turn, made it necessary for an unduly large part of our population to own their own houses, which are often very heavily mortgaged. The Rent Act which is supposed to be successful has—as is often the case with Government measures—actually made the position more difficult. It has unintentionally forced many people who would have preferred to rent houses or flats to buy houses, simply because houses to rent are practically unobtainable.

Many people have, therefore, been forced to accept a liability in the form of a mortgage on their house, which is really far beyond their carrying capacity. They have, in fact, taken a heavy mortgage on their future earning capacity, and they may find themselves in great difficulties if this country should encounter even a small set-back.

I contend that it would have been far better for these people to pay a somewhat higher rental while this scarcity lasts, than to accept this heavy liability in the form of a mortgage on their houses. They are now, in addition, facing the possibility of a heavy loss on their investments if property prices should recede.

INFLUX OF IMMIGRANTS

The position has lately become aggravated due to the influx of immigrants. Many of these immigrants also are forced to buy houses to get a roof over their heads. It is admittedly true that scarcity of houses is a world-wide problem, but the conditions existing here are peculiar to this country, as only a small proportion of houses are owned for letting purposes. Most houses are owned by the occupants.

I submit that the danger point in the economic structure of a country has been reached when people with an income of between £800 and £1,200 per annum have to pay between £4,500 and £6,000 for a property with a five-roomed house in a decent locality. These people are endangering their savings by the purchase of houses and land at such high prices and—as already stated—accepting a heavy mortgage on their future due to the money which they have to borrow on these houses.

We are at present trying to attract a great number of immigrants to South Africa. Many of these will be wage-earners who cannot buy their own homes, and have therefore to hire their living accommodation. The only

manner in which our present and future problems in this connection can be overcome is by zoning a much greater part of the acreage of each town for flat buildings. At least one-third to one-half of the European population of our towns should be able to hire their living accommodation and be able to live within a reasonable distance of their place of employment. This will, incidentally, also overcome some of our difficulties in connection with transport and reduce the cost of maintenance of roads and other essential services.

This policy might necessitate giving greater powers to the municipalities to fix reasonable prices on land required near the centre of the towns for erecting flat buildings, etc. It is unfair that certain holders of land near the centre of towns should make exorbitant profits at the expense of the community as a whole.

I feel convinced that a city such as Johannesburg could, in this manner, provide accommodation for practically five times its present population, without having to extend still further. It will also force down land prices in suburbs too far away from the centre of the city.

I have gone into this matter fully because we are all greatly concerned about the increase in the cost of living during the last few years and are trying to take steps to remedy the position.

INCOME-TAX—1948

It is greatly to be regretted that Parliament in this country decided to leave the passing of the income tax proposals for the income tax year ending June 30, 1948, until after the general elections, because this creates an element of uncertainty which should have been prevented.

It is well known that the financial year of many companies and partnerships ends on June 30 of each year, and it will now be impossible to finalise the accounts of such companies and partnerships until Parliament has passed proposals in connection with this income tax year. It is rumoured that many changes in income tax are contemplated, and this naturally adds to the general confusion.

I sincerely hope that the Government to be elected will not follow the example set by the British Government by proposing a levy on income derived from investments. Such a levy can only have one effect—namely, to stifle private initiative and the urge to save—and, as I have said so often, such initiative is imperative in a new country. Everything possible should be done in South Africa to encourage private enterprise and initiative in order to take full advantage of the great possibilities which exist in this country at the moment. It is necessary in a new country for the level of attainment to be fixed at the level of the greatest producer and not at the level of the medium or low producer. This is the only manner in which great progress can be achieved.

THE DIRECTORATE

Your corporation suffered a great loss during the year under review by the death of Mr G. W. Campbell and by the death of Mr John Hungerford at the beginning of the current year. Both these gentlemen had been connected with your corporation as directors since its inception, and were well known throughout South Africa as men of high integrity and great business experience.

Their advice and guidance will be greatly missed by the remaining members of your board of directors, and I can only say that it will be extremely difficult to fill their vacant seats by men of the same calibre. I, as your chairman, feel their absence deeply, not only as colleagues who looked upon the interests of your corporation as of paramount importance, but as loyal and firm friends.

I now propose: "That the directors' report and accounts be adopted, and that all acts and undertakings done for and on behalf of the corporation by the directors be and are hereby confirmed."

MR S. T. RICHARDS'S REMARKS

Mr S. T. Richards: Mr Chairman, ladies and gentlemen, it is with much pleasure that I rise to second the motion for the adoption of the directors' report and accounts which has been moved by the chairman, and I think you will all agree that, once, again, he has given us a most constructive and inspiring address covering a wide review of present day conditions.

I also feel certain that the very detailed and exhaustive information given by our chairman of the holdings of your corporation will be greatly appreciated and reassuring to shareholders. Actually, it sets a new standard in the history of investment companies and it is to be hoped that the practice now inaugurated by this corporation will become general. Not less than 94.65 per cent. of the corporation's holdings are quoted dividend-paying shares, and the investments of the corporation are spread over 149 companies—surely a very comprehensive cover.

The question of devaluation has been mentioned by our chairman; this is a very contentious matter and one on which I am not prepared, at the moment, to express an opinion, but the suggestions put forward are very worthy of close attention.

The present housing position is another subject on which our chairman has put forward some excellent suggestions; there is no question that the position as it exists at the present moment needs serious consideration.

Although the capital of the corporation has been increased, the dividend for the past year was increased from 12½ per cent. to 15 per cent., which we must all consider most satisfactory. The general reserve now stands at £1,300,000, a figure which will be further increased by an amount of £525,000 when options are exercised in July placing the corporation in a remarkably sound position.

In due course it is anticipated that a quotation for this corporation's shares will be obtained on the Stock Exchange, London—there is no doubt that this will broaden the market for your corporation's shares.

I think we all realise the enormous developments which are steadily taking place in this country and, provided there are no serious disturbances in Europe, the prospects of expansion are likely to be very considerable.

In conclusion, on your behalf, I wish to express our sincere appreciation of the untiring efforts of your chairman, Mr Fraay, in the interests of the corporation, the success of which is due almost entirely to his personal keen foresight and initiative.

The report and accounts were unanimously adopted.

The retiring directors, Mr C. H. Leon, Mr F. W. Patten and Mr H. J. Sanderson, were reappointed and the remuneration of the corporation's auditors for the past year was fixed.

ALTERATION OF ARTICLES

The ordinary meeting then terminated and was immediately followed by an extraordinary general meeting of shareholders convened for the purpose of effecting alterations to the articles of association of the corporation.

Professor C. S. Richards suggested that, if alterations were made to the articles of association at any future date, a brief explanation of the effect of the proposed alterations should be given to shareholders. An explanation of the effect of certain of the alterations proposed was given in reply to questions asked by Professor Richards.

The resolution was thereupon passed as a special resolution and the meeting then terminated.

A copy of the full speech, which contains a complete list of holdings at January 1, 1948, may be obtained from the company's office, Unit Security House, cor. Fox and Sauer Streets, Johannesburg, or Dorland (City), Limited, 1 Royal Exchange Avenue, London, E.C.3.

ROYAL EXCHANGE ASSURANCE

228TH ANNUAL REPORT

INCREASED VOLUME OF BUSINESS

LORD BICESTER'S SPEECH

The following is a summary of the address given by the Right Honourable Lord Bicester, Governor of the Royal Exchange Assurance, at the Annual General Court held at the office of the Corporation, Royal Exchange, London, E.C.3, on the 28th ultimo:—

Our Life Department issued 5,588 policies for sums assured amounting to £4,381,735, an increase over the previous year in both figures. The total premium income at £1,643,330 also showed a substantial advance. The gross rate of interest earned on the Life Fund is £4 1s. 8d. per cent.—an appreciable fall compared with 1946 and 1945 when the rates earned were £4 6s. 2d. per cent. and £4 5s. 3d. per cent. respectively. Recently there has been a change in long and medium term money rates and consequently the yield on Government securities has lately increased considerably. It is possible that our available cash resources may now be invested to give a somewhat higher return than has been practicable in recent years.

It must nevertheless be realised that the investment field open to us has undergone a very severe contraction since the war ended and in future it is probable that industrial securities will have to form a larger percentage of our life fund investments. Meanwhile I am happy to say that our life fund is extremely strong.

FIRE AND MARINE FIGURES

In our fire department the premium income has increased to £2,755,680, which is nearly £400,000 higher than in 1946. Much of this increase is accounted for by the rise in values that has taken place both in property and in commodities, and is no doubt a reflection of the wise precautions now being taken by many policyholders in increasing the amount of their cover to correspond fully with such enhanced values. There are still, however, a large number of insurances which have not been sufficiently increased. The fire wastage in this country in 1947 was the highest ever reached. Heavy losses were also experienced in several overseas territories, and the fire wastage in the United States was again particularly severe. The final result after providing increased premium reserve at the rate of 50 per cent. on the greatly increased income is a small loss of £12,582. This is the first time since the San Francisco disaster of 1906 that the department has shown an actual loss.

The marine account shows a satisfactory result. The premium income amounts to nearly £200,000 more than the previous year. Our fund stood at £1,245,093 at the end of the year, and we are transferring £100,000 to the profit and loss account.

ACCIDENT DEPARTMENT

In our accident department the nett premium income has increased by almost £350,000 to a total figure of £1,898,393 which constitutes a new record. While the

motor vehicle insurance income again shows a substantial increase, the unfavourable experience has continued. Owing to the high cost of labour and materials, accidental damage claims now cost more than double the 1939 figure and the cost of personal injury claims has also greatly increased.

Our accident business will naturally be affected by the National Insurance (Industrial Injuries) Act of 1946, which will come into operation in July next. Notwithstanding the provisions of the state schemes, an employer will still be responsible for considerable liabilities to his employees, and we are taking the necessary steps to advise our policyholders of the facilities which we offer for their protection. We are able to transfer from the accident department the sum of £91,029 to the profit and loss account.

RESULT OF YEAR'S WORKING

The balance of our year's working, namely, £206,654, has been carried to the profit and loss appropriation account and with the balance from the previous year gives a total of £720,713. The year 1947 has been a very difficult one owing to the dislocation of peacetime economies. In such circumstances the overall results of the corporation may be counted as not unsatisfactory.

The results of our associated companies have naturally also been affected by similar difficulties. The "Car and General" and the "Motor Union" have both transacted very substantially increased business and their combined premium income was over £5,400,000, an increase of £1,038,000. While the underwriting results of the "Car and General" produced a profit, those of the "Motor Union" showed a loss on the year's working. Owing largely to bad experience in the fire department, the State Assurance Company has had a disappointing year.

DIVIDEND 30 PER CENT.

In the consolidated profit and loss account you will see that the combined interest earned by the group amounts, less tax, to £317,359. The total transfers from the group departmental underwriting accounts are £331,912. On the other side there appears the figure of £205,445, being the loss sustained by the group fire business and taxation at £251,500. The transfer to the consolidated profit and loss appropriation account amounts to £129,231 and the final figure carried to the balance sheet shows a decrease of some £50,000 at £1,051,624.

Your court of directors are recommending the payment of a final dividend of 20 per cent., making 35 per cent. for the year, which is the same as for 1946.

TRIBUTE TO EXECUTIVE AND STAFF

I am sure you will wish me on your behalf to extend our appreciation and thanks to our general manager, the executive, branch and district managers and staff and

to our local directors and agents both at home and overseas for the contribution they have again made to the well-being of our affairs. I know you would wish me to convey these sentiments also to the directors, executives and staffs of our associated companies.

As governor of the corporation for many years it has been my good fortune to place before you statements which in general have been consistently satisfactory. For reasons which I have explained, the picture this year is less attractive but that is nothing more than the ebb and flow of business, and setbacks must necessarily be encountered from time to time. Much care has gone to the building up of the position we are in today when the total consolidated assets of the group exceed £48,000,000, and I feel our organisation is such that we can face the future with every confidence.

The report and accounts were unanimously adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

INCOME, £13,400,000

TOTAL ASSETS, £77,400,000

The eighty-seventh annual general meeting of this Society, was held, on the 27th ultimo, in London.

Mr J. K. Wiseman, F.C.I.I., chairman and joint managing director, who presided, said:—

I have much pleasure in informing you that in 1947 the new business transacted by the society surpassed all previous records in both the Ordinary and Industrial branches.

NATIONAL INSURANCE ACT, 1946

The appointed day for the coming into force of the remaining provisions of the National Insurance Act, 1946, has been fixed as July 5, 1948. Therefore, July 5, 1948, will see the transfer of the operation of National Health Insurance from the Approved Societies, which will cease to exist.

One of the benefits under the National Insurance Act, 1946, is a death grant, the amount of which is £20, with certain exceptions. I want to make it quite plain that the introduction of a death grant in association with the National Insurance Scheme does not affect or prejudice in any way any policy already in existence.

INCREASED TOTAL INCOME

Turning now to our accounts, the total income for the year amounted to £13,418,000, an increase of £988,000 over the previous year. The Combined Premium Income amounted to £10,619,000, an increase of £849,000 over the previous year. The total Claims and Surrenders paid during the year amounted to £5,132,000.

The premium income in the Ordinary branch (including consideration for annuities granted) amounted to £3,021,000, an increase of £362,000 over the previous year.

During 1947 new policies for a sum assured of £9,014,000 were issued. This figure has never been surpassed in the history of the society and the results not from an increase in the number of policies issued but from an increase in the average sum assured by each policy, which in 1947 was in excess of £360.

In the Industrial Branch the premium income for the year amounted to £7,597,000, an increase of £487,000 over the previous year. Claims and Surrenders amounted to £3,385,000.

The amount added to the fund during the year was £3,362,000, which includes £1,918,000 interest on investments. This addition to the fund is money put aside as a provision for future payments to policyholders. Adding this item to the actual disbursements to policyholders during the year the total is £6,747,000.

The report was adopted

RICHARD COSTAIN, LIMITED

PROFITS WELL MAINTAINED

FACTORY SITE GROWING

MR R. R. COSTAIN ON THE OUTLOOK

The fifteenth ordinary general meeting of Richard Costain, Limited, was held at Rodney House, Chichester Street, Dolphin Square, London, S.W., on the 27th ultimo, Mr R. R. Costain, C.B.E. (chairman and managing director), presiding.

The secretary (Mr L. Richards, A.S.A.A.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman, which had been circulated with the report and accounts for the year to December 31, 1947:—

You will observe from the profit and loss account that, in spite of the difficult trading conditions which prevailed during 1947, and to which I will return later, the profits of the Costain group of companies were well maintained. The increased profits for the year arose in the subsidiary companies and you will observe that a substantial amount of such profits is being retained in those companies for the development of their businesses. The net profit of the parent company, after providing for all expenses, depreciation and taxation, and including dividends receivable from subsidiary companies, amounted to £90,790, as compared with £86,183 for the previous year.

PENSION FUND

The board has transferred back to profit and loss account the sum of £20,000, which was appropriated in the accounts for 1943 and 1945 as a provision for staff pensions. The company has a staff pension scheme in operation and this provision has not been utilised. It has, therefore, been decided to appropriate this sum, together with £30,000 from the profits for 1947, to a fund to provide for an educational, training and benevolent scheme for the benefit of the company's employees. It is proposed that this fund should be administered by trustees, including representatives of the employees, and I am confident that the scheme will be of great value both to the company and to its employees. Shareholders will realise that a well-trained, efficient and loyal staff is the cornerstone of any business.

The board recommend the payment of an ordinary dividend of 10 per cent., less tax, as in the previous year and, after these appropriations, there will remain a sum of £17,756 to be added to the amount carried forward by the parent company.

BALANCE-SHEET ITEMS

The balance-sheet at December 31, 1947, reflects the large volume of work-in-progress which has necessitated considerable bank borrowings, amounting to £462,268 at the year end. In this connection shareholders have been asked to approve an increase in the company's borrowing powers which have remained unaltered since 1936.

The increase in the item freehold and leasehold properties consists mainly of a transfer from work-in-progress of certain house property which is let to tenants and may, therefore, be regarded as a fixed asset. Shareholders may be interested to know that virtually the whole of the company's house property, including that of its sub-subsidiary

company, Rylands Estates, Ltd., is valued at prewar cost.

You will observe that it has not been necessary to draw on the special provision account of £50,000 which was provided last year against contingent losses at home, due to the exceptional weather conditions, and abroad. This provision will, however, be retained, since the risks always inherent in contracting and civil engineering work are magnified under current conditions.

PAST YEAR'S ACTIVITIES

In the year under review, the construction of the hydro-electric scheme in Scotland and the erection of factories and houses of many different types continued satisfactorily. We were also successful in securing two further large open-cast coal contracts in the North of England, and work on a new atomic power station. Our branches in the Near East and Southern Rhodesia are still expanding and the reputation already acquired by your company is being enhanced. Your directors also have under consideration further expansion in other parts of the world.

The factory side of our business is growing and the factory in Wales has practically completed a contract for the manufacture of Airey house components and is already engaged in other types of manufacture which will, we believe, prove successful. The factory in Essex is still producing Airey house components. We have also entered into a contract with the Ministry of Works for the manufacture and supply of prestressed concrete sleepers. We are at present converting a factory in Scotland for this purpose and production will commence towards the end of the current year.

THE FUTURE

Before considering the future prospects of the company, I would like to remind you of my remarks of last year with regard to the properties owned by your company, and I have regretfully to inform you that the profit and loss position, in so far as this aspect of our business is concerned, continues to deteriorate, as the Government has not yet taken any steps to mitigate the legislation that imposes such severe restrictions on property owners.

With regard to the future prospects of your company, it is impossible to make any predictions as to developments in this country in either the building or civil engineering spheres of work. It is hoped, however, that the rigorous policy laid down in the Government White Paper will be modified during the ensuing year and, if this is so, it is felt that your company is in an excellent position to play a considerable part in the essential work of rebuilding in this country. Already your company has been successful in securing a contract for the erection of a large block of Government offices in Whitehall. This, it will be appreciated, is a contract of considerable importance and will assist materially in maintaining the high grade of staff that will be required for the future rebuilding of our cities.

THE DIRECTORATE

During the year under review, Mr J. K. Costain, who has been a member of the board since the inception of the company, has resigned and his resignation was accepted with considerable regret. In view of this, and in order to strengthen the board, it will be pro-

posed during the meeting that Mr R. B. Minto and Mr H. M. Stewart should join the board of directors, and I hope that these appointments will meet with your approval. Mr Minto has been with the company more than 11 years and was appointed personnel manager some four years ago. I am sure you will appreciate the necessity for having this increasingly important side of the organisation represented on the board. Mr Stewart joined the company in 1934 and was made chief civil engineer in 1941. Each of these gentlemen will prove a valuable acquisition to the board of directors.

In conclusion, may I take this opportunity of paying a tribute to the directors and staff for their enthusiastic and loyal support during the past year. I am sure the shareholders will wish to join me in expressing our appreciation and thanks.

The report and accounts were adopted; the proposed dividends were approved; Mr R. B. Minto and Mr H. M. Stewart were appointed directors; the retiring directors, the Right Hon. Lord Clwyd and Mr J. W. Whiter, were re-elected, and the auditors, Messrs James Worley and Sons and Messrs Peat, Marwick, Mitchell and Co., were re-appointed.

At separate meetings of the preference and "A" preference shareholders, and an extraordinary general meeting of the company, resolutions were unanimously passed approving an alteration in the directors' qualification and increasing the borrowing powers of the company to £1,500,000.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

LORD BRAND'S STATEMENT

The annual general meeting of the North British and Mercantile Insurance Company, Limited will be held, on the 6th instant, in Edinburgh.

The following is an extract from the statement by the Rt. Hon. Lord Brand, C.M.G., D.C.L., chairman of the General Court of Directors, in connection with the accounts for the year ended December 31, 1947:—

Life department:—The new business results are again satisfactory, the amount completed during 1947 being £7,556,370 net compared with the 1946 total of £5,921,105, which itself was a record.

The premium income has again expanded. Business written during 1947 under the "Two Generations" policy—£250,000—indicates that it is proving popular. We again record an expansion of the annuity fund.

In the fire account the increase in premiums is more than £1,300,000. Unfortunately the loss experience has been adverse both at home and abroad. The outcome of the year's trading is a profit of £29,783.

Casualty department:—The premiums of the Railway Passengers Assurance Company, which transacts our casualty business, at £2,542,108 show a substantial increase of 22 per cent. over the previous year's record figure. The underwriting profit of £150,204 compares favourably.

Marine department:—Although our marine business, transacted by the Ocean Marine Insurance Company, Limited, has had to meet increasing problems, it can be regarded as very satisfactory. Premiums were £1,017,390 against £765,232 in 1946. An amount of £150,000 has been transferred to profit and loss account from the profits of past years now closed.

The Fine Art and General Insurance Company, Limited:—Premiums for 1947 were £638,472 compared with £533,604. The underwriting profit was £28,298 against £50,190.

Consolidation of profit and loss accounts:—The combined underwriting profit is £358,285. Net interest on investments amounts to £500,840 against £448,260. The aggregate balance is £7,651,164 compared with £7,686,254. The ordinary dividend recommended is 7s. per share.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

At the annual general meeting of the Clerical, Medical and General Life Assurance Society, held recently at the Society's chief office, 15, St. James's Square, London, S.W.1, the deputy chairman, Lt.-Col. Sir Francis H. Humphrys, G.C.M.G., G.C.V.O., presided, in the absence, owing to illness, of the chairman, Sir Francis E. J. Smith. In the course of his address, the chairman reported the transaction of a record amount of new business, large increases in premium income, interest receipts and funds, as well as progress in, and additions to, subsidiary companies.

GROWTH OF BUSINESS

The new life assurance business amounted, after deduction of re-assurances, to £4,341,723, an increase of 23 per cent. over the corresponding figure of the previous year. This new business consisted mainly of Whole Life and Endowment Assurances, of which the greater part was effected under With Profit tables, implying a continued confidence in the Society's ability to maintain its high reputation as a bonus-paying office.

As the result of the year's transactions, the Life Assurance Fund rose by £537,881 to £16,947,837; the Capital Redemption Fund by £699,524 to £1,222,065; and the combined Assurance Funds by £1,237,405 to £18,196,902.

INTEREST YIELDS

The interest receipts of the year showed a material increase, the gross yield earned on the Life Assurance Fund rising by 7s. 2d. per cent. to £4 17s. 1d. per cent., and the net yield, after deduction of income tax, by 4s. 4d. per cent. to £3 12s. 8d. per cent.

In part, these unusually large increases in yield reflected a genuine improvement in the income produced by the Society's investments, but in part they rose from the receipt, during the year, of non-recurrent arrears of interest from mortgages and other investments. To this latter extent, therefore, the high yields of 1947 may not prove capable of complete maintenance. At anything like the present levels, however, they imply an ample margin over the rate of interest assumed in the valuation of the Society's liabilities, which margin provides an important contribution to the surplus available for bonus distribution.

EXPENSES

The rapid growth in the volume of new business, and the rise in costs generally, have produced an increase in expenses. The expansion of staff required to handle the increase in new business and to restore an adequate standard of service, after the break of the war years, to our policyholders, has caused an immediate rise in expenses, whilst the premium income can respond only more gradually to the influx of new contracts. Constant efforts are made to secure the maximum degree of economy of management consistent with the efficient conduct of the business.

ASSETS OF THE SOCIETY

The total of the assets of the balance-sheet amounted to £19,187,429 and showed an increase of £1,579,528.

Among the investment changes of the year have been an increase in ordinary shares, and

an increase in investments in subsidiary companies, which are four in number. Of these, the General Reversionary and Investment Company has experienced a prosperous year of record expansion, and the Lands Improvement Company continues to transact an active loan business with landowners. The remaining two subsidiaries are property companies, in which the Society has acquired a controlling interest during the year; both show every sign of proving to be remunerative investments.

The favourable margin between market values and book values of Stock Exchange securities has decreased during the year, but remains substantial and the further hidden reserves which exist on the Society's holdings of freehold and leasehold properties and of shares of subsidiary and associated companies, create an aggregate position of impressive financial strength.

VALUE OF LIFE ASSURANCE

The attractions of a life policy to the family man are already well realised. Moreover, under present conditions, the element of voluntary saving renders life assurance a matter not only of wise personal choice, but also of urgent national necessity. Proof that these facts are becoming increasingly recognised exists, in the case of the Society, in the new business results of 1947, and in the even more encouraging start made, to date, in 1948.

Two forms of policy to which especial attention is invited are "Supplementary Units" and the recently introduced "Improved Deferred Assurance for Children." Both are designed to offer a wide choice of options at low rates of premium, which have the added attraction of ranking for income-tax allowance, and both are achieving increasing popularity.

The report was adopted.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

INCREASED REVENUE

The annual general meeting of the Rubber Plantations Investment Trust, Limited, was held, on the 28th ultimo, in London.

Mr H. J. Welch, the chairman, said that the revenue account showed an increase as compared with 1946 of £36,861 in gross income and £16,799 in taxation. At the end of last year quoted investments had a market value of £2,111,203; unquoted securities were valued at £56,519 and, together with the Sumatra Tea Estates Limited holding brought in at cost, aggregated £2,881,091, compared with a total net cost of £3,146,030. Last year they recommended dividends with a distribution of 3½ per cent. for 1946. It was proposed to pay a similar dividend for 1947.

The Ministry of Food continued to be the sole importers of tea from India, Ceylon and British East Africa for consumption in the United Kingdom. The prices paid to producers continued to be based on 1936-8 prices adjusted in respect of the considerable increases in cost of production since those years. Producers could look forward to remunerative prices this year; beyond that the trend of prices appeared less certain.

During 1947 the rubber producing industry, particularly in Malaya, had made steady and substantial progress. On the consumption side the influence of the United States had continued to be the dominating factor. But for the obligatory use of synthetic material in the U.S.A., the replacement of synthetic by natural rubber would progress still further than it had. Remarkable progress in the rehabilitation of Malayan estates had been achieved in 1947, and it was to be hoped that the expense would in due course be reimbursed by the Malayan Government.

The report was adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

ANOTHER ENCOURAGING YEAR

The annual meeting of this company was held at Toronto on the 28th ultimo.

Mr Robert C. Stanley, chairman and president, said: Your organisation is a Canadian international mining company, which has branches in Great Britain and in the United States; 19,750 employees and \$136,000,000 were required in 1947 to run the entire company.

We refine in our plants nickel, copper, cobalt, selenium, tellurium, gold, silver and the platinum metals. The company's rolling mills and foundries process part of these metals into rolled nickel, monel, inconel, nimonic and other alloys. Sheets, rods, tubes, wire, forgings and castings are made. These commodities are produced in our rolling mill at Huntington, West Virginia, in our Wiggins rolling mills at Birmingham, England, and Glasgow, Scotland, and in our foundry at Bayonne, New Jersey.

Sales of nickel in all forms in 1947 were 205,278,868 lb. comparable with 201,103,234 lb. in 1946. Our mill products have had a steadily expanding growth for many years. Among current demands for monel that of the petroleum industry is important. Monel and "K" monel are being employed in the corrosive oil wells of West Texas in pumps, sucker rods, gas lifts, balls and seats of valves and for other pieces of equipment. The consumption of Ni-Rod for welding cast irons has expanded appreciably and provides a production item of importance for the Bayonne Works.

UNITED KINGDOM PLANTS

Improvements have been made in the nickel carbonyl process at the refinery in Clydach, Wales. A new copper sulphate plant has been built and the headquarters of the chemicals division has been expanded. Costs have been lowered. Our Wiggins rolling mill in Birmingham, England, is operating at record peace-time capacity and is doing a large business in blanks for nickel coinage. Its plant in Glasgow, Scotland, is also busy. Wiggins continues to be the largest producer of wrought nickel products in Europe.

The precious metals refinery at Acton, England, is running satisfactorily and great attention is being spent on establishing low costs for refining our platinum metals. Birlec, Limited, our electric furnace manufacturing company, a subsidiary of the Mond Nickel Company, Limited, is located in Birmingham, England. At this plant, orders are being received which assure another profitable year.

International Nickel does its business in three principal countries all having different currencies. The company's accounts are stated in United States dollars and its dividends are declared in that currency. In keeping with our original charter, issued in 1902, the letters patent of the present company require that preferred dividends be paid in United States dollars. This has been done since payments started in 1906. Dividends on the common stock were started in 1909 and since that time dividend declarations have been in United States dollars.

Our mining, smelting and the bulk of our refining is done in Canada, in Canadian dollars, whereas 67½ per cent. of our nickel output is sold for United States dollars. Of the balance, 27 per cent. is sold in England and elsewhere for sterling and the remaining 5½ per cent. is sold in Canada and elsewhere for Canadian dollars.

Total income for 1947 was \$167,483,797 and for 1946 was \$134,429,340. The difference between total income and total costs shows \$33,503,466 of net profits as compared with \$29,681,352. Quarterly dividends of 40 cents per share were paid on the common stock and an extra dividend of 40 cents was declared.

The report was adopted.

HADFIELDS LIMITED

CONTINUED EXPANSION

BIGGER OUTPUT PER MAN-HOUR

The sixtieth ordinary general meeting of Hadfields Limited was held at the Royal Victoria Hotel, Sheffield, on the 27th ultimo.

Lord Dudley G. Gordon, D.S.O., the chairman, presided.

After referring to the award to Mr W. J. Dawson of the C.B.E. and also of the Bessemer Medal of the Iron and Steel Institute, the chairman said: Plans for the re-arrangement and, where necessary, reconstruction of the works, have been actively pursued throughout the year. A decision has now been reached about the productive capacity to be retained for armour plating. As a result of this decision our commitments can be clearly defined.

The scheme for the development of the foundry, which includes completely new melting plant and rearrangement of the flow of the work, has progressed. Plant for the new forge is also in hand.

In addition we have to deal with the ordinary repairs and replacements which were necessarily deferred during the war; thus we have to contemplate an expenditure during the next five years of some considerable magnitude.

Included in the general scheme of works replanning is the concentration into a single building of the metallurgical, scientific and research work.

EXPANSION OF COMMERCIAL WORK

The expansion in the value of our commercial work, which was so necessary to take the place of ordnance work, has continued during the past year. Indeed the orders received were more than £1,000,000 in excess of the value for the previous year. Vital supplies to the Mining Industry include wheels and axles for colliery tubs and cars at the rate of more than double last year's supplies. Manganese steel is steadily replacing carbon steel as the material used for these colliery wheels.

For open cast coal mining, we are supplying increasing numbers of drag line buckets of the Esco type, besides alloy and other quality steel castings for excavators. Supplies for the railways, which also have a high priority, include wheel centres and track work. One of our most important supplies is that of dredger buckets for which it can be claimed that we have secured by far the greatest proportion of total orders placed in this country.

We have continued to expand our business for the highly finished fully hardened forged steel rolls and we are steadily improving methods by which they are manufactured as the result of constant research and development. We do indeed make the confident claim that our fully hardened rolls will compare favourably with the best rolls from the other side of the Atlantic.

The activities of our subsidiary, Millspaugh Limited, continue to expand.

TRADING PROFIT MORE THAN DOUBLED

The accounts are presented in a somewhat altered form, complying for the most part with the requirements of the new Companies Act, which will come into force later in the present year. The most important feature of this new arrangement is that we now publish a consolidated balance sheet which shows all the companies included in what is termed the "Hadfields Group of Companies."

The profit and loss account of the parent company, Hadfields Limited, shows a trading profit of £381,000, compared with £149,000

for 1946. This is not the result of any startling increase in the volume of trade or the rate of gross profit (though there has, in fact, been an increase as indicated in the directors' report), but is due in part to a different method of application of overhead charges. In its year of adoption, this method shows an apparent increase in profit. Later years will be comparable with each other.

The other notable change in the profit and loss account is that we have drawn from the Iron and Steel Prices Fund Agreement, £50,000 only in respect of the year 1946, as against a claim of £224,000 for the previous year.

In the balance sheet, "amounts due by subsidiary companies" now stands at £13,000 as against £140,000 for last year. This considerable decrease is accounted for by the liquidation of the amount advanced to Millspaugh, whose share capital is now in line with the real amount of capital employed in the business.

DIVIDEND DECISION

In common with other companies, we thought it right, in response to a letter from the President of the Federation of British Industries to agree that the board will not recommend to the stockholders any increase in the rate of dividend on the ordinary stock during the next twelve months.

It is only by increased output per £ of gross earnings by each individual that it will be possible to pay the cost of the new measure which will come into force during this year. The aid which is expected from American sources is temporary only, and we can only reach permanent success by means of our own efforts.

So far as our own works are concerned, the latest results show that there is a definite increase in output per man hour, though still below the prewar figures; this compares very satisfactorily with industry in general and our own people are to be congratulated on the progress which is being made towards that level of production which must be the ultimate aim.

The credit of the profit and loss account has been steadily mounting in previous years, and has now reached such a large figure that we think it right to recommend the transfer of a considerable proportion of it to specific reserves. That is to say, £250,000 for the equalisation of dividends, £250,000 for deferred repairs and, thirdly, £100,000 to inaugurate a reserve to provide pensions for retired workpeople after thirty years' service.

DEPUTY CHAIRMAN'S REMARKS

Mr J. B. Thomas, F.C.A., deputy chairman and managing director, said:—The reduction of the weekly standard hours from 47 to 44 has resulted in an increase in production costs. The statement that the same amount of work that was done in 47 hours would be done in 44 has not proved to be true in practice. Production has increased, but this can only be attributed to overtime and incentive bonus schemes which, whilst giving extra production, add considerably to the costs.

No one begrudges workers better conditions and more leisure, but surely, considering the serious position of the nation, the change was ill-timed. We are all today living in a fool's paradise, merely because of shortages, and the sooner everyone realises that the time is fast approaching when we shall have to fight very strenuously for our very existence, the better we shall be enabled to meet future conditions.

The revenue collected by way of taxation

for 1938-39, when the re-armament programme was well under way, was 931 million pounds. The war has been over nearly three years, and yet the country has to find no less than four times that amount in 1948-49, the highest rate in the history of the country.

If it had not been for the exceeding generosity of the United States, this country would at present be suffering privations very difficult to imagine. How long are we to wait for the Government and the nation to realise our extreme peril, and to take effective steps to remedy the position? What we urgently require is an up-to-date edition of "Wake Up, England."

NATIONALISATION

We are repeatedly told that the Government intend to nationalise the steel industry. What justification has it for proceeding with such a scheme? Have the lessons of "Coal" and the "Air Services" taught them nothing at all? The steel industry has proved itself an outstanding example to the country for its efficiency and freedom from labour troubles, and will continue to do so if it remains free from Government interference.

If steel is nationalised, then it is good-bye to prosperity in this country, if the results of those industries already nationalised are a guide as to efficiency and management, for which the Government must be held responsible. If, as appears probable, losses are sustained in those industries, these losses can only mean that they must be borne by way of extra taxation by labour and industry not nationalised. Have the large industries lost the will to fight for their rights, and must they accept the extinction of private enterprise, by which this country became the greatest power in the world? If something is not done soon, the cry will be again "Too late."

The report and accounts were adopted.

B. MORRIS AND SONS, LIMITED

INCREASING SALES

The annual general meeting of B. Morris and Sons, Limited, was held, on the 28th ultimo, in London.

Mr A. J. May (chairman and managing director) said that at their last meeting he had expressed the hope that they would produce a good result on the year's trading for 1947. He trusted that most of the shareholders would agree that that remark had been justified. The period covered the fuel shortage crisis and the disorganisation caused by the alteration in tobacco duties.

The sales of the company's various products were increasing and the first three months' trade of the current year had been very satisfactory. They were in a much better position regarding raw material compared with previous years. In connection with supplies of raw material for tobacco and cigarettes, they had always been large users of Empire-grown tobacco and were not very much affected by the shortage of American tobacco. They were still experiencing difficulty as regarded labour.

The profit for the year was £27,481. The increase was due to exceptional circumstances. They were proposing to maintain the dividend on the ordinary shares as last year at 10 per cent. and increase the carry-forward by £2,840 to £4,249.

With regard to the future, their allocations of materials under the various controls were very fair, but it was not possible to plan far ahead owing to those controls. The high cost of raw material and labour also tended to reduce profits, but they had fortunately overcome many difficulties in the past and hoped to do so in the future. He had great hopes that 1948 would show further progress.

The report was adopted.

THE ECONOMIST, May 1, 1948

MANGANESE BRONZE AND BRASS COMPANY, LIMITED

A MOST SUCCESSFUL YEAR

MR J. C. COLQUHOUN'S STATEMENT

The forty-ninth ordinary annual general meeting of The Manganese Bronze and Brass Company, Limited, was held on the 23rd ultimo, at 63, Grosvenor Street, London, W., Mr J. C. Colquhoun, M.B.E. (chairman and managing director), presiding.

The secretary (Mr W. K. Gibb) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1947, and was taken as read:—

I am again circulating my review of the year's working on the assumption that this practice meets with your approval.

PROFIT AND DIVIDEND

The profit for the year before providing for taxation and dividends is £173,277, compared with £127,977 for the previous year. The directors recommend that a final dividend of 20 per cent. be paid on the Ordinary shares, making a total of 30 per cent. for the year, the same as for the previous year.

The dividend recommendation naturally follows a decision made by your Board on March 3rd to refrain from increasing the rate of gross dividend declared during the next 12 months. This decision, which was immediately communicated to the Stock Exchange, was taken in response to a letter received from Sir Frederick Bain, President of the Federation of British Industries.

After providing for taxation and for Preference and Ordinary dividends there remains a surplus for the year of £45,407, bringing the total of profits retained in the business to £255,820. In this amount I have included £33,000 excess profits tax refund. This has now been spent on re-equipment and development and can therefore be regarded as part of surplus though we may still be required for a time to show it as a separate item.

We continue to show dividends at their gross amount, for the only reason that the Budget date intervenes between the publication of our accounts and the payment of dividends. To show dividends at their net amount would be to show them incorrectly every time the rate of tax is changed. I mention this partly because of criticism of this procedure and also to point out that provision for taxation as shown in the accounts at £78,659 is not the full provision. The full provision for the year, regardless of what dividends are paid, is £100,803 or 58 per cent. of the net profit.

The depreciation charge for the year amounts to £48,835. This includes normal depreciation on recent plant additions, but we have substantially increased depreciation rates on plant acquired at prewar prices. The necessity for this arises from the fact that depreciation at prewar levels completely fails to make adequate provision for replacement of plant and machinery at current prices.

You will see also in the accounts that stocks and debtors together amount to £586,158 against £418,391 a year ago. Net current assets now amount to £254,531, an increase of £51,288 on the year. Fixed assets at their net value, after the increased depreciation to which I have referred, amount to

£203,295 against £197,015. As I informed you last year we have disposed of the trade investments and this item now disappears from the balance sheet. You will observe that virtually all the capital including retained profits is employed in the business.

TRIBUTE TO MANAGEMENT

The past year has been the most successful in the history of the company. For this great credit is due to the local management at your works—Mr E. Robson at Ipswich and Mr R. N. Richardson and Mr F. J. Tector at Birkenhead. I mention these names in particular, but the great achievement in production, the results of which are now before you, could not have been obtained without the goodwill, co-operation and teamwork of all the staff and workpeople. I am sure you will join me in sending them all our congratulations and thanks.

We have heard much of late about "the two sides of industry." There are no two sides in a good team and given fair play all round I believe that our employees naturally prefer and take a pride in loyalty and teamwork.

The company is now in its fiftieth year and although it is impossible for me to forecast with any degree of accuracy what the results will be, I would say that we have an excellent chance of being able to celebrate our jubilee with a new production record. The demand for the company's products is sufficient to make this possible.

In regard to profits and prices, I have already referred to the profits retained in the business amounting to £255,820. These profits have been ploughed back into the business and have made possible the high rate of production and employment which we have now reached. Improvements in efficiency, working conditions, quality of production, facilities for research and so on have also been made possible. These industrial needs are never fully met. In slump years they are badly neglected and even today we are behindhand with much that ought to be done on account of restrictions on capital expenditure. Such needs must be kept in mind but none-the-less price cuts have been made and the position is being kept continually under review.

EXPORTS AND HOME REQUIREMENTS

Finally in regard to exports, we are maintaining our foreign connections to the best of our ability, but home requirements now have first call on the products of your business. These requirements are all for essential home needs or export and call for our products as component parts in the more valuable end products. Your marine propeller business on Merseyside is making a splendid contribution in this respect, as is also the wrought side at Ipswich with extruded, rolled and forged brass and bronze products and the manufacture of "Oilite" self-lubricating bearings. Direct exports have been satisfactory under the circumstances.

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

The retiring directors, Lt.-Col. S. J. M. Auld, O.B.E., M.C., and Mr J. C. Budd, were re-elected and the auditors, Messrs. Lever Honeyman and Co., having been re-appointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

SOFINA

INTERNATIONAL PROBLEMS

The annual shareholders' meeting of the Société Financière de Transports et d'Entreprises Industrielles (SOFINA) was held in Brussels on the 22nd ultimo, Vicomte Van de Vyvere, chairman of the board, presiding. The following statements are extracted from the directors' report:

"Ideological differences continue to bring conflict between groups of nations, and at the same time to foster within individual nations suspicion and hatred, cupidity and fear. The essay which, as has been our wont for many years, is appended to this report, and of which the subject on this occasion is 'Envy and distrust, obstacles to economic progress,' analyses the nature and causes of these conflicts. It also indicates how they could be allayed by a better understanding of the background motives.

"Recently our company has suffered from arbitrary action in Spain in two of the undertakings in which it has interests. The hostile attitude taken towards us, or tolerated, by certain authorities is particularly unjustifiable considering the conspicuous services we have rendered their country for many years.

"Elsewhere, public utilities fail to obtain permission to effect tariff adjustments called for by increased operating charges. As a result, their sound operation is jeopardised, and so long as new investments would prove unremunerative they are unable to proceed with extensions which the public interest demands.

"Instead of giving full attention to creative endeavours, our company is at present compelled to devote an excessive part of its activities to negotiations purporting merely to obtain redress from wrongs which its subsidiaries or itself have suffered, or equitable treatment which they are denied and at best will be tardily granted. In this its situation is typical of present-day world economy, prevented by futile disputes from utilising the resources with which it is endowed."

Besides giving the usual particulars concerning the principal undertakings in which SOFINA has interests, the report comments on the progress of electricity production in various countries and technical developments in this field.

THE DIVIDEND

The balance sheet at December 31, 1947, shows an increase of 460 million francs in "Holdings," resulting partly from a re-integration of reserved profits. "Cash in hand and on deposit" was about 104 million francs higher than at the end of 1946, and net profits amounted to 153 million francs as against 109 million francs for the preceding year. Some of the income was of an exceptional nature, and 63 million francs are therefore allocated to "Reserve fund and tax provision."

A dividend of 135 francs net per ordinary share is payable on the 630,000 shares old and new, whereas the dividend of 400 francs for the preceding year went only to the 210,000 old shares.

New ordinary shares have been at the disposal, in Belgium, of holders of old shares—or of groups of 25 one-fiftieth shares—since February 12, 1948. In Great Britain such new shares will be obtainable (after complying with certain regulations) through the Midland Bank (Overseas Branch), who can supply full particulars. It has not yet been possible to deliver new one-fiftieth shares, but arrangements are made for the payment of the appropriate dividends to holders of old one-fiftieth shares.

Translations of the report and essay, and of an address by Mr D. N. Heineman on "The Shortage of Hard Currencies," are obtainable on application to Electric and Railway Finance Corporation, Limited, Claridge House, 32, Davies Street, London, W.1.

MIDLAND EMPLOYERS' MUTUAL ASSURANCE, LIMITED

RECORD PREMIUM INCOME

ASSETS NOW EXCEED £8,415,000

1898 - GOLDEN JUBILEE YEAR - 1948

The forty-ninth annual general meeting of this company was held, on the 29th ultimo, at 16 Waterloo Street, Birmingham, 2.

Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., presided.

The following are extracts from his speech:—

LIFE DEPARTMENT

In the first year of operations 693 policies were issued for sums assured totalling £531,347, of which amount £213,824 was reassured and considerations for annuities granted amounted to £7,709. At the close of the year the life and annuity fund, together with £52,373, Excess Profits Tax post-war refund transferred thereto in accordance with the undertaking given, amounted to £70,013. These results can be regarded as highly satisfactory.

FIRE DEPARTMENT

There was another satisfactory increase in the fire department, the net premiums amounting to £30,728, being £14,154 more than the figure for 1946.

PERSONAL ACCIDENT DEPARTMENT

The premium income in the personal accident department amounts to £25,941, an increase of £15,759. Claims paid and outstanding amounted to £12,389, being 47.8 per cent., and after making full provision for the consequent increase in reserve for unexpired risk the account shows a profit of £113.

EMPLOYERS' LIABILITY DEPARTMENT

In this, the original and principal department of the company, the premium income amounted to £3,509,926, an increase of £625,176. Claims paid and outstanding amounted to £2,470,577, being 70.4 per cent. It is satisfactory to report, in this the golden jubilee year of the company, that the premium income for 1947, the forty-ninth year of the company's operations, is a record in its annals. The National Insurance (Industrial Injuries) Act, 1946, comes into operation with effect from July 5, 1948, and will repeal the Workmen's Compensation Acts. From that date employees injured at work will draw compensation from State funds subscribed by the employer, the employee and the taxpayer. This will mean a temporary loss of premium income, but it does not mean that our work for the community will end. On the contrary, the injured employee will, in addition to his State benefit, retain his right to claim damages from his employer where injuries are caused by the negligence of the employer or some other person for whom the employer is responsible. Common law claims have increased, and are still increasing, both in number and cost, and, with the advent of the new legislation referred to, the obligations of an employer will be an incalculable but increasingly grave risk for some time to come.

GENERAL INSURANCE DEPARTMENT

The premium income in this department amounts to £264,170, an increase of £28,871. Claims paid and outstanding amount to £133,083, being 50.4 per cent. All sections of this department, including motor, have contributed a profit, although the utmost care in the selection and underwriting of risks is still required.

EXPENSES OF MANAGEMENT

The expenses of management amount to £375,260, being 9.8 per cent. of the total premium income compared with 10 per cent. for the year 1946. Notwithstanding the continued increase in salaries and the cost of all forms of office equipment, supplies and services, it is satisfactory to record that this large organisation can be administered on such an economical basis.

PROFIT AND LOSS ACCOUNT AND BALANCE-SHEET

I now turn to the profit and loss account. The balance brought forward from last year, after payment of the dividend for 1946, was £30,880, which, together with net interest not credited to other accounts makes a total of £402,057. As already mentioned, the surplus on the fire account, £2,751, has been transferred as additional reserve on that account, and, after providing for bad debts and directors' fees and provision for taxation £155,000 on the profits of the year, a sum of £50,000 has been transferred to reserve fund, making this fund £500,000. Your directors have considered it prudent to create an investment reserve, and have set aside £100,000 for this purpose.

It is proposed to pay the usual maximum dividend of 10 per cent. free of Income-tax, which will take £858 net, and after providing for this there remains a balance on the profit and loss account of £85,500, to be carried forward to the next account.

The assets of the company continue to grow, and an increase during the year of £1,073,823 brings the total assets up to £8,415,435.

In this the company's golden jubilee year I am sure the shareholders will wish to join with me in conveying to Mr Barnfield, our general manager, our sincere appreciation of his able management of the business of the company during the past ten years.

The report was adopted.

CAMP BIRD, LIMITED

EARNINGS AGAIN HIGH

The forty-sixth annual general meeting of Camp Bird, Limited, was held, on the 27th ultimo, in London, Mr F. C. Heley presiding.

The following is an extract from the circulated review of the chairman, Mr F. W. Baker:—

The company's earnings during 1947 were again high, amounting to £188,511, being £2,083 in excess of the profits for the previous year. The individual items making up the gross earnings of the company are profits on realisation of investments, £141,708, which is some £10,000 less than in the previous year; dividends and interest, amounting to £50,884, as against £33,327 in 1946; Camp Bird Mine profit, £4,952, as against £11,020 in the previous year; and sundry receipts amounting to £5,554, as against £2,800 under this heading in the year 1946. Your directors recommend a dividend of 10 per cent., less income tax. The break-up value of the company's shares at December 31, 1947, was 20s. 4d. per share before making provision for the dividend recommended, and this compares with 19s. twelve months ago.

The company's results for the year 1947 may be considered as satisfactory. We have increased our investment portfolio partly by depleting our cash, but to a greater extent by ploughing back current earnings; we have again increased our general reserve and our dividend of 10 per cent. is maintained; also, the balance of profit and loss account carried forward is greater this year than last. I must point out, however, that income tax and profits tax will become payable in respect of the current year's profits, and because of this it should not be expected that the company's net results for 1948 will equal those for the two previous years.

The report was adopted.

MONSANTO CHEMICALS, LIMITED

RECORD SALES

The annual general meeting of this company was held, on the 28th ultimo, in London, Dr L. F. Nickell, the chairman, presiding.

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

The year just closed has been a mixed and busy one. The fuel crisis early in the year adversely affected our operations at the time, and later on had the effect of limiting the availability of some raw materials and some construction materials for a considerable period. This after-effect was the more serious. Whilst our volume of sales exceeded that for the previous year, and was, in fact, an all-time record for the company, it nevertheless fell considerably short of the budget for which we planned, because these shortages curtailed production. During the year, eight plant construction projects, started earlier, were completed, and helped out on the sales volume. Other factors, besides volume of sales, important as that is, were not so favourable. Restriction of raw materials interfered most with wider margin products, and a shift in sales toward lower margin products was noticeable. Costs of fuel, raw materials and labour all increased, so that production costs were appreciably higher.

In spite of the numerous delays encountered under present conditions, other new plant projects are being completed from time to time, and in consequence the volume of production is gradually increasing. We have therefore felt justified in materially increasing the sales budget for 1948, and the results for the first quarter indicate the increase is justified and reasonable. There still remain difficulties in the supply of a few important raw materials.

Throughout the year the company has continued to extend and reconstruct its entire organisation to meet the needs of current and future enlarged activities. The sales office in Manchester was re-established, and markets, both domestic and foreign, are being more thoroughly canvassed than ever before. Not only are our own sales personnel calling regularly on domestic customers, but during the year agencies and customers in some twenty foreign countries have been visited. We have active agencies in practically every trading country of the world.

The year has seen the development of a heavy construction programme. With it there has come the need for additional research, project-analysis, chemical engineering studies, and other work of a preliminary nature. In addition, such a programme requires much increased staff for engineering, purchasing, supervision for necessary liaison with Government departments and for training for new operations. This accounts for a large proportion of our increased staff, and represents an increase in overhead that by its very nature cannot be offset by increased production for a time.

During the reorganisation of Monsanto (Australia) Pty., Limited, last summer, this company had the opportunity to acquire 70 per cent. of the equity of that company.

The income for the year is £710,215 compared with £880,280 in 1946. The directors recommend a final dividend of 30 per cent. (making 45 per cent. for the year). This distribution to all classes of stockholders represents 71.2 per cent. of the profit and loss account balance for the year, and the distribution to Ordinary stockholders is 68.6 per cent. of the net of £270,295 for the equity. The equity in the company comprises not only the ordinary share capital of £750,000 but also the share premium account of £1,042,361 and reserves and surplus of £727,656, a total of £2,520,017, and on this equity the dividend recommended represents 13.4 per cent. before tax.

The report was adopted.

GOVERNMENT RETURNS

For the week ended April 24, 1948, total ordinary revenue was £67,411,000 against ordinary expenditure of £32,348,000 and issues to sinking funds £110,000. Thus, including sinking fund allocations of £344,000 the surplus accrued since April 1st is £41,186,000 against a deficit of £2,856,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to April 26, 1947	April 1 to April 24, 1948	Week ended Apr. 26, 1947	Week ended Apr. 24, 1948
ORDINARY REVENUE					
Income Tax	130,915	69,716	82,704	16,854	20,927
Surplus	90,000	4,970	8,750	1,420	1,700
Estate, etc., Duties	160,000	12,620	12,850	4,470	3,800
Stamps	55,000	2,920	3,850	400	1,100
Profits Tax	2,115	8,500	365	3,700	—
E.P.T.	250,000	17,510	15,800	3,850	3,100
Other Inland Rev.	1,000	45	25	20	—
Special Contributions	50,000	—	—	—	—
Total Inland Rev.	191,510	109,876	132,479	27,379	34,327
Customs	820,600	45,150	52,027	9,961	15,361
Excise	726,550	28,644	28,900	15,544	14,249
Total Customs & Excise	1,547,150	73,794	80,927	25,525	29,610
Motor Duties	50,000	3,030	1,777	487	—
Surplus War Stores	102,000	503	1,001	350	997
Surplus Receipts from Trading	57,000	—	—	—	—
Wireless Licences	11,000	—	290	—	290
Crown Lands	1,000	—	—	—	—
Receipts from Sundry Loans	14,000	44	75	—	—
Miscell. Receipts	68,000	4,014	8,318	433	2,187
Total Ord. Rev.	3,765,330	191,422	224,868	54,333	67,411
SELF-BALANCING					
Post Office	150,200	7,800	8,400	2,400	3,080
Income Tax on E.P.T. Refunds	16,000	2,324	222	839	77
Total	3,931,530	201,546	233,490	57,572	70,568

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to April 26, 1947	April 1 to April 24, 1948	Week ended Apr. 26, 1947	Week ended Apr. 24, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	42,343	44,773	3,207	3,014
Payments to N. Ireland	26,000	696	764	696	764
Issue to Nat. Land Fund	—	—	—	—	—
Other Cons. Fund Services	8,000	267	249	—	—
Total	534,000	43,306	45,787	3,903	3,778
Supply Services	244,167	150,623	137,550	34,023	28,570
Total Ord. Exp.	297,567	193,929	183,337	37,926	32,348
Sinking Funds	—	—	344	—	110
SELF-BALANCING					
Post Office	150,200	7,800	8,400	2,400	3,080
Income Tax on E.P.T. Refunds	16,000	2,324	222	839	77
Total	314,187	204,053	192,303	41,165	35,615

After decreasing Exchequer balances by £99,829 to £3,045,718, the other operations for the week decreased the gross National Debt by £26,057,449 to £25,726 million.

NET ISSUES (£ thousand)			
P.O. and Telegraph	400		
E.P.T. Refunds	92		
Overseas Trade Guarantees Act, 1939, s. 4 (1)	5		
Housing (Temp. Accommodation) Act, 1944, s. 8 (1)	1,000		
Local Authorities Loans Act, 1945, s. 3 (1)	5,000		
Overseas Resources Development Act, 1948, s. 17 (1)	—		
Colonial Development	50		
War Damage: War Damage Commission	2,000		
Finance Acts, 1946 and 1947, Post-war Credits	448		
	8,995		

Statistical Summary

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
2½% Def. Bonds	502	Treasury Bills	23,105
External Debt	—	Nat. Savings	300
External Debt, Dr. 1946	—	2½% Def. Bonds	2,817
Treasury Deposits	9,000	3½% Conv. Loan, 1948-53	150
		2½% Var. Annuities	1,464
		Tax Reserve Certs.	4,556
		Other Debt	17
		Internal	—
		Wages and Means Advances	1,955
			34,364

* Including £2,205,000 paid off on maturity.
† Adjusted by transfer to Revenue.

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England	
1947					
Apr. 26	2190-0	2692-1	519-9	—	1463-5 6865-5
1948					
Jan. 10	2220-0	2516-3	317-2	—	1374-0 6427-5
" 17	2210-0	2474-3	373-7	—	1335-5 6393-5
" 24	2200-0	2426-6	341-1	—	1320-0 6297-7
" 31	2190-0	2357-3	371-3	—	1329-5 6248-1
Feb. 7	2160-0	2351-5	301-6	—	1329-5 6152-6
" 14	2160-0	2307-4	366-4	—	1271-5 6108-3
" 21	2160-0	2346-8	447-6	—	1236-5 6190-9
" 28	2160-0	2342-4	492-7	2-5	1201-0 6198-6
Mar. 6	2160-0	2667-5	446-3	—	1259-5 6533-3
" 13	2160-0	2692-2	416-7	6-5	1239-5 6514-4
" 20	2160-0	2712-5	403-8	20-5	1249-5 6546-3
" 31	2160-0	2910-2	334-8	6-0	1291-0 6542-0
Apr. 10	2160-0	2752-0	328-9	—	1326-5 6567-4
" 17	2160-0	2750-0	324-4	—	1340-5 6574-9
" 24	2170-0	2716-9	222-5	—	1319-5 6558-9

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1947					
April 25	160-0	291-8	160-0	10 2-72	27
1948					
Jan. 23	160-0	269-1	160-0	10 2-97	46
" 30	160-0	282-7	150-0	9 11-56	36
Feb. 6	150-0	276-5	160-0	9 11-89	42
" 13	160-0	240-2	170-0	10 0-92	67
" 20	170-0	266-0	170-0	10 0-16	52
" 27	170-0	236-8	170-0	10 2-41	68
Mar. 5	170-0	292-7	170-0	10 1-10	40
" 12	170-0	286-3	170-0	10 1-48	45
" 19	170-0	266-5	170-0	10 1-74	54
" 26	170-0	300-5	170-0	10 2-87	30
Apr. 2	170-0	295-1	170-0	10 2-49	42
" 9	170-0	291-2	170-0	10 2-62	44
" 16	170-0	267-8	170-0	10 3-15	55
" 23	170-0	291-1	170-0	10 2-51	42

On April 23rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 42 per cent. of the amount applied for at £93 17s. 5d. and applications at higher prices were accepted in full. (£170 million maximum) of Treasury Bills are being offered for April 30th. For the week ended May 1st the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

	Week Ended		Totals
	April 19 1947	April 17 1948	Apr. 1 to Apr. 17
Savings Certificates:—			
Receipts	3,200	2,600	7,850
Repayments	3,000	2,400	6,150
Net Savings	200	200	1,700
Defence Bonds:—			
Receipts	2,180	845	2,610
Repayments	708	1,056	2,414
Net Savings	1,472	Dr. 211	196
P.O. and Trustee Savings Banks:—			
Receipts	12,691	12,893	32,581
Repayments	10,980	12,367	28,739
Net Savings	1,711	526	3,842
Total Net Savings	3,383	515	5,738
Interest on certificates repaid	600	432	1,013
Interest accrued on savings remaining invested	2,271	2,219	5,509

BANK OF ENGLAND RETURNS

APRIL 28, 1948

ISSUE DEPARTMENT

Notes Issued:—		Govt. Debt	
In Circulation	1237,845,545	Other Govt. Securities	11,015,100
In Bank, Department	62,402,288	Other Secs.	1288,177,906
		Other Secs. (other than gold)	197,999
		Am't. of Fid. Issue	1300,000,000
		Gold Coin and Bullion	247,833

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong)
CAPITAL ISSUED AND FULLY PAID UP ... £20,000,000
RESERVE FUNDS ... £4,000,000
RESERVE LIABILITY OF MEMBERS ... £20,000,000

Head Office: HONGKONG
 Chief Manager: The Honorable A. MOORE, C.B.E.

BURMA Rangoon	CHINA Peking Shanghai Canton Tientsin Amoy Swatow Hongkong Kowloon Hankow Harbin Moukden Nankiao	INDOCHINA Haiphong Saigon Yokohama Singapore Batavia Sourabaya Kuala Lumpur Singapore Kuala Lumpur Singapore Kuala Lumpur Singapore	NORTH BORNEO Kuala Lumpur Singapore Kuala Lumpur Singapore Kuala Lumpur Singapore Kuala Lumpur Singapore Kuala Lumpur Singapore Kuala Lumpur Singapore
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London Office: 9, GRACECHURCH STREET, E.C.3.
BANKING BUSINESS OF EVERY KIND TRANSACTED
 A comprehensive service to Trustees and Executors is also undertaken by the Bank's Trust Department.
 COMPANIES IN HONGKONG LONDON SINGAPORE

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability.)
 Established 1832.

General Office: Toronto, Canada.

Paid-up Capital	£12,000,000
Reserve Fund	£24,000,000
Total Assets over	£700,000,000

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FOUR PER CENT REGISTERED STOCK, 1949
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 Notice is hereby given that the Annual General Meeting of Shareholders will be held at the "Salle d'Iéna," 10, Avenue d'Iéna, Paris, on Tuesday, 8th June, 1948, at 2.30 p.m.
 Holders of not less than twenty-five shares who are desirous of being present or represented at the meeting must prove at the Head Office of the Company, 1, rue d'Assolvi, Paris, before 2.30 p.m. on Thursday, 3rd June, 1948, that they have deposited their shares with the Company or with any of the Company's appointed agents.
 Shares may be deposited in London with Messrs. N. M. Rothschild and Sons, who will in due course deliver a card of admission for the meeting.
 Le Directeur Général, MICHEL HOMOLLE.

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 Net profits for the year ended December 31, 1947, £138,600 (last year £161,200).
 DATED, Alexandria, Egypt, April 8, 1948.
 By Order of the Board,
 ROBERT WALTON, Manager

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 Toronto,
 April 23, 1948.
 By Order of the Board,
 J. R. BRADFELD, Secretary.

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The Economist

Established 1843

May 8, 1948

One Shilling

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Ebb Tide?

ONE or two signs have been appearing in recent weeks that the inflationary tide in British internal affairs may at last be turning. It might be a mistake to put too much confidence in them: the Stock Exchange, which is often an accurate bell-wether of general economic changes, has been surprisingly strong of late and many of those more luxurious markets which were depressed nearly a year ago by the sharp fall of security prices have made some recovery. But this time it is in the markets that respond to the ordinary man's spending that one or two strangely unfamiliar phenomena are appearing, such as spontaneous price reductions and stocks piling up on the shelves of the shops. This should not, after all, be very surprising. The Budget is really balanced for the first time for many years, and though there are many complex cross-currents in the money market (as an article on a later page explains), there is very little doubt that there will be a net reduction in the National Debt in the course of the year. This is a novelty, and its effect should not be underrated. The inflationary pressure is still very heavy—there can be no mistake about that—but it begins to look as if a year's campaigning for disinflation is beginning to bear fruit and as if the tide of demand, though still very high, is turning to the ebb.

This is probably the underlying explanation of the position that has arisen in the textile trade. The matter has been so irresponsibly exaggerated in those sections of the press that are anxious to beat the Government with any stick that presents itself that it is difficult to form a clear view of what has happened. Stocks of certain forms of clothes and household textile goods have unquestionably piled up on the shelves of the wholesale trade. But it is equally clear that there is not—that there cannot be—any general excess of the supply of textiles over the rationed quantities. Textile production in general is still cruelly low and the export targets are high. What has happened, it would appear, is not that the planning of demand and supply in the domestic market has gone wrong in the quantitative aspect, but simply that the demand for particular lines has been wrongly estimated, particularly for some of those where changes in fashion can be important or where the prevailing prices strike the public as unduly high. In normal times, this is a familiar and natural hazard of trade, and the usual way of dealing with it is by clearance sales. But it is interesting to find it reappearing after so long a period of indiscriminate public buying of everything that industry could produce. The stage has apparently been reached when the public even within its exiguous rations, would rather wait to buy what it wants than rush to buy all it is offered.

There is, of course, no reason why goods should be left on the shelves—those of them that cannot be sold abroad—so long as there is somebody to buy them, and the President of the Board of Trade on Thursday announced the ration equivalent of a clearance sale. But there is an essential point of policy hidden here, which should not be overlooked. It may be right to increase, for a time, the quantities of textiles that the individual citizen can buy, if there really

are stocks that cannot otherwise be disposed of. But it would be wholly wrong to do this in such a way as would lead to any more textiles being made for the domestic market than are at present envisaged. It may be right to move sheets off the shelves; it would certainly be wrong to take a single textile worker off export work. There is no case at all for doubling the clothing ration, as is being suggested in some not wholly disinterested circles.

These technical problems of the manipulation of coupons have their interest. But what is of far wider concern is the consequences that will follow for economic policy if the present signals are confirmed and it becomes clear that general demand really is on the ebb. There will, for one thing, have to be a great deal more elasticity in the rationing schemes, to meet a much greater discrimination in public demand. The country may be moving into a period when, though there will still be a general shortage of goods to meet the general demand of consumers, there may be an increasing number of particular surfeits. It is in coping with a situation of this kind that the price system is at its best. It will be a long time before rationing can be generally abandoned; but henceforward, within the framework of rationing, there must be some effective means of responding to the shifts in demand and communicating them promptly to the producers. Otherwise, stocks of things the public does not want will pile up—which can only mean that the things it does want are even scarcer than they need be. Clearly, there will have to be much less rigidity, and much quicker thinking, within the rationing schemes.

But there will also be a growing number of exceptional cases in which it will be possible to dismantle the rationing scheme. It is as well to be clear in what circumstances it will be right to do this. It will not be right for a long time to come to divert any resources into increasing the supply of any rationed article. Nor will there be many instances, like that of

potatoes, where the bounty of nature will provide an increased supply without additional human resources. It follows that the only clear cases for abolishing rations will be those where rationing is now necessary more because of excessive demand than because of short supplies, and where the ebb tide of demand can consequently be expected to remove the pressure from supply. This may seem an unduly academic way of setting out the matter; but it enshrines a most important principle. If, through Marshall aid or any other means, any more resources become available to the British community than there are now, they must not be diverted into additional consumption so long as they can possibly be used for export or for productive capital investment. The British people would be most improvident if they were to eat, or otherwise consume, any greater quantities than they can reasonably be expected to be able to pay for in 1952, when ERP ends. This is a hard rule. But it is a necessary one if Britain is not to become a permanent dependant on other people's charity.

Nevertheless, even within this ascetic rule, there will be some instances where rationing can be abandoned as the tide goes out. Lord Woolton, speaking to the Primrose League last Friday, produced a list of seven—bread rationing, sweet rationing, leather controls, rationing of footwear, the direction of labour, and "all controls hampering house building by private enterprise" (by which he presumably did not mean what the reported words say, but all those controls which put the private house builder at a disadvantage relative to the local authority). It is not an unreasonable list. Perhaps none but the first and the last could be effected at once—bread rationing being mainly a precaution and the ban on private enterprise building mainly a prejudice—but the others may not be far from the border line of possibility and may cross it as the year goes on—that is, if the Government can bear to prove Lord Woolton right.

Unizonia in Japan

TROUBLES of the kind that arise from the quadrisection of Germany do not afflict Japan. All Japan is one zone subject to the supreme authority of the person known as SCAP, which cabalistic lettering signifies the Supreme Commander of the Allied Powers. The Allied Powers are indeed mentioned in this magnificent proconsular title, but that is as far as they have ever got in controlling Japan. At the time of the surrender, the United States insisted, overriding Russian objections, on holding an undivided command in the occupation of Japan.

The American insistence was not at that time due to conflict with Russia, but simply to the preponderant part played by American forces in the final victory over Japan, the relative shares of the principal allies in the decisive war effort having been altogether different in the Pacific from what they had been in Europe. Later on, however, as Russo-American relations deteriorated, the American supremacy in the control of Japan came to be valued in Washington more and more as a means of excluding Russian interference from Japanese affairs. Formal concessions were made to the principle of joint allied responsibility by instituting the Far Eastern Commission in Washington and the Allied Council in Tokyo (which is advisory only), but neither of these bodies has succeeded in being more than a mere critical spectator of the activities of SCAP, which have been controlled, when at all, by the State Department and the War Department in Washington.

The benefit to Japan has undoubtedly been very great, for Japan has retained national unity and uniformity of administrative policies and has escaped the divisions which have split Germany, Austria and Korea. From the American point of view the policy of exclusive control has worked well, in spite of the burden of unshared relief on the American budget, for

Japan has been kept intact on the right side of the Iron Curtain. For the same reason it has given substantial satisfaction to other Western Powers and to China. Nevertheless, it has been in many ways irksome, even to those nations which share Washington's desire to ensure that Japan does not catch the Communist infection. The argument that Britain, Australia and China must be kept outside the door, because their admission would enable Mr Molotov to slip in as well, often seems to be used to the detriment of the real interest which nations other than the United States have in regulating the reconstruction of postwar Japan.

Mr Bevin, when opening the foreign affairs debate on Tuesday, alluded with his customary brevity to the Far East, prefacing his remarks with the odd statement that he had been "asked to say a few words" about it—as if a British Foreign Secretary could not be expected to see as far as the Pacific Ocean unless somebody made a personal appeal to him to take a look. Mr Bevin said that he was keeping in close touch with other Commonwealth Governments and had lost no opportunity of making his views known "to the other Powers concerned," but there was not much to be done without agreement on the "composition and procedure" of a peace conference. Mr Butler for the Opposition, however, in a speech which gave expression to the anxious thoughts of Lancashire, emphasised the importance of arriving at agreed decisions on the future level of Japanese industry, estimating that by 1953 Japan would need to increase its exports by some \$415 million a year in order to support its population.

The fact is that there is no prospect of a peace treaty with Japan in the near future. Russian insistence on the framing of the treaty by the Council of Foreign Ministers is quite unac-

ceptable to the United States, for it would enable Russia by obstructive use of the veto to impose terms which could not be obtained under present conditions. In the negotiations for the peace treaties with the European satellites the Western Powers held a good bargaining hand, for Western consent to Russian demands over Rumania, Bulgaria and Hungary could be traded against Russian concessions over Italy; even so, the question of disposal of the Italian colonies could not be settled. For a treaty with Japan, on the other hand, Russia would have all the advantage in the veto game, for Russia's territorial gains—Karafuto, the Kuriles, Port Arthur and the Manchurian trunk railways—were secured by Russia at Yalta without any corresponding promises to the United States; and by the looting of the industrial plant of Manchuria as "war booty" Russia has long ago skimmed the cream of Japan's possible reparations assets. In the American view, which has been hardening in recent months, Russia has already been handsomely overpaid for its one-week campaign at the end of the Pacific war, and to submit American proposals to Russian veto blackmailing would merely mean, either bribing Russia to sign the treaty or having to break up the conference after a prolonged wrangle.

The attitude of China is a further complication, for though the Chinese Government is very far from being aligned with Moscow, it favours Four-Power decision with veto right as the best way of safeguarding its own interests. Britain, on the other hand, agrees with the United States in wanting a conference of all nations engaged in the Pacific war, with majority voting and no veto, particularly in order to allow Australia and New Zealand the fair share in the making of the treaty which they earned by their great contribution to the common victory.

But, if there is not going to be a peace treaty, the present legally indeterminate state of affairs must continue, only with more and more irrevocable decisions being taken *de facto* by American policy. The Americans have the real power and the equally real liability in Japan, and the indications are that they are not going to wait for the ever-receding peace conference before decisively arranging matters which will shape Japan's future. It is for the Americans to decide whether they will keep their troops in Japan or withdraw them, whether they will save the Japanese from starvation or leave them to their fate, whether they will hand over to other nations as reparations any more of the industrial plant on which depends Japan's ultimate solvency, and whether they will help Japan to re-enter the markets of the world as a major exporting country. The United States may be influenced in its decisions by representations from friendly Governments with interests at stake, but there should be no doubt that the real decisions of policy will be taken in Washington—and not by the Far Eastern Commission that meets in that city.

As regards the occupation itself, there has been much talk in America of bringing it to an end and substituting a purely

civilian control, with forces held in reserve somewhere in the Pacific to re-enter Japan in case of need. But it is very unlikely that such a withdrawal will be carried out for a long time to come, unless America suddenly relapses into a crazy isolationism. The problem is not merely that of the good behaviour of a disarmed Japan in relation to its conquerors. The very disarmament and demilitarization of Japan is a source of danger. Having created a vacuum of military power in Japan, the Americans in withdrawing would take the risk that someone else might step in by a process of armed infiltration and transform Japan overnight into a Platts-Mills democracy.

It is significant that in the last fortnight the American army has had to proclaim locally a state of emergency for the first time since Japan's surrender. The occasion was the rioting of Korean mobs in Kobe and Osaka, with support from the Japanese Communists; the Japanese police were quite unable to keep order. Italy has been left with an army, but Japan has none. To cope with the problem of internal order the Americans have been expanding the Japanese police force, and have recently authorised an armed coastguard service in defiance of Russian protests. But, in spite of alarmist reports of Japanese military revival, there is so far nothing Japanese which could conceivably take the place of American combat troops. A continuation of the American occupation seems inevitable, and also desirable, both as a barrier against violent subversion of the new regime in Japan and as a guarantee for Australia and other nations formerly victims of Japanese aggression that the samurai sword will not re-emerge from the scrap-heap, no matter in what ideological cause.

Given the stability which can be ensured by continued American occupation, the problems involved in Japan's economic rehabilitation should be discussed with the United States by Britain, Australia and other interested countries within the framework of an extended Marshall plan for world trade recovery. If western Germany is to be included in the scheme of Marshall aid and contribute to international trade, Japan cannot indefinitely be treated otherwise, especially as the burdens of relief on the American taxpayer and the political dangers of permanent impoverishment and despair are the same in both countries. Japan's business efficiency, technology and productiveness can be immensely helpful in world economic revival, and agreement with the United States can ensure that they are directed in such a way as to cause the minimum of damage to other trading interests which the logic of the Marshall Plan requires America also to promote.

Mr Bevin cannot continue indefinitely the policy of letting sleeping dogs lie; if he attempts to do so, he will merely exasperate the Labour Government in Australia, which, with the best will in the world, cannot effectively protect British interests without a more active policy from London.

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Back Bench Drivers

(By a Parliamentary Correspondent)

ANY Parliamentary Party with a large majority has always to face the restiveness of its back benchers. The Nenni telegram affair, with which the Labour Party has been grappling, is only the latest, though perhaps the culminating, incident in a series which stretches back to the early dispute about Old Age Pensions in the autumn of 1945. Something akin to guerrilla warfare, particularly on the issues of foreign affairs and Palestine, has been waged against Ministers throughout this Parliament by first one section and then another of their own back benchers.

Some of these troubles are the outcome of the normal process of digestion by the Party of the new and varied elements which were thrust into its midst by the unexpected victory of 1945. Of the 393 Labour MPs who assembled at Westminster that year, more than half were new to Parliament and many were relatively new to the Labour Party. They could not all be kept busy with Departmental work—there were already too many Members chasing too few Ministries—and they were too full of spirit and ability and ambition to be left to doze in their places. Moreover a handful of them, between six and a dozen, soon showed suspicious evidence of being, if not Communists who had got by when Transport House's guard was down, then at least very busy fellow-travellers. These men complicated greatly the task of leadership. Could the Party allow freedom to the vast majority of loyal, even if troublesome Party members, without at the same time opening the gates to undisguised Communist activities? This is the nettle which, by its Nenni telegram purge, the Party leadership has tried to grasp.

But back in those flushed days of 1945 the diplomatic conflict with the Soviet was not yet under way, and the front bench could afford, for the time being at least, to ride with an easy rein. Accordingly Ministers withdrew from office in the Parliamentary Labour Party, whose chairman and vice-chairman have been, from 1945 onwards, elected from the rank and file. A Liaison Committee was established to keep contact with the front bench. Early in 1946 the Party's Standing Orders on discipline were suspended. And to utilise some of the spare energies of the back benchers, seventeen groups, such as an External Affairs Group and a Services Group, were set up to specialise in different aspects of policy.

This system has, with one important change, endured, and it has certainly provided the buffers and springs to ease the worst jolting of the Party disputes. The change came in the specialised Group system. Instead of serving a purpose as study and research groups, and so fulfilling the role of a lightning conductor, one or two of these were rapidly transformed into pressure groups and utilised with some skill against Ministers. The External Affairs Group was soon sending delegations to Mr Bevin or letters to Mr Attlee demanding changes in the Government's policy towards Indonesia, Greece and Spain. After the Services and Manpower Groups had taken a leading part in organising the conscription revolt in the spring of 1947 the system was swept away and a series of Regional Groups put in its place. In theory, each major issue was to be argued out by groups of Members from different parts of the country and then brought to the Party meeting. By these means the supporters of the front bench—who are less active than the critics but more numerous—would, it was thought, be able to curb the passions of the dissidents. But the system has proved too cumbersome, and has been virtually abandoned. In effect the chief machinery of the Party has

remained the fortnightly meetings of the full Parliamentary Party, meetings which Ministers have attended to explain policy and hear criticisms.

Considerable publicity has attended the arguments at these Party meetings, and Labour "revolt" and Labour "rebels" have become stock newspaper headlines. What was often no more than vociferous, if irritating, back-seat driving has been frequently interpreted as attempts by the "rebels" to seize control of the wheel. But even when all wishful sensationalism has been discounted, there has undoubtedly been a steady and exceptionally large volume of speeches, motions, protests and agitation against Government policy. This has followed three main lines which have sometimes overlapped, sometimes diverged. In home affairs there has been pressure from the radicals of the Party for swifter or more extensive social change. The agitation for immediate increases in the Old Age Pensions, for reducing or abolishing conscription and for dropping the death penalty all come within this category. Such pressure is a sign of health in the Party, and was on the whole accepted, albeit grudgingly, by the front bench.

*

But in foreign affairs, where the other two main groups of critics have been active, the Government has refused to budge. As might be expected, in this field the pro-Communists have been most active, and they have been at the heart of a long list of incidents—votes against Mr Bevin's policy in Party meetings, messages to the German Unity Party, praise for the new regimes of Eastern Europe, and finally the Nenni telegram. For a time they marched in step with a larger, left-centre group which sought, but hardly found, a leader in Mr Crossman. It was the combination of the left-centre and the fellow-travellers which produced the mass abstentions during the debate on the Address at the end of 1946, when Mr Bevin claimed that he had been "stabbed in the back." And it was the combination of the left-centre and the pacifists which forced the reduction in the period of conscription.

The left-centre was, however, checked in time by something more formidable even than Mr Bevin's anger. Their enthusiasm for the middle way shrank in the face of Soviet intransigence in Europe, and after the cannibalisation of the Czech Socialists they were prepared to give support, however reluctant, to the main lines of the Government's policy. Moreover the realisation that an election lay none too far ahead was tending to close the gaps in the Party ranks.

It was at this point that Mr Platts-Mills organised his telegram to Signor Nenni. It was an act of such foolishness, or of such defiance, as to invite immediate retaliation from the Party's leaders. Moreover, for the first time on a major issue, the main group of fellow-travellers was isolated. True, not all of the 22 signatories who remained after the withdrawals and disavowals were close to the Communists. Some refused to withdraw merely out of stubbornness or a mistaken group loyalty. But enough were there to offer the Executive a sitting target. They took it, and on the principal of *pour encourager les autres* struck hard and decisively at Mr Platts-Mills.

The others appear to have been duly encouraged, and future critics from the left are likely to tread carefully as they near the bounds of party loyalty. But at the same time there is an equal obligation on the Executive not to demand uniformity as well as loyalty. One of the strengths of British politics has been the capacity of the major parties to absorb and contain men of

varied views who abroad have frequently found a footing only in splinter parties. In the breadth and looseness of its dogma the Labour Party has been at times compared to the Church of England. It behoves Mr Morrison and Mr Phillips, now that excommunication has been duly proclaimed, to exercise a broad episcopal tolerance.

One final factor of more enduring importance is emphasised by these disputes in the Parliamentary Labour Party. They underline the importance which attaches at the present time to the party machine in politics. It is significant and somewhat disturbing that it was the full Party Executive and not the Parliamentary Whips who excluded Mr Platts-Mills from the Labour ranks in the Commons. This comes dangerously near that external interference with Parliamentary matters which caused so much contention at the General Election when it was associated with the name of Professor Laski. Fifty years ago a man who disagreed with his leaders as fundamentally as Mr Platts-Mills has done would have walked, if not across the House, at least across the aisle to another party. If his public statements mean anything, he is a Communist. But the vehemence of the attacks of these left-deviationist critics on their

Malthus Regained?

THE public reaction to the prophecies of the Rev. Mr Malthus has undergone many changes since they were first published just 150 years ago. In the early years, the doctrine that the growth of population would inexorably chain the great mass of mankind to the lowest tolerable level of bare subsistence seemed to correspond so exactly with the facts that every observer could see around him that it cast a pessimistic gloom over the whole of early nineteenth-century economic thinking. Gradually, however, the great triumphs of the Victorian age cleared the mists. Manifestly it was possible for the standard of living to rise in spite of an enormous birthrate. And when, later in the century, the birthrate began to fall, the optimism became more confident. But after the first Great War, there was a change. Keynes declared that the Malthusian devil, so securely chained up by the Victorians, had broken loose again, and twenty years ago the teaching of the universities was again, if not Malthusian, at least neo-Malthusian. It was no longer taught that fecund human nature would drive the standard of living down to a mere subsistence level—at least not in an advanced industrial country. But it was believed that there was much more risk, even in Britain, of over-population than of under-population.

Then in the thirties, there was another turn-round in the accepted opinion. The optimism of the Victorians was not, indeed, restored. On the contrary, public opinion was instructed to view the trend of the national population with renewed alarm. But this time it was the prospects and the perils of a declining population that were found to be frightening. Quite a considerable momentum of opinion was built up, which culminated in 1944 in the appointment of a Royal Commission to investigate the whole subject.

But now, before the Royal Commission has reported, there are signs of still another reversal of opinion. The last few years have had a definitely Malthusian tinge. The birth rate rose steadily in the war years, after the first. It passed the minimum necessary for the replacement of the parental generation. Shortage of food and shortage of houses gave a colourful imitation of excessive population pressing upon inadequate resources. The perils of atomic warfare reinforced the trend of thought. A public opinion poll taken today would probably reveal a general belief that the British population is too large and should be reduced. And there is a school of thought which

Party's policy has been matched by their desperate anxiety to remain within its fold. They want to rebel—but from inside. They want not only the protective cloak of the Labour banner, but also the backing of its massive electoral equipment—its pamphlets and posters, its funds, and above all the services of its tens of thousands of voluntary workers who, in any party, provide the real force and strength. They exemplify excellently the attitude noted by their own theorist, H. B. Lees-Smith, in his book on "Second Chambers." He wrote that

the Party machine is the result of such prolonged labour and persistence that it cannot be created under normal political conditions in less than a generation. . . . The importance which working politicians attach to the Party machine is revealed by the ferocious though mainly silent conflict that takes place before its capture, when the Party is on the verge of a schism. The Labour Party was, it is true, very far from any real schism over the Nenni telegram affair, but the ferocity has been there. It has flashed out, if only for a moment, both on the part of those who seek to swing party politics more to one side, and on the part of those who, with their hands firmly on the wheel, have no intention of changing their course or even of permitting too much turbulence among the passengers behind.

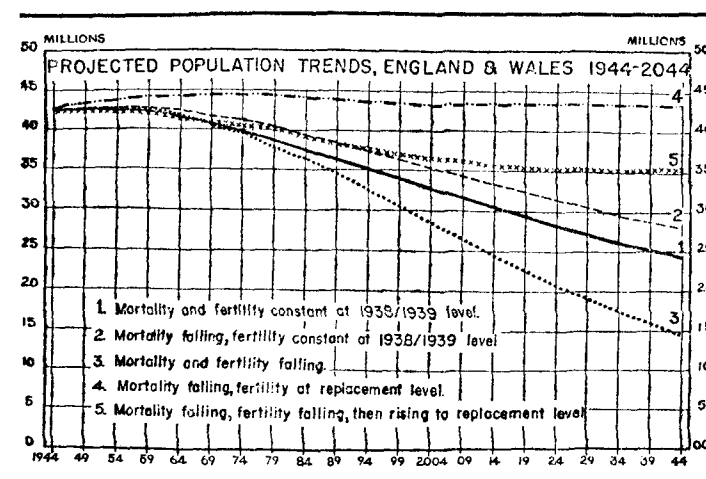
advocates the deliberate dispersal of a large number of people—10 millions is a figure often mentioned—from the United Kingdom to the emptier lands of the British Commonwealth.

Possibly the anti-Malthusian reaction of the thirties went too far. But the current swing back to Malthus is certainly being overdone. Far too much is being read into the high birth rates of the war years. Superficially encouraging as they are, the vital statistics of the last eight years by no means rule out, or even mark as improbable, a steep decline in the future. The average age at marriage has dropped, probably as the result of full employment, and so has the average age of mothers bearing their first child. Children have thus been born in these years who otherwise would not have been born until later. But nobody can yet tell whether these earlier births are also additional births. If they are merely an anticipation of what would have happened later—if it is simply that some of the babies of 1949 and 1950 got born in 1946 and 1947—then the upward bulge of the birthrate curve will be followed by an equal and opposite downward bulge in the years to come. The apparent gain will be proved illusory, a mere borrowing of babies from the future. The essential fact is whether or not the average family is not merely coming earlier but is also going to be larger. If today's young marriages go on to produce more children than these "borrowed" first and second babies, the prospective decline of the population will be mitigated and perhaps even averted; but of the probability of that if there is no statistical evidence at all. The essential figures, showing how many of the total births were the first, second, third, fourth or later in their families, appear only in the latest annual reports of the Registrar General, and no earlier figures are available for comparison. An impression exists, indeed, that the middle classes are tending to discard the two-child ideal in favour of a three-or-four child family, and this fashion may spread to other classes as did the pigeon-pair fashion before it; but it can hardly in the near future catch up with the decline in the numbers of enormous and unwanted families which contraceptive knowledge is mercifully making possible. In the absence of statistical evidence to the contrary, decline looks as likely as ever.

The most that can be said about the war and postwar increases in the birthrate is that they have ruled out the most pessimistic estimates of the prewar forecasters. The possibilities as they now appear are summed up in the new report by PEP on

"Population Policy in Great Britain" in a chart which is reproduced below. This chart illustrates the consequences on future population of five possible hypotheses regarding fertility and mortality. The line labelled 1 projects unchanged the mortality and fertility rates current in 1938-39—that is to say in ordinary language, it assumes that the average size of family and the average expectation of life remain what they were in 1938-39. No. 2 combines with the 1938-39 fertility rate a fall in mortality rates, over the next 25 years, to those ruling in New Zealand, the country where they are now lowest. No. 3 assumes that, when the temporary disturbance of the war has been removed, both fertility and mortality will go on declining about as fast as they were doing in the prewar years. No. 4 assumes a continuation of the 1945-46 fertility rate, a rate adequate for replacement, and combines this with falling mortality. No. 5 assumes that fertility will fall until 1959 and thereafter recover (as under the impact of a successful, but belated, population policy) to replacement level in 1974; many people will think this last possibility the most likely.

This chart makes no projections based upon the high birth-rate of 1947. But that this was, in fact, as exceptional as *a priori* it appeared to be is certainly hinted by the Registrar-General's latest quarterly return, which shows for the March



quarter of 1948 a total of births lower than that for any March quarter since the end of the war, down by nearly 20 per cent since last year, and just halfway back to the 1938 figures, well below replacement level. A single quarter's return may be inadequate evidence, but it certainly looks suspiciously like the steep downturn which ended the postwar baby boom in 1921. Public opinion, always a day behind the fair, may be still discussing the problems of the high birthrate while the glissade back to the demographic conditions of the 1930s is gathering impetus.

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But even if the next few quarters make it clear that a decline in population is, after all, still in prospect, there yet remains the other half of the argument. Is it a good thing? After all, the public is inclined to ask, why should not the population decline? Britain is horribly overcrowded, as witness the housing shortage, traffic and transport congestion, and a dozen other only too tangible indices. The British people are having the utmost difficulty in feeding themselves, and their densely concentrated industrial towns offer a disastrously vulnerable target for atomic warfare. So far from trying to arrest any decline in population, policy should encourage it; if not by actually discouraging births, at all events by large-scale measures of assisted emigration aimed at dispersing both people and industrial potential into the sparsely populated Commonwealth.

The argument is attractive; but its attraction is very super-

ficial. From the purely social point of view, it is indeed possible that Britain would be a better place with 35 millions than with 48; but it is not certain. Overcrowding is as likely to result from maldistribution as from a high density—within reason—over the country as a whole. From the economic point of view, there is no evidence that a decline in population would be a panacea. Even if it be assumed that the adverse turn in the terms of trade, which is making it such a difficult proposition at the moment to pay for the necessary imports of food, is permanent—and that, on the long view, is already a fairly large assumption—there would be something to be said for a smaller population only on another important condition: that British production could be carried on as efficiently as ever by a smaller labour force and for a smaller market. Under modern conditions Britain is probably, if anything, rather a small technical unit, and could only lose by becoming smaller. A similar argument applies to the strategic argument for dispersal. Dispersal sounds good; it might reduce the temptation to an aggressor and give a better immediate chance of survival to the Commonwealth should aggression actually happen. But the power of immediate survival is one thing; the power to hit back and to keep up resistance is quite another. There is a certain size below which an economy cannot hope to have a balance of all the multifarious things that are necessary for strength in war. The United Kingdom barely achieves this minimum size as it is, and to disperse it would weaken the centre far more than it strengthened the extremities. If this island is tenable, it will be stronger with its present population—in both the wars the great limiting factor was neither food nor materials but manpower. If it is not tenable, the argument should be for dispersing not 10 millions but 48. It is also worth noticing that a strategic dispersal of population, concentrating on the shifting of skilled men, would be the precise opposite of a migration policy designed to meet the social and economic arguments, for it is an essential part of these that a complete cross-section of the population should be moved, including a fair proportion of the old and unproductive.

If the benefit of every doubt be given to the advocates of decline and dispersal, if it be conceded, against the bulk of the evidence, that a smaller population would be a good thing, the fact still remains that a declining population would be—will be—extremely uncomfortable. It will be an ageing population, carrying a growing load of pensioners on its increasingly middle-aged and stiff-jointed shoulders, lacking new blood, fresh outlooks, the venturesome attitude. It will have to bear the cost of maintaining capital equipment designed for larger numbers. It will offer a fickle and a shrinking market to business men and to planners; it is likely to suffer more, not less, from unemployment. Altogether shrinking pains are worse than growing pains; and even if a population of 35 or 25 millions represented Paradise, the way to it lies through Purgatory.

The Report of the Royal Commission—when, at length, it appears—may produce fresh evidence and new arguments. It may call for a revision of views. But at least until this authoritative contribution has been made, the wisest course is unquestionably to stand by the views that were formed before the war. It is probable that the high birth rates of the war years were an interruption, not a reversal, of the previous downward trend. Some of the exaggerated estimates of future population that were made before the war were excessively alarmist; but it still seems overwhelmingly likely that under-population is a far greater risk than over-population. It is highly unlikely that any decline at all in the British population is desirable; and even if it is, it is only by making it gradual that distressing consequences can be averted. In either case, there is need for a positive and intelligent population policy. There are plenty of unchained devils abroad in the land of Britain—but not the particular devil invented by the Rev. Mr Malthus.

The Sterling Area—II

SOME profound changes had taken place in the sterling area during the war, and at the end of hostilities it held within itself the seeds of difficulties that were not fully appreciated at the time. Subject to certain reservations about the position of colonial currencies, the sterling area remained the voluntary association of nations described in the first of these articles. This association was, and is, in essence held together by a set of gentlemen's agreements. Its smooth and effective functioning depended on the restraint shown by members in their use of the central reserve of gold and dollars. During the war this gentlemanly behaviour came easily. In the first place there was a cohesion and unity of interests created by the common cause for which most members of the area were fighting. Even more important was the fact that import policies were formulated, not by the member countries themselves, but by decisions of combined boards in Washington which allocated scarce materials and even scarcer shipping space in accordance with a rigorous order of essential priorities. This compulsory restraint on imports created its parallel restraint on the use which members of the sterling area could make of the central gold and dollar reserve.

It also protected the reserve from the new threat of encroachment created by the vast accumulation of sterling balances held by most members of the area. The growth of these balances represented a major revolution in the make-up of the sterling area. Before the outbreak of the war the sterling assets of the sterling area countries, other than the United Kingdom itself, amounted to slightly over £200 million. By the middle of 1945 the total had grown to nearly £2,700 million. The owners of these funds could not be expected to take kindly to their complete sterilisation. But any attempt to use them would inevitably mean one of two things: either "unrequited" exports from the United Kingdom or else a heavy drain on the central reserve of dollars. Britain was wide open to the first because export licensing did not operate over more than a small fraction of British exports; moreover, the countries which held the largest accumulations of sterling were for the most part those which had undergone the largest measure of inflation and which, therefore, could offer the highest prices for British goods. The threat to the central reserve of gold and dollars was increased by the fact that the inter-Allied control over materials and shipping and, therefore, over the import policy of member countries ceased soon after the end of hostilities.

These dangers were perhaps not adequately realised at the time. But, even with all the advantages of hindsight, it can hardly be argued that the right course would have been to impose a rigid blocking of the sterling balances and to allow the sterling area countries only the most restricted access to the central reserves. The sterling area is, as has been pointed out, a voluntary arrangement and the consent of the participating governments could not be strained too far. Moreover, they had all—or nearly all—contributed during the war to the central reserves, leaving at London's disposal the substantial net earnings of dollars that some of them had. By what reasoning was it right to use the central reserves to buy essential capital equipment for the United Kingdom and refuse to use them to buy no less essential equipment for the Dominions?

It was therefore inevitable that, in a period of world-wide dollar shortage, some part of the reserves of gold and dollars held by the United Kingdom should be made available to the other members of the sterling area. What can be said, in retrospect, is that too much was made available. Agreements were, it is true, negotiated with some members limiting their allocations of hard currencies to fixed quotas. But some of

these agreements were very generous. And for the most part it was left to members of the area to deal wisely and discreetly both with their accumulated sterling assets and with their use of gold and dollars. And to judge by the available evidence, not all the sterling countries adopted anything like the same standards of austerity as the United Kingdom. Moreover, there remains the suspicion that some of the controlling authorities permitted far too much capital to leak out of the sterling area. Looking back, one can certainly say that the £201 million released from the accumulated sterling balances in 1946 and 1947, of which £148 million took the form of gold and dollars provided for sterling area countries other than the United Kingdom is a very large figure—almost certainly larger than was reasonable in relation to the total resources of the United Kingdom.

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The whole subject was naturally brought to a head by the convertibility crisis of last August which, in this respect as in many others, swept away the last excuses for complacency about the balance of payments between the pound sterling and the dollar. It became clear that much tighter controls would be needed all round the sterling area. The principal members of the area had sent representatives to London in September, 1947 to attend the meetings of the International Bank and Fund, and advantage was taken of their presence to hold a family council at which they concerted general lines of policy with the immediate objective of achieving the greatest possible economy of dollars. They undertook to tighten up their licensing of imports from dollar countries, to make themselves as far as possible self-supporting in their hard currency income and expenditure, and to stop the leaks through which capital had been escaping at the periphery of the area. It had become obvious that the freedom of movement of funds within the area would only be maintained if the standards of import control and exchange control were made uniform; where this could not, or would not, be done, the boundary of the area had to be drawn tighter. Thus though Egypt's withdrawal was on Egypt's own initiative, it was not unwelcome in London, and Palestine had to be extruded when it became apparent that strict control was no longer possible. There have also had to be some special arrangements with South Africa, which has always occupied a rather special place in the sterling area. South Africa has not made the whole of its gold production available for the sterling area and to that extent has not participated in the pool. But South Africa's deficit of payments with the sterling area—which until recently was large—has been settled in gold; indeed, the South African Government was willing to make an advance against it. But when, in the last nine months, the flow of capital from the United Kingdom to South Africa became large, this source of gold for the central pool showed signs of drying up. In the interest of both countries, it has been agreed to bring these under control.

These are the signs of pressure within the sterling area. But it would be a great exaggeration to regard them as signs of disintegration. Nevertheless, the relations between the sterling area and the dollar area are becoming so difficult that the question of dismantling it is being openly discussed—at least in Washington. It may therefore be appropriate to conclude this brief review by asking whether the continued existence of the sterling area still carries a balance of advantage. Is it worth while to the sterling area countries, other than the United Kingdom itself? Are the Americans right to regard it with hostility? And is it to the advantage of the United Kingdom?

The fact that none of the sterling area countries, with the exceptions mentioned above, has withdrawn from it is in itself a sign that they still find it of advantage to belong. It may be said that their hands are tied by the fact that the bulk, if not the whole, of their external reserves are invested in London, that, for better or for worse, they must continue to adhere or endanger their currency backing and overseas working balances. But there are far more compelling arguments than this for their continued membership. Their trade is still in large part transacted with sterling countries, and therefore they need the exchange stability which the sterling area mechanism gives them. The banking facilities which they find in London and on which they largely rely are still the most efficient of their kind.

Moreover, these countries would only put themselves in a worse position by withdrawing. They would then have to balance their own payments without any help from a central pool. They would certainly find it no easier, and possibly harder, to pay for dollar goods. And trade with the United Kingdom itself, which is now subject to no exchange difficulties, would immediately suffer from all the restrictive conditions that afflict countries that are competitively trying to sell in hard currency areas and to buy in soft currency areas. It may be galling to these countries to receive a steady flow of admonitions from London of the need for painful economy, and it may be tempting to some of their politicians to put the stringency down to the existence of the sterling area. But their authorities know that hitherto the existence of the sterling area has provided them with more hard currency than they could otherwise have been able to secure—that is, indeed, the burden of the criticism that was outlined above. It would be rash, however, to be too confident that the sterling area will not break up from within. As the resources of the central pool get smaller and smaller, it becomes harder to allocate them in a way that satisfies everyone of its fairness—and, by the same token, the penalty for being omitted from the allocation becomes smaller. Moreover, if a steady tightening up of the exchange control regulations becomes necessary, a point may be reached where some members either cannot or will not keep up with the rest. If the position does not become worse, the sterling area will hold together. But if the flux in the central reserves cannot be stopped, the position may well become dangerous.

The American desire to be reassured that ERP dollars specifically appropriated for the United Kingdom are not diverted, through the mechanism of the sterling area, to other countries is a wholly reasonable one, especially in view of what happened to the dollars provided under the loan of 1946. It is obviously impossible wholly to segregate dollars that accrue in different ways, but it should not be very difficult to devise means whereby the American apprehensions can be allayed. The British "concession" that has been reported from Washington this week probably amounts to no more than this. It is certainly not true, as newspaper headlines of egregious irresponsibility have proclaimed, that "control" of the sterling area has been "surrendered" to Washington.

Unfortunately, American hostility to the sterling area goes deeper than the reasonable desire to see that Marshall dollars are used only for approved purposes. In part, the hostility is a reflection of that almost instinctive aversion that most Americans feel—and that so few British observers can fathom—for all of the symbols that unite the British Commonwealth of Nations. In part, it springs from a belief that the sterling area must necessarily be discriminatory—which is at least partly true—and that it must thereby harm American interests—which is not true. It is true that the existence of the sterling area makes it easier for Great Britain and Australia to buy each other's goods than for either of them to buy American goods. But in what way would the dissolution of the sterling area lead to a single dollar more being spent on American exports? Britain might buy

more and Australia less, but the combined total could not be larger and might well be smaller. Moreover, the end of the sterling area, by making it harder for Britain to buy Australian food and for Australia to buy necessary manufactures from Britain, might make each of them more clamant for American aid. The British Government might well offer a prize, payable in sterling, to any American who could show—in practical terms, not in theory—that the existence of the sterling area damages American interests.

Indeed, it can be claimed that its existence is really in line with American policy. The object of that policy is to restore the freedom of the exchanges throughout the world. The exchanges are still free within the sterling area, and to destroy it would greatly extend the scope of exchange controls and exchange prohibitions. Many thoughtful Americans are already willing to admit that their insistence on the universal convertibility of sterling last year in fact destroyed a system of convertibility that was not universal but was gradually spreading. This was an almost classical example of destroying the good in the vain search for the perfect. The convertible payments agreements having gone, the freedom of movement within the sterling area is now the only example left in the world—other than the dollar itself and the Swiss franc—of financial freedom. It would be more truly in the interest of American objectives to support the sterling area than to destroy it.

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Finally, is the continuance of the sterling area worth while for the United Kingdom itself? Most Englishmen will answer affirmatively for exactly the same instinctive reasons that lead so many Americans to regard it with suspicion. The analogies between politics and finance are not too close; Canada has never been in the sterling area, but it is none the less a valued member of the Commonwealth. Nevertheless, if the fostering and expansion of trade and economic development between the United Kingdom and the Dominions and Colonies plays any part at all in long-range policy, then the sterling area must be regarded as an essential factor in it. In the short run, it is perhaps enough merely to ask what would happen to the existing volume of trade within the Commonwealth if it all suddenly became subject to exchange control.

But if the maintenance of the sterling area is an essential British interest, it cannot be achieved without cost. One aspect of the cost appears in the dollars that will have to be found out of the central reserve for the sterling area countries. Furthermore, if the sterling area countries are to cut down their purchases of dollar goods, they can reasonably require some assurance of essential deliveries from the United Kingdom. A certain volume of "unrequited exports" is an essential condition of the continuance of the sterling area, and those who inveigh against unrequited exports might be invited to bear this in mind. But beyond this, the supreme price that Britain must pay if it wishes to keep the sterling area in working order is to solve its own balance-of-payments problem as soon as may be. The sterling area is built on confidence and if it is to endure it can only be on the basis of a solvent Britain. In some ways sterling is now living on a goodwill and tradition built up in the past. The monetary system represented by the sterling area grew to its stature and eminence because sterling possessed qualities of universal acceptability and free convertibility. These in turn depended on the fact that Britain was paying its way. If there are deep-seated and long-term threats to the sterling area today they derive not in the main from abuses of its facilities on the part of its members, or from objections to it on the part of outsiders, but from the possibility of continued weakness at the centre. Its future, in other words, is in Britain's own hands.

NOTES OF THE WEEK

Progress Report by Mr Bevin

Mr Bevin now personifies common-sense and imperturbability—both invaluable qualities in his difficult post. He chides idealists and enthusiasts as lustily as did Colonel Blimp in the thirties. His advocacy of patience and piecemeal experiment in the task of knitting together Western Europe is as weighty as a quotation from Burke. And his self-confidence has reached the point where he can open an eagerly awaited foreign affairs debate with a speech lasting less than an hour, and containing nothing for the headlines save the blunt statement "We are in Berlin as of right. It is our intention to stay there."

The House seemed disappointed on Tuesday with his sober and restricted report of progress, partly because it wanted someone in authority to analyse its fears of war, partly because so much faith is now pinned to Western Union that believers want to hear of miracles and cures performed on the tortured body of Western Europe. Mr Bevin was wise not to offer such signs. They would only obscure the fact that the structure of committees and agreements which now represents Western "consolidation" was built up with so much hard negotiation that what has been done for economic co-operation in ten months, and for political and military in three is really quite impressive. To have run parallel to this work any crusade for a European parliament or for regional security might have frightened the timid and cautious Foreign Ministers who have yet to gather round the "hard core" of the Brussels Powers.

But Mr Bevin must know, from those trade union days to which he so often refers, that no one has ever captured imaginations with committee work. There is no sign yet in Western Europe that ordinary men and women are distracted from their daily cares and fears by the vision of a united, prosperous and strong West. And there will be none until there is some pledge from statesmen like Mr Bevin that, when it comes to the pinch, the right to make certain important decisions will lie not with individual governments but with governments in council.

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Sacrificing Sovereignty

It is true that in the debate Mr Bevin spoke of "sacrificing narrow and national interests—and in some cases very substantial interests—in favour of the common European good." And Mr Attlee said "we are prepared with other Powers to pool some degree of authority." This is encouraging—but what interests, and at what stage? This is the kind of sentence that foreign correspondents in London include in their messages knowing that it will be cut if space is tight.

Mr Bevin seems to think that all his critics want him to indulge in "academic discussions of sovereignty." On the contrary some of them want to know—for example—whether the Foreign Secretary can persuade Mr Bevan to accept a cut in his housing programme if a West European plan demands that France should have timber at the expense of Britain. And it is not only idealists in this country who are asking what he means by "a wholly new conception of sovereignty throughout the world." The question is being asked by Germans who have no sovereignty—and by Congressmen who will vote for or against the next instalments of European aid in 1949. It is also being asked in a more aggressive and worried way by the most ardent defenders of national sovereignty in Europe today—the Communists.

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Nine Months or Twelve?

As has been rumoured, the party conference on the reform of the House of Lords has broken down. But at first sight the White Paper (Cmd. 7380), giving a summary of what was achieved by the discussions of the last three months, shows that far more agreement was reached than could have been hoped for when the Parliament Bill of 1947 was in the Commons. For on the composition of the House of Lords the representatives of all three parties agreed to place before their parties far-reaching proposals. These would secure as far as possible that a permanent majority in the Lords would not be granted to any party; they would abolish hereditary membership and substitute appointment of members, from hereditary peers and life peers, on grounds of personal distinction or public service; they would allow women members, and provide for the inclusion of certain descendants of

the Sovereign, certain lords spiritual and the law lords; they would provide for payment of members, and would enable members who neglected their duties or became unfitted to perform them to be disqualified. Peers who were not appointed to be the rechristened "Lords of Parliament" would be entitled to stand for election to the Commons and to vote like other citizens.

Final agreement to these proposals, however, was dependent on general agreement over the powers of the House of Lords as well as its composition, and it was here that the conference broke down. The Parliament Bill proposes that to override the Lords' veto a Bill must pass the Commons in only two successive sessions, instead of three as at present, and after only one year, instead of two, has elapsed between its second reading in the Commons in the first session and its third reading in the second session. Where the conference broke down was not on the question of whether there should be a period of delay or not, but on how long that period should be. The representatives of both the main parties put forward a compromise. The Labour representatives agreed to change the period from one year after second reading to nine months after third reading. This, they argued, would give the Lords plenty of time to consider a disputed Bill if it had taken a long time to pass through the Commons. The compromise proposed by the Conservatives was that the minimum period of delay should be twelve months from the third reading in the Commons.

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On the face of it the difference looks trivial. But, according to the Government and Opposition representatives, it masks a fundamental difference of opinion on the functions of the House of Lords. The Government maintains that its delaying powers exist to give the Commons a chance to change their minds, having regard to the state of public opinion on the disputed measure. The Conservatives want the people to speak their minds more directly, through a general election. A period of twelve months would allow this verdict to be obtained for disputed measures introduced in the fourth session of a quinquennial Parliament, whereas the Government's representatives declared that the effectiveness of the fourth session for legislation should be ensured.

It is not, however, likely that the mass of the electorate will appreciate the point of this difference of opinion. For most people it will be seen as a dispute over twelve months or nine. And if the Lords throw out the Parliament Bill as a result of the conference's failure to agree, the odds are that on this issue the people will not support them.

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The Party Dotted Line

However ungrudging may be one's agreement with official Labour that Mr Platts-Mills and other recalcitrants of the same kidney should have no place in a party adhering to the principles of Western democracy, and however outrageous the offence for which they were arraigned, the subsequent flourishing of Transport House's big stick to left, right and centre is a deplorable spectacle; particularly when internal disciplinary action is accompanied by a campaign against co-operation, for even the most urgently desirable common ends, between Governments of different political shades. Before Dr Dalton's egregious sabotage of Western Union, the threat of party displeasure held over the heads of those MPs proposing to attend the Hague conference might have been dismissed as a politically necessary *pro forma* gesture, designed to balance the party's attitude to the actually very different, but superficially similar, Left deviation of the Nenni-goats. This is no longer possible. The screws are visibly tightening; henceforward members are to subscribe to the Party line, the whole Party line and nothing but the Party line—in the case of the Nenni sinners a dotted line to be signed on by first post Thursday, or else—

The limits of party discipline are hard, if not impossible, to determine *a priori*. The tie of common interest in which the party system originated has evolved, in theory at least, into a unity of principle; the interpretation of that principle in terms of the casting of Aye and No votes in the House of Commons on particular issues has long been a prerogative of the party leadership, with abstention from voting as a possible but only sparingly-to-be-used loophole for individual conscience and judgment. More than the other major parties, Labour has always shown an anxiety to extend this homogenising process to activities outside the

House; an attitude understandable enough given the vulnerability of any Socialist body to Communist permeation, but too easily translated by illiberal minds into outright regimentation. No doubt (as a leading article this week argues) many of Labour's present troubles result not merely from the internal stresses which must face any party enjoying its first term of genuine power after a lifetime of almost unbroken opposition, but also from the very completeness of electoral victory—which showed up any carelessness in the selection of candidates not seriously expected to win. Such errors can be remedied with comparatively little scandal in 1950; but that does not make matters easier now. The present rain of ultimata, excommunications and interdicts, however, is inexcusable; they only show that spiritually Labour is drawing dangerously near to that which it condemns.

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Wise Counsel from the BMA

At last there seems to be some hope that the dispute between Mr Bevan and the medical profession will come to an end. The latest—and, one hopes, the last—plebiscite taken by the British Medical Association shows, it is true, another majority against the national health service, even after the amendments promised by Mr Bevan. But the majority has fallen considerably. To the question put to the whole profession, including its retired members—do you approve or disapprove of the National Health Service Act in view of the modifications now proposed?—25,842 answer that they disapprove and 14,620 that they approve. In the February plebiscite, before Mr Bevan made his gesture, the comparable figures were 40,814 and 4,735. It is, however, interesting to note that doctors already working full-time in the public service, including Government service and local authority service, are still on balance against the Act, although the majority this time is very small.

The more crucial question, however, was whether doctors not already in the public service intend to join the national health service. Altogether 13,891 doctors are not in favour of joining, against 12,799 in favour. In February, the comparable figures were 25,340 and 4,084. The BMA had again declared that it would not advise the profession to stand out unless at least 13,000 general practitioners declared that they would not join. Actually, only 9,588 said that they would not join, compared with 8,639 who intend to join; there were also some 2,000 abstentions. In February, 17,000 general practitioners declared that they would stand out.

Faced with a change of mind on the part of general practitioners, consultants and specialists, and doctors working whole-time in voluntary hospitals, the Council of the BMA has taken the only sensible course in recommending doctors to co-operate in the new service. The recommendation still has to be approved by a representatives' meeting, to be held at the end of this month, but although there may be some hard words, the Council's recommendation is not likely to be refused.

The dispute, therefore, is probably over. But the success of the health service is not thereby assured. One of the Council's recommendations suggests that people should be informed that for reasons outside the control of the profession the improvements promised by the Government will not be available for some time because of the shortages of doctors, nurses, equipment and premises. A public warning of this sort is certainly badly needed.

* * *

Canada's Future Role

It has been apparent for some time that Canadian foreign policy might be moving in new directions—which does not mean towards new formulae. The remarkable speech made last week by Mr St. Laurent, Secretary of State for External Affairs, gave some broad hints of what these directions are likely to be, without any of the precise definitions which might have divided instead of uniting Canadian opinion. He repudiated the idea that Canada could isolate itself from the measures being taken in other countries against Communism; he subscribed to the Marshall-Bevin doctrine that only a great political and productive effort can weaken the "accumulated forces of social discontent"; and he recognised the strategic interdependence with the United States imposed by geography and expressed through their joint defence arrangements.

But there stood out sharply from the rest of his speech two suggestions: that defence and economic co-operation might be developed most effectively through regional arrangements, and that

the free states, or some of them, will soon find it necessary to consult together on how best to establish "a collective security

league." It might grow out of the plans for Western Union now maturing in Europe.

It is possible that Mr St. Laurent sees in such suggestions a way out of the present British difficulty—often hinted at by Mr Bevin and his colleagues and even more often openly discussed in Western capitals—of finding ways to develop with the Continental political and economic links which will not disturb or break the more indefinable ties of the Commonwealth. It will not have escaped the notice of Dominion governments that the Brussels Treaty is open to them, or that talks on a possible western customs union have several times brought up the idea of creating a system of preferences over the area covered by the Western countries and their dependencies.

Unfortunately, in spite of the British Government's professed willingness to call a Commonwealth conference to discuss these questions, the difficulties in the way of an early meeting are very great. The solution might be for London to conduct bilateral talks with each Dominion and to take the responsibility for sorting out and grouping together the various views about future political and economic policy developments in the Commonwealth. Certainly these hints from Canada by the favoured candidate for the Premiership should not pass unnoticed.

* * *

India and Commonwealth

The appointment of Mr Rajagopalachari as Governor-General of India in succession to Lord Mountbatten has given as much pleasure in London as it seems to have given in Delhi. He is a man who has won universal respect for his austerity of life, steadfastness of conviction and unflinching will to reconciliation in political conflicts. As former Prime Minister of Madras and recently Governor of West Bengal, he has shown his qualities as a statesman, and his elevation to the position of Governor-General gives assurance of constructive effort in Delhi both for the improvement of relations with Pakistan—for Mr Rajagopalachari was the first Congress leader to recognise the Moslems' right to a state of their own and incurred much unpopularity in his own party for doing so—and for working out the political adjustments required in order that both India and Pakistan may decide to remain in the association of nations for which the formula of "Dominion status" provides.

Now that Mr Noel Baker is home again from Lake Success, it is to be hoped that he will apply himself with energy to preparing proposals to deal with the problems which would arise as soon as the three younger and four older Dominions met in council for the first time to discuss common military and economic interests. It is a critical moment for the Commonwealth and, if the tide is not taken at the turn, no such opportunity may ever occur again. The United Kingdom and seven Dominions may have to find a new concept of association, perhaps even a new title, to perpetuate their historic community in a changing world. Now that the India Office is a thing of the past, the field lies open to Mr Noel Baker and his departmental junior Mr Gordon Walker whose Commonwealth Relations Office has possibilities and responsibilities not yet fully understood by Cabinet Ministers. Execution of the Brussels Pact alone will need more thorough consultation with the Dominions than has so far been customary.

* * *

Policies in Palestine

In his review of foreign policy in the Commons, Mr Bevin made a reference to Palestine which gave rise to speculation about a change in British policy. He said:

We have always made it clear that if there was agreement between Jews and Arabs for a cease fire order or a temporary truce or some other kind of interim Government working towards a final settlement, and if we were approached by all concerned to render assistance in conjunction with others—I repeat, in conjunction with others—this would create a new situation and we should have to consider it most carefully.

Mr Bevin did indeed reiterate that there was no question of Britain going back on its decision to surrender the Mandate next Saturday, but his words seemed to gain extra point from the sudden reinforcement of British troops in Palestine a few days previously and from the vigorous lead which Mr Creech Jones was giving the Special Assembly after so many months of British passiveness at Lake Success.

In London it is insisted that there has been, in fact, no change of British policy. This may be accepted. It is circumstances that have altered, enabling Britain to play a more active part. It has naturally also been asked whether America has not taken some new initiative behind the scenes which would justify a

British response. But this again would read too much into the situation. America is already committed to some kind of enforcement action, "in conjunction with others," of its various truce and Trusteeship plans, and Mr Bevin's words were at most an encouraging gesture. Mr Creech Jones, for his part, has been pressing in Lake Success for a strictly practical plan—first a truce, and secondly the creation of a neutral authority to hold Palestine assets after the Mandate, to further mediation between Arabs and Jews, and to act as a unifying central authority on behalf of the United Nations.

In Palestine, the Arabs are for the moment beaten and leaderless, but the cease-fire which was brought about in Jaffa and Jerusalem this week was only secured by the vigorous intervention of the strengthened British forces. It is precarious, and it would be a great temptation to the Jews if, on May 15th, British forces were withdrawn without being replaced, to exploit their temporary advantage. And events in Jaffa have shown that the Irgun-Hagana merger does not mean the Irgun is under control. If a truce fails in the rest of Palestine, it is not conceivable that Jerusalem could be isolated from the conflict without complete neutralisation and demilitarisation under an international authority with adequate force.

Outside Palestine, Mr Bevin confirmed that Britain had been using its influence in the Arab states to prevent further intervention and secure a truce. So far as most of the Arab governments were concerned, these moves were certainly welcome. They are most reluctant to venture their armies in Palestine, but they have their own public opinion to think of, and are in the uncomfortable position of risking their own future stability as much if they do intervene as if they do not. A probable exception is King Abdullah, whose own ambitions include an outlet to the sea and who may yet emerge as a saviour of the Arabs. On the whole the short-term outlook for Palestine has slightly improved in the past week, but that is all that can be said.

* * *

"Third Force" Prospects in France

M. Schuman's coalition Government, having tripped up immediately the Assembly met after its Easter recess, will have to jump many higher hurdles as more controversial issues on the parliamentary agenda are reached. Last week's debate, which ended with the Government being defeated by a small majority (composed of Gaullists, Communists and Radicals) concerned technical clauses of the proposed statute of the nationalised civil aviation company, Air France. The Government chose not to make a political issue of the vote, and the amended Bill has now gone through.

Nevertheless, the incident demonstrated again the precarious parliamentary backing of the present "Third Force" Cabinet, which depends for its survival on the approval of centre parties outside the "Third Force," many of whom are now openly advocating an enlarged anti-Communist front, stretching from the Socialists to the Gaullists. Hitherto these people have been too frightened to provoke a political interregnum: each time the Government's majority dwindled (seven times between Christmas and Easter) M. Schuman tabled a vote of confidence and, with the fear of disorder still vivid after last November, his appeal always succeeded.

The force which kept the Government from falling apart was unquestionably fear of Communism, at its most defensive and negative. This fear is much less intense since the defeat of the Popular Front in the Italian elections, and timid right-wing souls may now risk provoking a crisis, rather than endure the continued displeasure of their shop-keeping clientèle with M. Mayer's fiscal policy. Similarly, timid left-wingers may risk a crisis rather than the displeasure of their proletarian clientèle over the wage-freezing policy to which the Government is firmly pledged. Other issues too have threatened to tear the Third Force apart: for example the lengthening of the conscription term from one year to eighteen months, denounced by the National Council of the Socialists (SFIO) last week, but supported by the Progressive Catholic Minister of War, M. Tietgen; and now reduced by a Cabinet compromise to fifteen.

The Gaullists, impatient for office, are waiting for just this kind of crisis to stake their claim to establish order and authority—personified by the General—against anarchy and the impotence of the derided political parties. If the "Third Force" feel confident of their own ability to handle difficulties as they arise, there is no reason, economic or political, why they should not even now, salvage their majority. Outside parliament they are unlikely to be overthrown by extra-legal action, since recent

demonstrations have shown how firmly they control the police and the prefectural authorities.

The outlook for the "Third Force" therefore remains unsettled. Much will depend on the support the present Government gets from the Western Allies, and on whether the Americans will indicate a preference for a French regime further to the right. Even more will depend on Kremlin strategy and on whether the French Communists are instructed to organise strikes, sabotage and disorder, which would certainly provoke reaction in favour of de Gaulle among the deputies.

* * *

Church versus State in Belgium

It is unfortunate that M. Spaak should have had to face a political crisis at home within a month of being elected chairman of the Organisation for European Economic Co-operation. The crisis developed out of the century-old issue of State versus Church control of the schools. The Belgian Government had proposed to pay a subsidy to Catholic technical colleges in order to help recruiting for industry. The proposal was presented to the Chamber of Deputies by the Socialist Minister of Education, M. Huysman, on April 13th and aroused immediate opposition from certain groups in the Socialist party. The opposition increased until at the beginning of this week the group of Socialists in the Government Coalition was defeated at a party meeting, and on Wednesday M. Spaak and his Cabinet resigned.

The quarrel between Church and State over education is one of the fundamental issues that still divides parties on the Continent. Although, for the most part, it is concealed from British observers by more modern disputes such as those over wages and working hours, when it does come to the surface it arouses deep and bitter feelings. M. Spaak seems to have decided to try to bring the Socialists round to a more tolerant attitude towards the controversy, but for the moment he has succeeded only in splitting the Socialist party. His reputation in Belgium is so high, however, that he should be able to survive this latest outburst of old recriminations, but the episode is a reminder that there are questions still alive across the Channel which federalists—especially British ones—tend to forget.

* * *

Mr Shinwell Does it Again

Mr Shinwell has a genius for dropping bricks. And as usual, if they are dropped often enough, a few are bound to crack to good purpose. It was thus refreshing to hear at least one Minister admit that the Government had been carried away by its enthusiasm for nationalisation and that

there was far too little detailed preparation in the formulation of schemes of nationalisation, and that in consequence we found ourselves with legislation that had to be applied without the necessary blueprints. . . .

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Even if naïve, this is honest, and Mr Shinwell cannot be a popular person among Ministers at present for being so forthright.

The rest of his speech was not, however, so satisfactory. It appears that nationalisation is "only a means to an end," but that end is not the efficiency of the industry nationalised or the good of the workers and consumers. Apparently industries are not nationalised to make them serve the community more usefully, but to prove that nationalisation as a principle is right. Therefore the Coal Board must be successful to prove that the Labour Party's principles are right, not to provide the nation with better and cheaper coal. Such views are nonsense, but they explain the pressure behind the Government to move still further along the road of nationalisation; indeed on this theory the more efficient an industry before nationalisation, the more tempting for the Government to prove that nationalisation works by taking it over. The enthusiasm for nationalisation appears to work in inverse ratio to the degree of personal responsibility. While experience of difficulties has taught the Cabinet discretion, less responsible Ministers and still more the rank and file clamour for more nationalised industries. In a subsequent speech, Mr Shinwell went on to say that the Socialists would never be satisfied until they had nationalised all the major industries of the country and "have introduced the right democratic content into the nationalised industries."

* * *

The Coal Board Tussle

Mr Shinwell's emphasis on changing the spirit within the nationalised industries appeared to be directed as much against the management of the Coal Board as against irresponsibility among the men. His criticism of those who were "castigating and criticising the men in the mines" was presumably a rap over the knuckles for Sir Charles Reid. Mr Shinwell was speaking to the miners in Edinburgh, and it was only three weeks ago that Sir Charles made a forthright speech to Scottish miners (referred to in *The Economist* of April 24th) reproaching them for preventing the fruits of mechanisation from appearing in greater output.

Divergencies in point of view between Ministers and members of nationalised Boards are not unhealthy, if kept within reasonable limits. But remarks such as those made by Mr Shinwell at the same meeting about the "silly fatuous nonsense" being talked about a deficit in the nationalised mining industry go far beyond what any responsible Minister can say. It is outrageous to suggest that those who are concerned at the rise in coal costs are only interested in reducing wages and lengthening hours. The price of coal is fundamental to the wellbeing or otherwise of the country's economy, and it is the craziest frivolity to suggest that the miners have not a personal share in those costs and responsibility for them.

This is the sort of attitude which makes the issues now being fought out at Waleswood Colliery, near Sheffield, much harder to solve. Waleswood is a test case, for the same decisions must be settled in dozens of other pits all over the country, and unless the Board's decision to close the pit is upheld there is no hope of increasing the efficiency of the industry and reducing costs. In this case it would require the investment of about £250,000 to keep Waleswood going for another seven years. Most of the coal in this pit can be obtained through neighbouring pits, which could be developed more economically, and with the prospect of 60 to 100 years of life before them. From a financial and technical point of view the case against pouring more money into Waleswood is very strong. The human issues are more difficult since the men strongly dislike moving elsewhere. But provided that reasonable efforts are made to smooth the transfer, there can be no justification for weakness. In the long run the men stand to lose far more from inefficiency. The National Union of Mine-workers have recognised this in principle. They must now persuade their members to carry it out in practice.

* * *

Wages Policy

The latest pamphlet of the Design for Freedom Committee, Mr Peter Thorneycroft's "Design for Wages," is a sort of pom-pom gun, peppering a wide area of public opinion. It is an essay in public education, a reasoned account of the evils of inflation; it is a party squib, an attack on the Labour Government's sins in this field; it is also, indeed predominantly, a special appeal to trade unionists to consider the fatal incompatibility between trade union freedom (and indeed effective survival) and central planning of prices; to recognise that in spite of all appearances free-

enterprise Codlin's the friend, not Socialist Short. The first two targets have been hit before, many times, and Mr Thorneycroft, even while dismissing Sir Stafford Cripps's £330 million surplus as inadequate and illegitimately achieved, lays himself open to the charge of flogging dead horses and battering open doors. It is the third aim, the framing of a convincing argument for trade union opinion, which is the most interesting and the most difficult. Trade unions, he opines, *ought* to press for higher wages; that is their job, while the Government's job is not to arbitrate between admissible and inadmissible claims, or vaguely to preach restraint, but to create those conditions in which, automatically, the inadmissible will in fact be rejected. He describes very pertinently the function of wage movements in a free economy, the link between the demand for a product and the demand for labour, and the manner in which that function is inhibited and that link broken by the imposition of a national wages policy.

This is all very well, and very well done. But like so many accounts of the superiority of the well-tryed and smoothly-working price system over the improvised and creaking pseudo-plan, it does some telescoping of long and short term processes and problems. Let it be granted that inflation has distorted the economy, maldistributing workers, capital, incomes and bargaining power; that this inflation can be laid to the Government's charge; and that its speedy and effective reversal, while highly uncomfortable, is perfectly possible. It still remains true that the redistribution of workers, capital, incomes and bargaining power cannot be instantaneous; and that until it is achieved, and in order to speed it up, a "wages policy" is essential. Recovery is hardly furthered by telling the unions that any appeal for the consideration of their claims in a national contest is a step in a process towards their abolition or enslavement. Much, however, must be forgiven to a man who can write that

Dr Dalton's resignation from his office was welcomed by a circle far wider even than his colleagues in the Cabinet.

* * *

Forward from Bogotá

The Bogotá Conference ended quietly last week with the signing of the charter of the Organisation of American States. By it a new regional organisation within the framework of Uno is established and a new and stronger version of the Pan-American Union. Its most important provisions deal with the peaceful settlement of disputes between members, and lay down the procedure for mediation, arbitration and the reference of legal questions to the International Court. The recognition of *de facto* governments and of territories acquired by force—knotty problems in Latin America—the propagation of doctrines leading to aggression and the political and civil rights of women are also covered.

The resolutions on European colonies in the Western Hemisphere and on combating anti-democratic infiltration will attract wider attention. The resolution on Europe's retention of colonies, on which the United States and Brazil abstained from voting, contented itself with a grandiloquent declaration of their undesirability, and a decision to set up a central commission in Havana to study the whole problem. Even so, the British Government was prompt to protest in defence of its rights.

The agreement on economic co-operation, signed the day after the official end of the Conference, is of particular importance. It deals with financial and technical co-operation and the principles for handling scarce commodities. It also relaxes the conditions on which foreign capital may operate in Latin America and assures prompt and adequate payments for expropriation. The need for American investments is thus accepted. Whether private American capital will consider Latin America even now a better risk than Europe remains to be seen—but Europe has nothing to offer as tempting as the prospect of rich new oilfields.

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Homes and Funds for DPs

The International Refugee Organisation, with one more ratification still required to bring it into proper existence, met again on Tuesday as a Preparatory Commission. During the first eight months of its existence, which began in July, 1947, it has repatriated or resettled over 192,000 displaced persons and refugees. It is reckoned that between 800,000 and 900,000 have still to be resettled, of whom over 630,000 are under the direct care of the IRO. If it is to complete its task in three years, as it is supposed to do, resettlement will have to be speeded up, especially as little more can be done by way of repatriation. Most of

those still enduring boredom of life in a refugee camp are much too afraid of political persecution ever to think of returning to their homelands.

That more spectacular inroads have not yet been made into this problem is partly the fault of the interested Governments, which have not realised that to dole out inadequate funds is false economy. If the IRO is not to continue indefinitely it must be provided with a budget sufficient not only to cover the cost of maintaining the DPs in camps for the time being, but also to pay the cost of their resettlement when new homes have been found for them. Instead of the \$150 million it had hoped for, the IRO has had to make do with \$119 million during the present fiscal year, and at the moment over 70 per cent of its resources are being used up in maintaining the camps. As a result, in March nearly 20,000 DPs were provided with everything except the money to pay their passages to their new homes. At present the IRO is limiting new admissions to its camps to special hardship cases, and it has approved a British proposal that Governments should be asked to form, by advance contributions to next year's budget, a special fund of \$10 million for the charter of ships. Thus, money which might be used next year to maintain DPs in their present unsatisfactory existence will be used this year to get them to new homes.

Increased financial contributions will not provide a permanent solution to the problem of the DPs, so long as there is not more readiness on the part of member countries to take them in. That is the root of the matter. And of the countries which do most in this way it is the United States which shows the greatest reluctance. At the moment both Houses of Congress are considering Bills to admit, in one case case 100,000 DPs, and in the other 200,000, over a period of two years. If either gets through it will only be after a hard struggle. Americans who oppose them, largely on the score of housing and other shortages, should remember that exactly the same and greater obstacles exist in this country; yet of the 192,000 repatriated or resettled by IRO during the first eight months of its existence Britain took in over 40,000 and the United States only just over 12,000.

* * *

Price Reduction and the Subsidies

Following the example of the co-operative societies, most of the multiple retail stores have reduced their prices for certain

rationed foodstuffs. Butter and bacon are each 2d. a lb. cheaper, cheese and margarine 1d. a lb., and sugar ½d. a lb. This is in answer to Sir Stafford Cripps's call for lower prices to stem the tide of inflation. Yet it is surely not a coincidence that the foodstuffs which are reduced in price are precisely those which are heavily subsidised. The actual weekly reduction to the housewife is under 2d. per person or about 7d. for a family with four ration books. Is this a sufficient incentive to prevent demands from her husband for a further increase in his wages? From the housewife's point of view, these price changes are obviously in the right direction, and they emphasise once again that retail margins are ample for the large retailers.

Reduced prices may reflect a counter-inflationary tendency in the economy, and perhaps the fact that these reductions have been agreed to is a sign that something of the sort is happening. But to put prices down as a means of *starting* a counter-inflation is false reasoning. Price reductions are anti-inflationary only if the public's savings are increased by an amount equivalent to the reductions. A sounder policy would have been to maintain the retail prices and reduce the subsidies. If these retail prices had in fact been kept at their maximum levels—nobody would suggest that they are out of reach of any income group, especially since the ration allowed for each of the foodstuffs concerned is so small—and the subsidies reduced by an amount equivalent to the recent price reductions, the Government would have saved over £25 million a year. This is undoubtedly a more effective way of combating inflation than retail price reductions whose immediate result is to place more purchasing power in the pockets of the people.

* * *

More Newsprint?

It appears that no battering on the door nor whistling beneath the windows of the room in the Board of Trade, where newsprint policy is decided, have caused its inmates to make any clarification of their policy. Two statements this week have, indeed, been made, one in the House of Commons and one by Mr Hoffman, administrator for Marshall aid in Washington, but neither so far answers the vital question about whether larger newspapers will in the future be possible.



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In a brief debate in the Commons on Monday, Mr York painted a gloomy picture of the newsprint position. As things now stand imports of newsprint and pulp for the home mills might just suffice to maintain four-page papers of this year if no accidents at all occurred. Stocks are, however, now so low that the smallest failure to achieve the import programme would have disastrous results. Last year, when stocks were much higher, restrictions in imports and the drought in Scandinavia brought crisis very near: this year there is no margin for any errors in estimates and the position is dangerously unstable. For the year 1949 nothing definite is known, but the Government's warning that it might cut imports from Canada and Newfoundland still further next year—to save dollars—would mean either lower circulations or smaller papers.

Fortunately Mr Hoffman's statement appears to mean that this really desperate situation will not arise. The figures so far given by him are incomprehensible to the experts over here, but they appear to mean one of two things. Either the four-page papers will continue and Marshall dollars will be used to fill the gap between the Government's previous offer and the amount sufficient for a reasonable continuance of four-page papers. Or—more desirable but less probable—the new supply of dollars will be used to fulfil the earlier Canadian contracts on a six-page basis. The question must be decided urgently before the Canadians are forced to make long-term contracts with the Americans.

* * *

Poll on Class Consciousness

The middle class is, in most people's minds and certainly in those of the Government, a minority class; even a very small minority class, to be contrasted with the working masses who comprise a majority so huge as to be, according to some notorious pronouncements, the only group worth considering. The latest Gallup Poll suggests that, whatever the statistics of income may say, this view does not correspond to the social consciousness of individual citizens. Asked "If you had to say what social class you belonged to, which would it be?" 2 per cent of the sample questioned said "Upper class," 6 per cent "Upper middle," 28 per cent "Middle," 13 per cent "Lower middle," and 46 per cent "Working"—thus giving the three middle class groups taken together an actual numerical superiority over the masses. This distribution does not coincide, of course, with that of property or incomes; as Mr Nigel Balchin once wrote, "the middle class income is about as near to the middle of the real scatter of incomes as the thirty-third inch is to the middle of a yard. The replies to the question obviously did not use any economic criterion as a guide. What they did use remains obscure. The table also lacks symmetry in that the working class remains unanalysed. It is, perhaps, unlikely that anyone would deliberately classify himself, if given the opportunity, as a down-and-out, a hobo or a member of the Submerged Tenth, but the class difference between the tramp and the skilled artisan is at least as wide as that between upper and lower middle class—or, one may hesitantly suggest, between the Upper Class, the Best People and the rest of the bourgeoisie.

Certainly anyone looking for a dividing line in the class struggle, or for the centres of gravity of class solidarity, would find the Gallup results extraordinarily baffling. Even the expected predominance of support for Labour in the working class and for Conservatism in the middle-to-upper classes (revealed by the answers to a subsequent question) is less well marked than one might expect; possibly there is significance in that the swing of the pendulum towards Conservatism is much more marked in the latter, though it is puzzling to find Liberal opinions gaining ground, apparently, only in the lower groups. Altogether, while the poll may remove some preconceptions, it puts less that is definite in their place, and is probably more valuable as a minor sidelight on social psychology than as a contribution to the understanding of the British class structure. But it remains a fact of great political significance that a clear majority of the British people at least *think* they are in the middle class.

* * *

Planning the Briar Patch

It is often in small matters that the clash of opposing philosophies is most strikingly shown up. There could hardly be a vivid example than the collision of Mr Leslie Kirby, master carpenter, family man, pioneer and village Hampden, with the majesty of the state in the shape of the Rural District Council of Easthamstead, Berkshire. Mr Kirby, with his own hands, on his

own land, and with salvaged materials, built a cottage in which to house his bombed-out family, and moved in. He did not fill up the right forms; he did not comply with the local by-laws; and he contravened, blest word, the Town and Country Planning Act. When warned to move and pull down the offending structure, he "misaid," or at all events did not appropriately use, the papers necessary for a possible appeal. His six months' grace having expired, the Council sent a squad of demolition workers to pull his home down, plank by plank, around his ears and those of his wife, children and invalid mother-in-law; and Mr Kirby became news—so much so that the Minister of Town and Country Planning has been compelled to take notice and has stopped the demolition pending "an impartial examination" of the case.

The immediate normal reaction to this story of a decent non-official person bred in a free country is one of sheer rage. (One can imagine, longingly, what G. K. Chesterton would have said about it.) The tree is known by its fruits, and if this is the fruit of planning, then planning is damnable; no abstract argument for its utility can stand up against the simple, child's-pioneer story of Mr Kirby. Of course second thoughts are more rational; the arguments do stand up; the greatest good of the greatest number demands a curb on the propensity of ingenious home-seekers to create shanty-towns and rural slums. The Town and Country Planning Act is not discredited by Mr Kirby's hard case. But other things are discredited: the hypocrisy which, with half the beauty spots of England defaced and defiled with barbed wire and rubbish, with Service departments riding roughshod at their pleasure over the Act, lifts its hands in righteous wrath over a few cubic feet of misplaced bungalow; and the hidebound rigidity which could find no alternative penalty than outright destruction. That will perhaps be a suitable enough penalty—though it will still be a harsh one—ten years hence, when the housing problem may be solved, when the incentive to get even an illicit roof over one's head will be less overwhelming, and the consequences of eviction will be less desperate. But it is about as appropriate now as the drowning of a stowaway because he ought not to have come on board without a ticket. If anything can bring about a blind reaction against the whole painfully learned idea of communal control of the common environment, it is a succession of Briar Patch cases.

* * *

Minding the Milkman's Business

Milk may be innocent-look stuff, and full of vitamins. But the nation should beware; a serpent lurks in the bottle, and it bears the odious name of consumer's choice. This is a creature abhorrent to all high thinkers who know what is best for the other fellow, and anathema to the custodians of the true economic doctrine that the customer is always wrong. The Government has usually been sound on the need to exterminate this eighth deadly sin, and it must have been in a rare mood of reckless heterodoxy that it decided at the end of March that between May 3rd and May 15th the drinker of milk should be free to change his milkman, just as he has been free—more or less—to change his supplier of other foodstuffs.

But bonds are not so easily broken. The glorious freedom of writing a new name on page RG13D/1 of the ration book seems likely to be reserved for a fortunate few. In many parts of the country the hideous spectre of more than one delivery van in the same road is evidently proving too much for the trade, which apparently fears that the next stage of economic heresy would be to let loose the forces of competition. It is facing this danger to its comfortable legal monopolies of the war and postwar years, however, with steady calm—fortified by the assurance of Dr Summer-skill that milk distributors are free to refuse new customers if they so desire. Its answer to the cry "sack the milkman" is to refuse to be sacked. A customer who is tired of inferior milk, or incivility, or having to tip the milkman is entitled to find a new one, but often he will find that he cannot.

Arguments against increasing the amount of manpower in the distributive trades are as valid now as they have ever been, and freedom for the consumer to choose any milkman as he did before the war would involve quite unjustifiable cost. That is the only valid case for the system of recent years—one supplier to one street, with the occasional intrusion of the Co-operative van to add variety to the dull suburban scene. But that system had Government sanction behind it. The new system removes the control from the arena of public responsibility and hands it over, without any safeguards, to the milk distributors. If there were an ample supply of milk for house delivery, competition and efficient service might have a chance, and the consumer might get some benefit. But there is not. And because of this, the trade

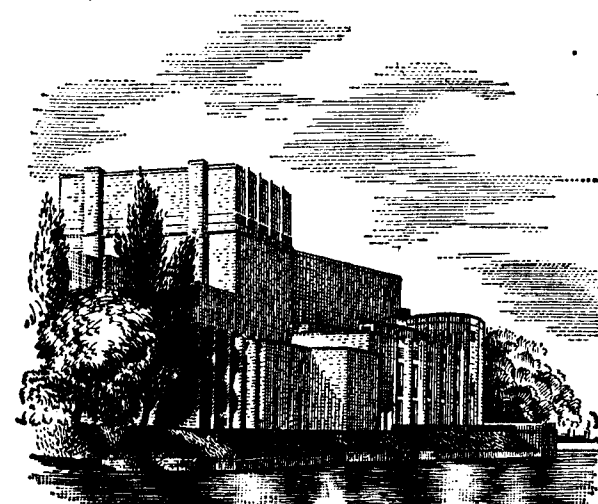
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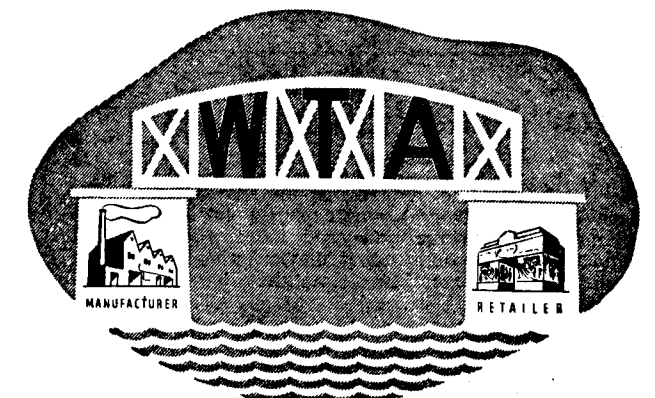
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Issued in the Interests of Economic Textile Distribution
The Wholesale Textile Association, 75 Cannon Street, London, E.C.4

has been left free, if it so wishes, to carve up each district into tied roads of its own choosing in which there will be the minimum of competition—and of service. Legally enforced monopolies are bad enough. But is not this the perfect case of the Government offering a freedom and the trade association ensuring that it remains, as far as they can contrive, a purely token freedom?

* * *

Executions in Greece

The execution of 152 Communists in Greece last Tuesday and the threat to shoot a further 800 of the prisoners, who have been in gaol for the past three years, has done much harm to the Greek Government. Such an action was not only an offence against the moral standards of their allies in the west, but also politically unwise if any peaceful settlement of the civil war is ever to be attempted. The British Government have expressed the dismay and disgust which this kind of reprisal always arouses.

Internally the executions, like similar executions during the war, can only serve to stiffen the antagonism of the Communists, enabling them to rally wavering fellow-travellers to their banner. Even in Britain it has brought about the extraordinary spectacle of the editor of the *Daily Worker* offering to lead fellow London editors in moral indignation against deeds more usually associated

with the type of totalitarian regimes which the *Daily Worker* upholds.

Shorter Notes

The month of March showed the highest number of houses completed in any month since the war. Twenty thousand permanent houses were completed compared with 16,000 in February and nearly 18,000 in December. At the present rate it should be possible easily to reach a target of 200,000 for the year. The labour force has remained almost exactly stationary, which is surprising in view of the widespread years of unemployment.

*

Too much should not be read into Sir Stafford Cripps' statement in the House of Commons on Monday that action concerning the activities of civil servants suspected of Communist leanings has been temporarily suspended. The Staff Side have been pressing for additional safeguards and talks have been taking place concerning this. There are probably far greater difficulties in resolving the divergent views of the staff associations, the Civil Service Clerical Association having a strong Communist streak among its leaders than for the other staff associations to agree with the Treasury. There appears to be no weakening in the Government's attitude.

Letters to the Editor

D-Day for Western Union

SIR,—I note your comments on my letter in your last week's issue. But when, during the war, was there "some pooling of sovereignty," some willingness to submit, in some defined questions, to the decision of a central authority," without which, to use your words, "Western Union is merely a phrase of deception?" What "central authority" was there in the case of the United States, the United Kingdom, and the rest of the British Commonwealth, save President Roosevelt and Congress on the one hand, and Mr Churchill and the Prime Ministers of the British Commonwealth and their Cabinets and Parliaments on the other? These authorities agreed to the creation of the Combined Chiefs of Staff and other combined bodies, which were under their direct control. And Commanders-in-Chief over all the combined forces

(such as General Eisenhower and General Alexander) were appointed, subject of course to the Governments and the Combined Chiefs of Staff, but with the very wide and immensely important powers Commanders-in-Chief must have.

If you mean that Western Europe must co-operate now, as we did in war-time, in unifying defence plans, in standardising arms, in preparing plans on the assumption of a unified command if war were to come, I am all with you, as I indicated in the last two sentences of my letter.

But that is a totally different thing from "some pooling of sovereignty." Congress and Parliament cannot transfer some defined part of their sovereignty to another "central authority" without the latter becoming in its sphere sovereign. If it were to be concerned with defence—which is hardly separable from foreign affairs and finance for defence—you would have created a sovereign body with authority over Western European defence, foreign affairs and finance. What sort of a body would it be, and to whom responsible?

If you mean that existing Parliaments and Governments should remain sovereign, but go as far as they can in creating, subject to them, Councils and/or Combined Chiefs of Staff and so on to co-operate, then that is what they are now doing. But in this case there is no pooling of sovereignty. In view of the amount of woolly thinking on this matter, it is highly important that we should be clear what we mean.—Yours faithfully, BRAND

[It is indeed important to be clear; that is what we have been urging. Lord Brand still seems to want it left unclear. He wants to pretend that there can be something deserving to be called "Western Union" without surrendering any sovereignty. We still insist that he cannot have it both ways. If he holds—as, behind his array of questions, he appears to—that it is foolish to talk of any surrender of sovereignty, then that is a perfectly tenable position (although we do not agree with it). But if so, he goes on talking about "Western Union" only at the risk of building up an enormous and dangerous misconception in Europe and in America. If, on the other hand, he is merely saying that the surrender of sovereignty—though desirable and possible in the end—is a very tricky business which cannot be rushed, then we agree with him subject only to the two reservations: (a) that everybody ought to be put clearly on notice that some eventual surrender of sovereignty is contemplated and will be accepted, and (b) that time is very short. What happened during the war is not strictly relevant; but we should have said that some of the Allies most certainly surrendered some of their sovereignty to the Combined Boards.—EDITOR.]

Consumption Up or Down?

SIR,—Detailed calculations must be reserved for another place. But, in view of Mr Worswick's difficulties, I should be grateful for space to recapitulate the logic of the steps in my argument.

1. We know the percentage increase in total wage payments and therefore the percentage increase per man employed outside the forces; we also know the percentage increase of salaries, interest, profit and rent per man so employed; we know the per-

centage rise in the price of imports. Therefore we can compute the average rise of overall cost per article of standard quality, assuming efficiency or output per head to be unchanged. I put this at 80 per cent.

2. We know from the reliable Board of Trade figure that the average rise of export prices was 130 per cent; the authors of the National Income White Paper give the rise of prices contained in home consumption as 61 per cent, ex subsidies and indirect taxes. This is a tremendous discrepancy.

3. We know that exports contain a high proportion of cost components that have risen more than the average (imports) and that home consumption contains a high proportion of those which have risen less (salaries). However generous an allowance one makes for this, and taking into account the production of capital goods, one cannot get as big a spread as that shown in the preceding paragraph. Mr Worswick, or anyone, may make the calculation for himself.

4. If, as we must believe, export prices were 130 per cent up, efficiency or output per man in production for export must have gone down considerably. This accords with the testimony of producers.

5. We are driven to one of two conclusions. Either (i) the figure of 61 per cent does not accurately represent the rise on the home front for goods of prewar quality, or (ii), despite the considerable fall of output per man of those working for export, the output per man of those working for the home market has risen very considerably.

6. The second alternative is not acceptable. Output per man may not have fallen so much on the home front as in exports, and I have allowed for that. It is not permissible to assume a big change in opposite directions in output per man in these two comprehensive averages, which contain many common items.

7. We are driven back upon the first alternative. The White Paper gives a lead in that direction by admitting that it has not allowed for changes in quality; and quality is notoriously down. Furthermore it is probable that in many cases prices actually paid are higher than reported prices. To accept the first alternative rather than the second is to embrace a probability rather than a gross improbability.

8. I conclude that, unless evidence is produced to the contrary, we may assume that home consumption is considerably down. I put the fall at 15 per cent per head, but subject to a margin of error.—Yours faithfully, R. F. HARROD

Christ Church, Oxford

Frontiers of Planning

SIR,—In your review article entitled the "Frontiers of Planning," you say, "... would even Professor Jewkes suggest that competitive buses be allowed to cream off the rush-hour traffic by cutting fares?" Thereby you imply that, at any rate, in the important public service of road passenger transport, the results of competition are manifestly unacceptable. But why this horror at "competitive buses" coming in just at the time when they are most urgently needed, i.e. at the rush-hour? I take it that in fact you would not object to more and better buses coming on to the roads in the rush-hour *per se*, but that you take exception to the general relationship that is likely to arise under competitive conditions between peak and off-peak hours as regards fares and services. May I try to describe what that relationship is likely to be, and persuade you that it has something to be said for it

after all, particularly from the point of view of providing for the rush-hour?

The operator, working for profit, will continue to work into the valley hours just so long as the extra costs, which he must incur to provide that service, are covered by revenues earned. (Once in service those costs may be quite small, but will include petrol and oil, some wear and tear, and wages in certain, though not in all, circumstances.) But when effective demand falls off to such an extent that revenue no longer covers such relatively small costs, he will cease operation. If any operator goes substantially beyond that point he will be incurring losses. Similarly, if he ceases to operate substantially beforehand, he will be missing opportunities. So that the keener the competition, the nearer to that point will all operators have to keep.

Question, do we really want operators to work into the off-peak to a greater extent than they would in competition, i.e. to incur expenses, uncovered by revenue? Alternatively, do we want them to work to a lesser extent? I would point out that, unless an outside subsidy is obtained, in either case a burden is necessarily put on the peak-hour traveller in the form of higher fares or less adequate services—to make up for the losses incurred or opportunities missed in the valley hours. Again, short of a subsidy, I see no position more favourable to meeting the peak demand than what may well be described as the competitive position. And if there are times when revenues are so meagre as not even to cover the extra (or marginal) costs of keeping the service going, are there not better ways of providing for the few travellers concerned than by adding to the difficulties of providing for the great majority of travellers who travel in the peak? One solution may well be price differentials as between peak and off-peak periods. This may sometimes require a relatively high level of fare at the off-peak periods, though not always.

There may be many other good reasons for deliberately establishing monopolies in the case of road passenger services. But the "cream of the traffic" argument does not seem to me to be one of them.—Yours faithfully, G. J. PONSONBY,

London School of Economics

Houghton Street, W.C.2.

Bottleneck in Bearings?

SIR,—In your issue of April 17th under the above heading you refer to a suggestion made by me that the bearing manufacturing plant still remaining at Schweinfurt should be removed to and operated in England and the bearing industry in Germany ended. You consider that it would be unfair to attribute this suggestion to anything other than the "exuberance of success."

The proposal that Germany should not be permitted to have an anti-friction bearing industry was made, I understand, by the Allied Military Authorities as a simple way of controlling the production of war material.

My suggestion was made with a view to helping Great Britain, if this policy regarding Germany is still to be followed, to take the leading place in this industry in Europe (described by your correspondent as "rudely efficient"), which has so long been held by Sweden.—Yours faithfully,

MICHAEL DEWAR,
Chairman of British Timken, Ltd

22, Bruton Street, W.1

From The Economist of 1848

May 6, 1848

We deeply regret to observe that the advisers of the Queen have committed her to the exploded fallacy of "giving encouragement to the trade and industry of the United Kingdom," by recommending the exclusive use of British manufactures. A few days since the *Court Circular* contained the following notice:—

St. James's Palace, April 29.

The Lord Chamberlain has been commanded to announce to the ladies who shall attend the drawing-rooms, and shall be honoured with invitations to Buckingham Palace, that her Majesty the Queen, ever desirous of giving encouragement to the trade and industry of the United Kingdom, and particularly so at this time of commercial depression, would wish to see them in dress of British manufacture.

Even were no violation of a great and now almost universally acknowledged principle contained in the above notice, common prudence and policy should have prevented the appearance of such an announcement in a British journal, and especially as coming from the British Court. No doctrine more dangerous or suicidal for British interests could be promulgated to other countries. We, more than any other people on earth, depend for the employment of our population upon the consumption of British manufactures in other countries.

Such a notice, moreover, at the present moment, is on other grounds unfortunately little called for. Lyons, as well as all the other manufacturing towns of France, which usually contribute so much grace and good taste to the toilette of English ladies, and offer so much that is worthy of imitation by the British manufacturer, are no longer either makers or sellers of goods. The arts of peaceful industry have succumbed to the anarchy and confusion of revolutions. But whatever the practical effects of such a notice at this moment, the great objection to it is that so false a doctrine should receive so high a sanction.

THE FEW ...

... And they were surprisingly few, who came to stay with us over Easter, enjoyed themselves immensely.

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AMERICAN SURVEY

Priorities for Economic Aid

(From Our US Editorial Staff)

IT was apparent at the Bogotá Conference that the interest of the Latin American nations in the Pan-American regional organisation was less than enthusiastic. The comment by one South American delegate, that the conference was made up of two blocs, one asking and one denying, the first including all the nations except the United States, and the second the United States only, underlined the general feeling that the issues before the Conference were highly artificial.

For the United States, Mr Marshall made it clear that there will be no direct advances of US funds to Latin American countries, and his suggestion of American private investments brought only the politest of applause. The emphasis of the US delegation on the advantages that will accrue to Latin America through off-shore purchases under the Marshall Plan and the revival of traditional triangular trade between the United States, Western Europe, and Latin America was likewise coldly received. The reaction was that European deliveries, in Europe's present condition, are hypothetical, and that rather than chase around two legs of a triangle, it would be preferable to reach the world's only area of surplus by the shortest distance between two points.

It is possible that this is the first appearance of a negotiating pattern that will become increasingly familiar. Today the upper part of the North American continent has a rate of production from which something can be set aside and still leave the standard of consumption high, fantastically high compared to that of most other areas. Europe, and particularly Britain, whose savings in the past have financed the development of more backward areas, are today deficit areas, where standards of consumption are on the decline. Under such circumstances, the number of claims on the American economic surplus are so great that the establishment of a set of priorities—harsh priorities—is the only alternative to a planless dissipation of assets.

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The European recovery plan is the first expression of that system of priorities. Its basis is readily defensible. Spectacular war damage, and the less spectacular depreciation and lack of development during the war, have sharply reduced productivity in an area where production per man hour has been great enough to provide a surplus in the past. Revived activity in this area consequently promises the greatest yield on the American investment. Europe also enjoys a political priority. The loss to Communist domination of the economic capacity that exists in Western Europe would be a greater blow to the United States than any that might be sustained elsewhere. The restoration of that capacity has corresponding advantages. But the Latin American reaction at Bogotá showed that this theory of priorities, however sound, provides a very negative answer as to what is to be done elsewhere.

Beyond its belief in political civil rights, and in the dignity of the individual which is their foundation, the major tenet of

the American system is mass production and broad distribution of goods and services. At three successive press conferences Mr Hoffman has emphasised that the test of ERP is the extent to which the participating countries can increase production and distribution, partly by treating the resources of Western Europe as a whole and making the most of them through mutual aid, partly through the best use of American help. This policy and the conditions which make it effective have not been clearly extended to countries outside the scope of the Marshall Plan.

Yet it is unlikely that the decision to give priority to Europe can suffice without a similar policy for other areas. Before the war Europe was great both because of its own productivity and because Europe, and particularly Britain, was the hub of world trade and the recipient of returns on major investments made by European capital elsewhere. The success of ERP will be limited to what can be accomplished locally in Europe unless increased world trade can follow the restoration of Europe's capacity to produce. As time goes on the labour of the men who struggled over the International Trade Organisation at Geneva and Havana, and the Reciprocal Trade Pacts in Washington, may seem to have been less an excursion into the hypothetical than it did while "realistic" ERP negotiations were going on.

Latin America, as the Argentine report quietly released during the conference joins the US delegation in forecasting, will probably secure considerable benefits from ERP, at least over the short term. But when world shortages become less severe, problems of high-cost production loom in a good many of the Latin American countries: in Chile for nitrates; in Bolivia for tin; in Venezuela for oil; in Brazil for cocoa and coffee. To the extent that Latin American trade with Europe prospers, direct economic intervention on the part of the United States may be avoidable for the time being. During that interval, machinery can, perhaps, be found for activity under United Nations auspices which will make less acute the political polarity noticeable at Bogotá. The current interest of the Latin American countries in the United Nations as contrasted with their disinterest in regional organisation is an indication that they hope to find safety in numbers. On the other hand, the Latin American nations may use their votes in Uno to bring political pressure on the United States to diversify the current system of its economic priorities.

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The events in Colombia at the time of the conference flamboyantly illustrate the political problems raised in many countries by US economic aid. Latin American delegates to the conference pointed out that the caloric intake of Latin Americans is lower, and has been lower longer, than that of Europeans. They argued that this was a good reason why priority should not be given to Europe. But such consideration for the underdog has not been a feature of the Colombian government's domestic policies, although the cost of living has been shooting upwards. The Conservative President holds office by a plurality won in a three-cornered contest against two divided wings of the Liberal party but, since the beginning of the year, the Conservative-Rightwing Liberal coalition has been disintegrating. It was against this background that the riots took place. Help from the United States for countries in any part of the world means help to the governments in power there. Once economic installations are made, such as the transportation equipment, hydroelectric generators and steel mills that the in-

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dustrialisation of a country requires, the dilemma arises of a need for order, lest these facilities be wrecked by revolutionaries, and the progress towards higher living standards be sabotaged. But the existence in the world of a source of wealth as disproportionately great as that of the United States means the existence of political power. It may be exercised unconsciously, or, as is more likely in these days, it may have conscious policy behind it. That policy may be adroitly exercised, or it may not. How good that policy is, and how adroitly exercised, is likely to be subject to periodic check in terms of Communist tactics.

Electoral Geography—II: The South

[FROM A CORRESPONDENT IN VIRGINIA]

A CARTOON recently published in the *Washington Post* showed Mr Truman viewing the dismembered pieces of the Democratic Party donkey; the caption was: He has partitioned here, all right! At a recent two-day session at Atlanta, Georgia, Democratic leaders from Florida, South Carolina, Georgia and Mississippi explored possible ways of making Mr Truman feel their displeasure with his civil rights programme for the Negro. This programme was necessary to counteract the promises Mr Wallace was making to minorities in key States like New York and Illinois and the known Republican intention of bringing a series of civil rights Bills into Congress just before the end of the session, leaving the onus of their rejection on the Democrats.

But its necessity does not make it any less infuriating to the Southerners. They have several alternatives. They can walk out of the Democratic convention and nominate a candidate of their own—who would probably be Senator Byrd of Virginia—as the South did in the election of 1860. They can stay in the convention and use their votes to bring pressure on Mr Truman and the party platform. At a later stage, if they are still unplaced, they might withhold their votes in the electoral college from Mr Truman in the hope of throwing the election into the House of Representatives.

None of these ideas is really very promising. A Fourth Party would be a lost cause and an expensive one. Since the abolition of the rule that a two thirds majority be required for any decisions taken at the Democratic convention, the South has not been strong enough to dominate the party. The possibility of forcing the election into the House of Representatives in order to chastise Mr Truman is even more remote. Such a strategy would require, in the first place, Democratic victory at the polls, and then the willingness, on the part of all the thirteen Southern States, to throw away the victory. Actually only seven State Governors participated in the "semi-secession" move which followed Mr Truman's civil rights message. It is not surprising that the leaders of the Southern rebels confined their threat to the menacing, but empty statement: "Our strategy will be revealed as the battle rages." This week the course of the battle favoured them. The Alabama Democratic primary has, apparently, been won by candidates pledged to oppose Mr Truman or anyone who supports his civil rights programme.

Hence the yearning for General Eisenhower's candidature expressed by Democrats of varying backgrounds. He could put the donkey together again. And not only that—he could quite likely ride him to a win. The wistfulness of most Southerners is expressed in the statement:—

While he stands upon the previous renunciation, many of us believe that under certain conditions he would yield to a draft. If the Republicans should submit to the reactionaries now eagerly reaching for power, the General might regard it as a patriotic duty to become a candidate.

As to the General's attitude on civil rights legislation, Senator Eastland of Mississippi, addressing the American Society of Newspaper Editors on April 15th, made a point of a sentence in General Eisenhower's recent testimony before Congress:

"You can never make people love each other by passing a law."

But if Senator Vandenberg or Mr Stassen is the Republican nominee, Southern and Northern Democrats alike have little prospect of anyone but Mr Truman being their candidate. In such a situation will the South, or some Southern States, vote Republican? Mr Virginius Dabney, of the *Richmond Times Dispatch*, also addressing the Newspaper Editors, forecast support of the Republican candidate by an unprecedented number of Southern papers, especially if he be Senator Vandenberg or Mr Stassen. After all, Mr Hoover carried seven of the thirteen Southern States in 1928: Florida, Kentucky, Maryland, North Carolina, Tennessee, Texas and Virginia. Such a result might come about in either of two ways: the Democratic organisations might release party members from the party pledge. (A formal release would be necessary because party membership, and with it the right to vote in the party primary where, in the one-party States, most matters are decided, can be challenged on the ground that a voter did not vote the party ticket in the previous election.) Then everyone could vote Republican this fall and Democratic next time. Or the Republicans might win because two lists of Democrats were on the ballot. In Virginia, if Mr Truman is the candidate, this seems likely to happen. The efforts of the Democratic organisation to find its way out of the Democratic Party have produced some curious constitutional results.

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Normally, the ballots in the various States carry the names of the presidential candidates and with them the electors nominated by the parties to cast the State's votes in the electoral college for those candidates if their side wins. By a long tradition, dating from the time that parties became a recognised factor in national political life, members of the electoral college have been bound to support the candidate of the party under whose auspices they appear on the ballot. But at the recent meeting of the Virginia legislature, representatives of the Byrd organisation introduced a Bill which, as initially drafted, would have kept the names of all candidates off the ballot and left the citizen to vote blindly for a list of electors whom the state executive of the party would subsequently instruct how to vote. Their objective was colourfully summarised at the public hearing in the state capital when an elderly Negro testified: "I remember readin' a story once about William Tell. Now Mr Truman is the apple on the head of the Democratic party. But gemmun, I tell you you is goin' to kill that party if you keep on tryin' to shoot off that apple."

The move was advertised as a return to the electoral practice of the Founding Fathers, who, after perhaps more discussion than was devoted to any other clause in the constitution, decided that if the voters in each State picked the best men of their State to represent them in the deliberations of the electoral college, the choice of the executive would be a wise one. But the device has become meaningless because of the subsequent development of political parties, through which candidates offer themselves to the voters and are supported on a national basis. The Tuck Bill proposed that electors should serve not as uninstructed representatives—which was what the Founding Fathers wished—but as delegates who would receive and be bound by instructions from the party executive after the popular voting was over.

U.S. Business Bulletin

THE first issue of this bulletin was posted to subscribers on May 5th, 1948. Full details of this new fortnightly review of U.S. economic affairs, and a specimen copy of the first issue, can be obtained from:

The Economist Intelligence Unit,
22, Ryder Street, St. James's London, S.W.1.
TELEPHONE: WHITEHALL 1511

Many Virginia citizens did not take kindly to this request for proxies. The bland paternalism of the Byrd organisation, one of whose most successful techniques, over the years, has been to minimise discussion of public issues, found itself unable to control the outburst. Mr Douglas Freeman, editor of the *Richmond News Leader* and author of monumental volumes on Lee and his lieutenants, is normally able to view contemporary issues with historical perspective and corresponding calm. But Mr Freeman demanded that his fellow citizens "Rise Up and Take a Vow"—the vow that no one associated with the iniquitous measure should ever hold public office again. The *Richmond Times Dispatch* inquired: "Vote Ja, for Whom?"

The machine promptly moved to revise the Bill, so that the names of candidates will now appear on the ballot, but at the same time the legislature voted that the State Corporation Commission should investigate the Richmond papers to see if they were a monopoly. (They have been under the same ownership for the last ten years.) When the papers replied that this coupled the attack on the freedom of election with an attack on freedom of the press, an effort was made to rescind the resolution—but failed for lack of a quorum.

So two Democratic lists, one offered in the name of the Democratic Party by the Virginia State organisation, and one offered by non-bolting Virginians in the name of the National Democratic Party, will be on the November ballot if Mr Truman runs. Perhaps the most interesting effect is the opportunity this will offer for a test of the strength of the Byrd organisation in the State. But it will provide only a detail in the vast electoral picture in November.

American Notes

Stalemate in Ohio

Mr Stassen had much to gain but less to lose in the Ohio Republican primary; the reverse was true of Senator Taft. In the event each has suffered a definite, but not irretrievable, setback. When Mr Stassen first announced his intention of fighting Senator Taft in the State which is the heritage as well as the home of the Taft family, the Senator was not prepared to concede the intruder even one of Ohio's 53 convention delegates. By the beginning of May, Mr Stassen was riding the wave not only of his Wisconsin and Nebraska victories, but of his unexpected success in Pennsylvania, and the Taft supporters were reminding the public that it was not unusual for a challenger in Ohio to win between four and nine delegates. Mr Stassen himself was hoping for twelve; he was only opposing 23 of the Taft candidates, so that complete victory was out of the question. The final figure of nine delegates for Mr Stassen was probably about what both sides had expected, but neither will feel enthusiastic about it.

Mr Stassen organised his Ohio campaign with care, and challenged Senator Taft only in the 11 districts where the Senator had shown weakness in 1944 and where a strong labour vote would make his clearly labelled responsibility for the Taft-Hartley Act a liability. Senator Taft took his stand on his own record in Congress, and defied Mr Stassen to prove that he was a better liberal or internationalist. But in primaries, policies count for less than personalities and local ties: the choice of Ohioans is evidence not so much of their approval of the Senator's political theories as of their refusal to desert their traditional, even if uninspired, leader, and possibly also of their resentment at the invasion of the glamorous newcomer.

Nevertheless, Senator Taft now goes to the Republican convention without the solid support of his own State, a serious handicap, especially when his vote-getting ability elsewhere is so demonstrably weak. The effect of the Ohio result on Mr Stassen's chances will be largely psychological; it will certainly slow the pace of his bandwagon, but it has been gathering speed at an almost dangerous rate, and a check at this point may not be altogether unwelcome. Success attracts opposition, and this, too, may be checked. Victory in Ohio, which would have proved Mr Stassen's ability to defeat a well-organised machine and to gather votes in industrial as well as agricultural areas, may have seemed less important after the demonstration in his favour in the industrial areas of Pennsylvania, where the Republican machine is also strong. He did not win convention delegates in Pennsylvania, but with little effort on his part about 75,000 voters took the trouble to write in his name on their ballot papers as their choice for Republican candidate, a significant sign of his popularity in

the East. Only 70,000 wrote in Mr Dewey's name, compared with 146,000 in 1944. In two weeks' time in Oregon Mr Stassen will be matched against Mr Dewey and the result may give some clearer indication than exists at present of who is likely to win the final game at Philadelphia in June.

Defence for the West

The consequences of the Czechoslovak coup, like the ripples produced when a large stone is thrown into a pond, continue to widen. They have reached the United Nations; the pressure to revise its structure to minimise the influence of Russia and her vetoes has become so strong that committee inquests on the United Nations are being held in both the House and Senate. Some of the boldest and most persistent demands for revision come from men who were among the earliest advocates of a strong international organisation. Mr Marshall, in his testimony to the House Foreign Affairs Committee, made a vigorous attempt to stem this tide. He made clear his view that no changes in machinery could get to the root of the trouble, while to abandon the United Nations and seek to establish a new world organisation without the Russians would destroy what slender possibility remained of preserving the world community. He went on to contend that even if the Russians acquiesced in the elimination of the veto power, it must be maintained to protect American interests. Thrusting aside hopes of any quick mechanical remedy for the deficiencies of the United Nations, Mr Marshall insisted that the ability of democratic peoples to preserve their independence rested upon their economic and political health. These could best be restored through economic aid and the extension of American support, under the Charter, to the arrangements some of the democracies have concluded to provide military bulwarks for peace and security.

Apparently authoritative rumours also forecast an early request to Congress by the President for authority to lend-lease military supplies to non-Communist countries, or to approve a joint resolution recognising the American intention of coming to the aid of the Brussels Powers if they are attacked. On this issue the President's political weakness is almost an advantage; Republican co-operation is not being withheld in the fear that the President will be able to make political capital of the revolution in foreign policy.

But it is nip and tuck whether such a last great achievement of the bipartisan foreign policy can be ratified before all American eyes turn inward to the Presidential race. The result of the Italian election has eased Congressional tension. The Republican convention, the great drama of this year's election, is only six weeks off. Congress hopes to adjourn on June 15th. Mr Eaton, head of the House Foreign Affairs Committee, which asked the Administration to submit a Bill for military lend-lease, fears it is already too late for action this session. The Administration has run into difficulties in devising a military fence which would encircle, not only the Brussels Powers, but the whole non-Communist world; it is reluctant to act without prior assurances of Congressional support; and it hopes that evidence to convince Congress that western Europe is not neglecting its own defences will be forthcoming from London.

American Defence

If devices for marshalling the American military potential behind the defence of Europe are still in the formative stage, the outlines of the new American defence programme are becoming clearer. The commentators, at least, have finally ferreted out the source of confusion. It is whether America is to be prepared for a challenge in 1948 or 1952; whether America must mobilise all her resources this summer, or may hope for time to develop overwhelming strength. The signs are that Congress is determined to be prepared for all eventualities. Mr Forrestal's attempt to appease the advocates of air supremacy by stepping up the Administration's programme for aircraft from 55 to 66 combat groups has fallen flat. Congress has not been slow to see that the chief new ingredient in the Administration's prescription consists of taking 300 B-29s out of storage; and Congressmen demanding modernisation cuttingly compare the Administration's "mothball" air fleet to the jet-propelled vision they cherish. This is highly prejudiced. The B-29s at least exist; the jets are on paper. But Mr Forrestal virtually gave the game away when he admitted that the Joint Chiefs of Staff felt the Administration's programme was inadequate from a military point of view, and supported it only because it would not strain supplies of



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DEPARTMENT OF TRADE & COMMERCE



OTTAWA CANADA

materials and manpower. The Senate Appropriations Committee, by a vote of 16 to 1, has now placed itself squarely behind the vote of the House for a modern 70-group Air Force.

There are likely to be greater divergences between the Senate and House on the calling up of manpower than over what General Bradley has stigmatised as "cheque-book warfare." The Senate Armed Services Committee has "married" conscription and universal military training by providing in a single measure for the call-up of about 190,000 19 to 25-year-olds for the Armed Forces in the first year, and the training each year of about 161,000 18 to 19-year-olds. The scope of both draft and training is to be selective and strictly limited; even military training, instead of being universal, would apply to only about 25 per cent of the country's youths. Except for the fact that trainees could not be sent overseas in time of peace, there would seem to be few differences between the conscripts and trainees. President Truman has termed this compromise an acceptable, though not ideal, substitute for two separate schemes for conscription and universal military training independent of each other. The House Committee has also produced a conscription Bill, but stubbornly refuses to couple it with UMT, even though the joint system would be cheaper. If each House follows its committee, there will be a hard knot for the conference committee to unravel.

* * *

Interim Government

When the Republican certainty of victory in November leads the Senate Appropriations Committee to vote \$50,000 to "get the White House in good shape for next year," it is merely amusing. But when it leads to delays in the reappointment of the Atomic Energy Commissioners and in the renewal of the Trade Agreements Act, the security of the nation and the continuity of its economic foreign policy are threatened by political expediency.

The original appointments of the five Atomic Energy Commissioners expire on August 1st and President Truman has sent to Congress their renominations for staggered terms of from one to five years, in accordance with the Atomic Energy Act. Mr David Lilienthal has been renominated for a five-year term, and Senator Taft's opposition to this "New Dealer" is as unyielding as it was during the bitter struggle over his confirmation last year, although some of his colleagues now seem ready to judge Mr Lilienthal on his demonstrated ability. Others, however, maintain that a new President must not be bound throughout the whole of his term by the choice of a defeated predecessor, and propose to extend the present appointments for one or possibly two years in order to avoid a repetition of last year's unsavoury controversy. The President insists unyieldingly that the long-term continuity which the Act was designed to establish is essential to the development of atomic energy, in which there is no place for politics.

The President has given notice to Congress that failure to renew his authority to negotiate reciprocal trade agreements, which expires on June 12th, would undermine the country's foreign policy and make it impossible for Europe to make payments for aid received under the Economic Co-operation Act. It would also undermine the agreements negotiated at Geneva and the proposed International Trade Organisation. The President was reacting to Congressional attacks upon the trade agreements policy, which this year, as in the past, take the form of amendments renewing the Act for one year only and giving Congress a veto power over individual agreements. The President's supporters argue that this would constitute a notification to the world that the Republicans intend to abandon the trade agreement policy, but this should not be taken for granted. The more responsible Republicans share the President's realisation that it is inextricably bound up with the European Recovery Programme, and it is noteworthy that few of the opponents of the Act are prepared to face the charge of economic isolation that would be heard if they allowed it to expire.

* * *

The Courts and Civil Rights

In Congress the civil rights programme for minorities is not much more than a party pawn. The Republicans are pressing forward anti-lynching and anti-poll tax legislation which they hope will widen the chasm between the Southern Democrats and Mr Truman, and exhibit Southern Senators in the unsympathetic role of filibustering for the right of mobs to take the law into their own hands. The great advances in civil rights are being written by the Courts. In January the Supreme Court

ordered Oklahoma either to admit a Negress to the Law School of the State University or to provide truly equal educational facilities elsewhere. Last month it upheld a lower court which had declared illegal the South Carolina "white primary." (This State, in order to evade an earlier ruling that Negroes may not be prevented from voting, invented the fiction that the primary, which in a one-party area like the South is the important election, was a private function of a private club, the Democratic party.) This week the Supreme Court has ruled that the Fourteenth Amendment prevents the States and their courts from enforcing residential agreements which bar Negroes from living in certain areas.

Men of yellow skins as well as black have sought, and found, relief. Not long ago the Supreme Court ruled that California was wrong in seizing land belonging to a minor of Japanese ancestry but American by birth. The majority decision merely overruled the application of the California Land Law in this particular case, but five justices wrote separate opinions criticising, as unconstitutional, the law which California passed in 1913 to prevent Japanese residents from owning agricultural land. In California itself, a Federal judge has restored American citizenship to 2,700 people of Japanese descent who signed statements of renunciation at Tule Lake, the notorious segregation centre established for Japanese hastily moved away from the Pacific Coast during the war. The Judge, commenting on the "unfortunate saga of Tule Lake," remarked that even expediency could not remove the "taint of unfairness" with which the renunciations were marked.

As Andrew Jackson once said of a decision of Chief Justice Marshall, "Mr Marshall has made his decision. Now let him enforce it." In the South many alternatives to the white primary exist and others are being explored. Of nearly 5,000,000 Negroes of voting age in the South, only about 600,000 are able to meet the character, poll tax and literacy requirements which bar the way to the polls. On residential covenants, which are a more explosive issue in the North than in the South—where no Negro would dare move into a white district—the Court agreed that the covenants themselves were perfectly legal, even though it would be illegal for the States to enforce them. Pushing back the frontiers of civil rights is slow work.

* * *

Channels for Exports

The Administration is having some difficulty in explaining why it is not employing more vigorously the export controls Congress extended so reluctantly last year. The change springs, of course, from suspicion of Russian intentions. How far the United States will go in banning exports to Russia is of importance to western Europe because of the clauses in the Economic Co-operation Act which urge the Administrator to keep the Russian trade policies of the Marshall countries in line with American export policy.

The longshoremen who recently refused to load a Soviet ship summed up American views concisely when they said they did not want any of the cargo shot back at them later. The Administration has attempted both to appease and to reason away this agitation, which is led by Mr Harold Stassen, now a formidable contender for the Republican nomination. Russian trade is important to the United States for two reasons. It brings in scarce metals and minerals, such as manganese and chrome, without which the United States "would be very much embarrassed," in Mr Harriman's phrase. It also helps to keep open a door through which goods will flow to western Europe. The Administration has conceded, however, that the export of surplus American war materials is perhaps unwise, and the State Department is empowered now to veto the sale to Russia of aircraft, aircraft engines and spare parts. The advice of the Services is being sought on whether the export of machine tools, agricultural machinery, automobiles and lorries should continue freely. Mr Harriman has also suggested that import controls might be employed against Russia if she endeavoured to pay for her American purchases by furs and other luxury articles, rather than the chrome and manganese the United States needs.

Russia represents the extreme case for export controls. But the majority of exports to Europe worth over \$100 are also under licence, in an effort to see that Europe does not spend its own and its Marshall dollars unwisely or drain goods in short supply. This week's relaxation of the requirement for a list of relatively abundant commodities was drafted by a committee representing the Atomic Energy Commission, the Armed Forces and the Departments of State, Agriculture, Interior and Commerce—an indication of the wide importance now given export policy.

THE WORLD OVERSEAS

Report from Germany—III

Changes in Bizonia's Foreign Trade

(From Our Special Correspondent)

IMPORTANT reforms are in progress in the foreign trade of Bizonia. They began in January, when the controlling body, the Joint Export-Import Agency (JEIA) was reconstituted. It became a virtually autonomous organisation, operating under a charter, and responsible only to its board of directors, on which the Americans have the post of chairman and a majority vote.

JEIA was reshaped with the idea that it would henceforth be a streamlined, businesslike organisation which would cut away from itself the mass of restrictions which made traders inside Germany and out feel that life was too short for dealing with it; and then, to hand over their trade to Germans, keeping only overall supervision and control of foreign exchange.

The Agency has had to deal with two basic faults, firstly that Bizonia is externally a dollar area, and secondly that the internal price structure is completely senseless. JEIA has attempted the impossible. It has tried to please everybody, and has succeeded in pleasing nobody. Subjected to constant complaints about German competition, it has tried to sell at a price which would not undercut the British or American market; and at the same time, it has tried to secure the maximum proceeds for German exports in the interests of the British and American taxpayers. The Agency has hitherto had to ignore the German internal price, since the Allied Control Council in its quadripartite wisdom had decreed that the price stop should be maintained which Hitler's economists imposed in 1936 as an offset to the inflation caused by the Nazi rearmament programme. At that time the prices of related groups of commodities were in line with each other, as well as with world prices. Even under the regime of Dr Funk, however, they became distorted and unreal, and subsidies were resorted to in order to patch up the façade. After the collapse, the whole price structure became a crazy fiction. Prices no longer bore any relation to each other, and still less to those on world markets.

In the beginning of April, however, the first step towards a reform of the financial structure was taken. It was decreed by Military Government that the isolation of German internal prices from the world market must be ended, and internal prices brought into relation to the real cost of imported materials and the cost of production. The price stop has officially gone.

For imports and exports, a single conversion rate of 30 marks to the dollar (13.45 to the £) has now been fixed, instead of varying rates chosen in order to arrive at the "world market price." In future the German exporter will receive the full value of his goods, paid to him in marks at the 30-cent rate, instead of, as hitherto, the 1936 price. And the importer will pay for his raw materials at the same rate, and pass on the cost, which will be fully reckoned in the cost of production. Hitherto, it has been completely immaterial to the German what price was paid or received by JEIA for imported or exported materials. The 30-cent rate, contrary to some interpretations, is not a rate of exchange but a temporary conversion factor adopted as a preliminary to the fixing of a rate of exchange after currency reform.

Will German Goods Compete?

A great incentive has now been given to the Germans to export. It will become really effective if currency reform gives real value to the marks in which he is paid. Exporters retain only 10 per cent of their proceeds in foreign exchange, for use in purchase of materials and incentive goods for workers.

On the other hand, Hamburg business circles have already complained that the 30-cent rate greatly overvalues the mark, and will make it impossible for Germany to compete in world markets. It must be borne in mind that even now the exporter will not be able to take his internal price and reckon it into foreign currency at the 30-cent rate in order to arrive at his export offer. That would be contrary to the object of the measure, which is to raise German prices to some approximation of the world

level. JEIA will still intervene, and try to see that the Germans do not undercut or overcharge. It is hard to see how this clog in the mechanism can be avoided until German internal prices are adjusted.

The adjustment of internal prices will be an extraordinarily difficult and slow process. How, the Germans are asking, can they estimate the cost of production, and the part played by imported raw materials, when the greater proportion of business is carried out by barter? How can the cost of labour be estimated, and how can wages be adjusted to meet the present decreed rise in prices, when the food or the goods which the workman receives are virtually the only wages that count? It is intended that the first rise shall be made before currency reform, and that prices shall then be adjusted further, until a level is found at which new government controls can be imposed. The Germans speak of a probable rise of 50 per cent in prices and 40 per cent in wages; but it is clear that many such theories will go by the board. Everything hangs on the success of currency reform proper.

Owing to the abnormal conditions in the German economy, some exports will probably have to be sold at a loss in order to keep to the world price level. Details are not fixed, but it is proposed that, in cases where the selling price works out at less than the internal German price, the exporter will receive some form of subsidy out of an equalisation fund.

Textiles may be one of the commodities which will be hard to sell at the 30 cent rate; Japanese competition is being felt. In order to get rid of quantities of low quality goods manufactured from American cotton under a mixed US Government and private credit, JEIA is inducing the Dutch to buy for Indonesia with the promise to take some of Holland's surplus vegetables for Germany. If they do not agree, it appears that the Dutch may as well put weed-killer on their lettuce, since the normal market in Germany is unlikely to be restored. On the other hand, it has hitherto been found possible to sell German pharmaceuticals at approximately world prices, taking as high a value to the mark as 80 cents.

Coal is excepted from the new conversion rate for exports. The internal price has, however, been raised, though a subsidy will still have to be paid to the mines. The price of steel has also been separately raised, to cover cost of production. (Only a nominal quantity of semi-finished steel will be exported, in the first Marshall year, if the Germans have their way. As was pointed out here last week, steel is to be imported. Opinions differ on the question whether some German steel might be spared. If various provisos are met, the industry may be producing at the rate of over 7,000,000 tons a year by the second quarter of 1949; and it could probably compete with other exporters in price.)

Staple foodstuffs have also been exempted from the new conversion rate, in order to prevent a steep rise in the cost of living, which would be felt after the currency reform.

New Freedom for Traders

The new conversion rate is the most important, but not the only change in Germany's foreign trade. JEIA has been relaxing its grip to a large extent since the beginning of the year. German export-import firms are gradually taking up their prewar role in handling business. The bulk of German trade before the war was in small contracts; hence the importance of the decision made last February to allow "open-end" licences for the conclusion of contracts up to \$10,000 without prior approval of each transaction by either JEIA or the State Economics Ministry.

Many other relaxations have followed, each revealing the basic difficulty of how to give Germans freedom while they are still financially dependent. As a small instance of the problem it may be mentioned that, as soon as sample post was re-introduced, almost the entire available export supplies of cutlery vanished abroad, presumably to return in the form of food parcels. And

when JEIA allowed Germans to go buying for themselves, it was found that they did not care what they paid with their dollars. Complaints were at once heard that they were forcing up the market for scarce goods.

It appears as if Germany's entry into ERP (details of which were given last week) will solve its import problems. General Clay has stated that imports totalling \$1.7 billion will flow into Bizonia in the first year; and this is as much as, or even more than, the economy can digest.

So far, however, it is not clear how far ERP will solve the problem of how to buy from Germany. Hopes are placed in Marshall dollars; it seems certain, indeed, that the 16 nations will be provided with "off-shore" dollars for buying from Germany. The ERP Administrator announced on May 1st that \$6,455,000 had been given to Italy, Holland and France for buying Ruhr coal.

Even if the Marshall nations receive "offshore" dollars, it is unlikely that the countries of eastern Europe will be so favoured. At present, Germany's prewar pattern of trade is distorted, both as regards its direction and the type of commodities exported. Instead of manufactures predominating, over half the 1947 exports consisted of raw materials—coal and timber. And instead of 15 per cent of total trade being with the eastern European countries, as in 1937, only 4 per cent was reached in 1947.

On the other hand, Germans who complain about this distortion of trade fail to grasp the realities. The fault does not only lie in JEIA's insistence on trading by offset agreements, with balances settled in dollars, but also to the fact that the eastern countries have as yet no food for export to Germany. And it is only against food that Germany's still scarce engineering products would be sold to them. The days of aspirins in exchange for wheat are gone. It is doubtful if they will return. Western Germany is more likely to remain dependent upon the Western Hemisphere for its food.

A well-founded grievance of Germans and their would-be customers is that coal and food (with some exceptions) are kept outside the bilateral trade pacts. Germany's neighbours have to pay for their Ruhr coal in dollars and cannot sell butter in exchange. With a few increasing exceptions, food is not imported under JEIA offset agreements. The distinction between Category A imports (food, fertilisers, seeds and oil products, paid for out of appropriated funds) and Category B products (imports for industry financed by exports—or by ERP funds in future) has been maintained, to the confusion and irritation of all. Some change will have to be made. The Americans show that, when it is a question of helping another country which they have to finance, they can compromise; significantly, JEIA has recently placed a large order for vegetables with Italy.

One fact, however, remains paramount—even the present reforms, and the provision of ERP dollars to Germany's western and southern customers, will not provide more than a palliative. The fundamental problem remains—how to remove the country from the dollar area altogether. No solutions for this dilemma are to be found in Frankfurt today.

(Concluded)

Future of Newfoundland

[BY A SPECIAL CORRESPONDENT]

WHEN the spring comes to Newfoundland, at the end of May, there is usually a week or so between the time the ice breaks up and the time the fishing fleets leave. On June 3rd, during that week, Newfoundlanders will vote for some new form of government or for continuing the present semi-colonial "Commission of Government" which began in 1933 when the island ran into economic and financial difficulties. The choices on the ballot will be:

- (1) "Commission of Government" for a further period of five years;
- (2) Responsible Government as it existed in 1933 prior to the establishment of Commission of Government; and
- (3) Confederation with Canada.

If none of the three choices gets a clear majority a second ballot will be taken to decide between the two that get the most in the first.

On March 11th the Secretary of State for Commonwealth Relations announced these choices and this form of voting. Previously he had received the recommendations of a Newfoundland National Convention elected for the purpose nearly two years earlier. The Convention sent one delegation to London a year ago to ask what help would be forthcoming if Responsible Government was restored, and another delegation to Ottawa to ask on what terms Newfoundland could enter into a confederation.

All that the London delegation got was an indication that Britain would be willing to carry on the Commission of Government for the time being, coupled with a warning that there was a strict limit to the deficits that could be financed from London. The delegation had hoped that Britain would show some enthusiasm for a return to Responsible Government in the tangible form of special tariff arrangements, cancellation of outstanding debts, and some "compensation" for the territory which had been turned over to the Americans during the war on 99-year leases for military bases. But they got no encouragement, tangible or intangible; indeed, the mission was dogged by ill-fortune. One of their leaders missed the plane; they arrived too early for their hotel accommodation in London; and they did not see nearly as much of Cabinet Ministers and senior officials as they had hoped.

Nevertheless, despite the apparent lack of encouragement from Britain, out of the 45 members of the National Convention, 28 favoured a return to Responsible Government. This choice has always been favoured by leading citizens of St. John's. These leading citizens, most of them merchants providing supplies on credit to the fishermen scattered around the shore in tiny, isolated "outposts," and marketing the catch when it comes in, have traditionally run the affairs of the island, and feel, not without some justification, that they know how to do it better than anyone else.

However, the feelings in favour of a return to Responsible Government—that is, of a return to Dominion status—spreads far beyond St. John's. And it is further argued that any completely new form of government, such as Confederation with Canada, should be brought in by negotiations between responsible governments on both sides and not simply as a result of a plebiscite on an offer put forward by the Canadian Government.

Confederation with Canada

Only a minority of the National Convention, 12 out of the 45, favoured Confederation with Canada. Since this possibility had been the subject of three months' discussions in Ottawa, however, and since a formal offer had been requested and made from Canada, it obviously deserved a place on the ballot. The issue was beclouded by a special vote that opponents of Confederation forced on the Convention: by a vote of 29 to 16 the Convention actually recommended *against* putting Confederation before the people. This manœuvre was so barefaced that it brought sharp and surprisingly widespread protests. These, it is claimed, were received from something like 50,000 people—there are only some 170,000 voters in the country.

In St. John's it is being said that the Canadian offer does not go as far as it might, that better terms might be obtained by representatives of a responsible Newfoundland government fully staffed and briefed by Newfoundland civil servants and fully empowered to negotiate. There is not the slightest support for this point of view to be found in Ottawa. There it is emphasised that the terms are exceedingly generous—well beyond the financial arrangements that the Dominion has made with any of the present nine provinces—and that if Newfoundland became a tenth it would be in a specially favoured position. Finally, it is pointed out that time is playing doubly against better terms; first, Newfoundland is already eating into an accumulated surplus that bulked quite large in the offer made last autumn; second, it is scarcely conceivable that the island will continue to be as prosperous as it has been in the past few years. The recent terms were thus based on more favourable estimates of the future than could possibly be made when the island's exports of fish and forest products were less in demand and when revenues, foreign and domestic, were less buoyant. When transmitting the Canadian offer Mr Mackenzie King said, in his letter of October 29, 1947, "I must emphasise that as far as the financial aspects of the proposed arrangements for union are concerned, the Government of Canada believes that the arrangements go as far as the Government can go under the circumstances."

The Canadian offer provides for a permanent subsidy to the new province on as generous a basis as is possible in comparison with subsidies paid to existing provinces. Further, it provides for a transitional subsidy to be paid at a decreasing rate over twelve years and for a review within eight years which may lead to an increase (but not decrease) in assistance if it is found that the other Maritime Provinces are better able to maintain public services than Newfoundland. In addition, Ottawa would have to go in for heavy capital expenditures on the island to bring various federal services up to the Canadian level; a national park would no doubt have to be established and other capital outlays would be needed in connection with mining, forestry and agriculture. The railway service would have to be raised into line

with that given by the Canadian National Railways elsewhere. To the average family in Newfoundland the greatest attraction in joining Canada is without doubt the Canadian family allowance. The transitional subsidy is also designed to allow Newfoundland to raise its social and educational services to a Canadian level.

Reasons for the Canadian Offer

Why is the Canadian offer so generous? In part, of course, it is a reflection of Canada's present prosperity which makes it possible to envisage increased financial burdens with equanimity. In part it comes from the realisation, during and since the war, that from the point of view of sea and air power Newfoundland and its vast territory in Labrador are vital to Canadian defence. In part it comes from a vague hope, fostered by the discovery of huge iron ore deposits on the Quebec-Labrador border, that the new province might turn out to be a source of wealth. And, for the man in the street, it may come from a glance at the map which suggests that Newfoundland somehow "belongs" to Canada.

But behind and beyond all these reasons is another—the possibility that Newfoundland and Labrador might become part of the United States, for a campaign for economic union with the United States is now being conducted in the island. It is bad enough to have Alaska on the north-west, with its long "pan-handle" cutting off much Canadian territory from the coast; it would be infinitely worse to have the island dominating the mouth of the St. Lawrence and a huge area on the mainland to the north absorbed as well. Already there are three great American bases on Newfoundland where the Americans have almost complete "extra-territorial rights." Opponents to Confederation in Newfoundland are saying that the financial estimates underlying Canada's offer are unsound, and that in fact Newfoundland would probably be an economic asset rather than an economic liability. This is obviously impossible—unless mineral wealth happens to be discovered that is far richer than anything dreamed of at present.

The simple fact of the matter is that well over half the people depend directly or indirectly on the fisheries. The basic question is whether the Newfoundland fishing industry will fare better inside or outside Confederation. Put in this way, the issue may seem in doubt; the island, which sells most of its fishery products in soft currency countries, would be tied permanently into the hard currency area covered by the Canadian dollar, and would have to depend on Canadian negotiators in future commercial arrangements. On the other hand, while Canadian negotiators would have to look after existing Canadian fisheries as well, there is no reason to believe that the Newfoundland fisheries would be neglected. Moreover, the Canadian offer of Confederation specifically provides for Newfoundland to continue selling its own fishery products through its own central agency—a privilege not enjoyed by the other provinces. Further, there is the simple fact that, with the abolition of the Canada-Newfoundland tariff, the cost of living would fall. Finally, the wealth and diversity of Canada offer at least some buffer against the misery and starvation that, in bad times, have afflicted the fisheries of Newfoundland in the past.

Europe's Manpower

[BY A CORRESPONDENT]

THE surplus manpower of western Europe has now reached the alarming total of about 1,600,000. This figure is given in the report* of the manpower conference held in Rome during January and February this year by a special committee of the ERP countries. Statistics provided by the various countries showed that although slightly more than 2,000,000 surplus workers were available, the total number required by countries with a

* H.M.S.O. 1s.

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shortage of manpower amounted to only 380,000. By far the biggest part of the surplus is found in Italy (1,700,000), the remainder consisting almost entirely of displaced persons. The report points out that the potential surplus from Italy is greater still, since an additional 2,200,000 workers are employed on an average for only 110 days per year.

The present demand for workers from countries with a shortage is set out in the following table:—

Countries	Skilled	Requirements Unskilled	Total (thousands)
Austria	18.0	10.0	28.0
Belgium	21.0	...	21.0
France	75.0	70.0	145.0
Luxembourg	1.5	3.9	5.4
Netherlands	9.3	...	9.3
Sweden	5.0	...	5.0
Switzerland	57.0	10.0	67.0
United Kingdom	100.0	...	100.0
Total	286.8	93.9	380.7

More than two-thirds of the demand is for skilled workers, although the resources consist almost entirely of unskilled or very slightly skilled labour. Moreover, it will be difficult to use more than half the available manpower in those essential branches of industry and trade where they are needed most. There are no miners at all, for instance, among the large Italian surplus of workers.

Apart from the impossibility of using in democratic countries totalitarian methods to enforce mass migration, the principal obstacles to solving the problem of surplus manpower are the lack of technical training facilities, the shortage of houses and the present restrictions on sending savings or salaries to foreign countries. The conference recommended that international organisations should help to finance technical training, that countries requiring labour should not discriminate between immigrant and native workers in their housing policies, and that the transfer of wages and savings of immigrant workers to their home countries should be freed from restrictions. Such proposals offer a quite severe test of the kind of good-will without which Western Union cannot thrive.

As a first step towards overcoming these and other difficulties, the conference agreed to set up a special committee in Rome to co-ordinate the movements of European manpower. The Committee was charged with the tasks of simplifying emigration procedure, preparing and training migrants according to the needs of the receiving countries, and studying the transport problems involved.

Of the many aspects of the manpower problem which were discussed in Rome the increase in Europe's population was only touched on lightly. It has been estimated that, in spite of the war, Europe's population, excluding Russia, has increased by ten per cent. Whether this increase was abnormal or whether it will continue at the same rate is still uncertain; but if, as in Italy, the rate of increase continues, then the problem of surplus manpower will grow to serious proportions. It can be met by increased industrial production and by emigration to areas such as the colonies where new development schemes require large numbers of workers. Although this particular aspect of the problem would seem to be of national rather than international concern, much could be done by bilateral arrangements between countries proposing to increase their industrial output or with colonial dependencies and countries where there is a large surplus of manpower. For such arrangements the committee at Rome will serve as a useful clearing house. Provided it is given sufficient authority, it will also be able to act as an international watchdog over the treatment of emigrants.

THE BUSINESS WORLD

Money and Gilt-edged

THE recovery in the gilt-edged market from the shock administered by the news of the special levy bore, at the outset, all the marks of a merely technical rally. Recently, however, another and perhaps more important influence has been at work. Investors and their advisers have been pondering the wider implications of the Budget. In particular, they have been noting the analyses, in these columns and elsewhere, showing that the Chancellor's proposals may have a stronger counter-inflationary effect than was at first supposed. Majority opinion in the City has by no means reversed its bearish view of gilt-edged, but many people are already becoming aware that important changes may be taking place in the underlying monetary background against which the trends of the gilt-edged market need to be viewed. This tentative conclusion results rather from an instinctive reflex action than from any reasoned analysis. Bankers, in particular, feel in their bones that a Budget which decisively ends the long phase of Government borrowing must be good for gilt-edged. But most of them would be unable to explain how the assumed beneficial effect may be asserted.

Indeed, the confusion of thought on this matter in the City is exceeded only by the muddled thinking about the effects of Marshall aid. A favourite argument among the sceptics is that, since Mr Dalton had to create more money to push up gilt-edged prices, how is it that Sir Stafford Cripps's policy—which, it is widely assumed, will reduce the volume of money—may work in the same direction? There is, of course, no assurance that it will, in fact, do so. The volume of money, as the ex-Chancellor found to his cost, does not determine the level of gilt-edged prices; it determines the size of the framework within which a complex of other influences exert themselves. An understanding of the way in which the framework may be altered does not, therefore, afford any ready-made or infallible guide to the trend of the market. It is, however, an indispensable foundation for all sound analysis of investment trends—especially at a time, such as the present, when important changes can be discerned in embryo.

In this article, an attempt will be made to explain the mechanical process by which Sir Stafford's Budget may alter the shape of the framework. For this purpose, it is necessary to isolate what may be called the "monetary" influence on gilt-edged from all other influences. The underlying assumption has to be that purely "investment" influences are neutral—that is to say, it is assumed that investors' preferences for cash as against securities, for gilt-edged securities as against equities, and for short term gilt-edged securities as against long term, remain unchanged. The assumption of such an equilibrium is, of course, purely theoretical; these preferences are always in a state of flux. But the distinction between what have been called the "monetary" and "investment" factors can best be appreciated if it is realised that, given an "investment" equilibrium, the trend of gilt-edged prices would be determined directly or indirectly by the monetary influences alone.

An article in these columns last week examined the nation's capital budget for the calendar year 1948, on the basis of the Chancellor's tax proposals and the official estimates of capital outlay at home and the deficit on the external balance of payments. To examine the monetary factor in the gilt-edged equation, it is necessary to translate this capital budget into the broad financial and banking operations by which the nation's

programme of capital formation may be expected to be financed—assuming that the central banking authorities follow a "neutral" monetary policy, conforming more or less closely to the pattern set by the capital budget.

Most people seem to have assumed that, because there will be a large and genuine surplus on the Budget, the Chancellor will repay floating indebtedness to the banking system and the volume of bank deposits will tend to fall correspondingly. In fact, that is too facile a conclusion. It is, indeed, true that the operations of the central Government should involve some reduction in the level of deposits, but demands for finance from the private sector of the economy are likely to involve a roughly corresponding increase—at least, they would do so if the nation's capital budget as a whole is balanced. Moreover, the amount by which deposits may be reduced by Treasury repayments will not be the amount of the Budget surplus as set out in last week's article. Part of the surplus will be employed in meeting that portion of the nation's capital outlay which is centrally financed. On the other hand, the Government will have available for employment, not only the surplus, but also an amount approximately equivalent to the nation's net borrowings from overseas (including Marshall aid) as well as any net receipts from National Savings after providing for redemption of tax reserve certificates.

The surplus of central and local Government authorities, including the social insurance funds, has been put at £400 million for the calendar year, after taking only "revenue" items into account. If the net deficit on the overseas balance of payments conforms to the estimate of £250 million upon which Sir Stafford's Budget was based, the Government will receive in sterling a rather larger sum than that from its resales of imports secured under Marshall aid or paid for by gold drawn from the central reserve, but it will expend part of this sterling to redeem past borrowings, in the form of sterling balances, from the countries with which Britain continues to run a surplus. Unless these redeemed balances were already held in the form of cash on commercial banking accounts, the central Government's net sterling receipts from external sources will be equal to the net external deficit. On the basis of the official estimates, the gross sum available for employment by the central and local Government authorities would, therefore, be £650 million. But it is estimated that £160 million of this will be expended in meeting War Damage claims and EPT refunds and a further £300 million will be required to finance new capital outlays in the form of loans to local authorities and the nationalised industries and for colonial development. On the assumption, therefore, that net receipts from National Savings just suffice to cover any net redemption of tax reserve certificates, the residual sum available for debt redemption by the Government would, on the official estimates, be about £200 million. On the further assumption that the Government, avoiding all Daltonian techniques, aims at pursuing a passive monetary policy, this residual sum would be employed in repaying indebtedness to the banking system, thereby cancelling a corresponding volume of bank deposits.

The resultant cancellation of bank credit would never be visible, however, in the published bank statements. The hypothetical balance sheet outlined above for the Government sector of the economy takes credit for the whole of the proceeds of

external dis-investment but provides directly for only £300 million of the nation's programme for investment outlay at home. Hence, if this investment outlay is taken at the £1,800 million at which it is officially estimated, £1,500 million would remain to be financed through the private sector of the economy. As last week's article showed, at least £800 million of this may be expected to be financed by specific depreciation provisions by companies and others out of their gross current incomes. A further £160 million would be provided by reinvestment of War Damage payments and EPT refunds and, say, £350 million might be furnished by undistributed profits of businesses and personal savings other than "National" savings.

This £1,300 million odd—the sum of the three figures last mentioned—would not, of course, be wholly employed in direct financing of private capital outlays. A portion of each category would be so employed, but under each head there would remain unexpended sums which (on the assumptions about "investment" equilibrium indicated earlier in this article), the savers themselves would seek to employ in financing, directly or indirectly, others whose capital outlays exceeded their current savings or provisions. Such financing would take the form of purchases of gilt-edged securities sold by industry or of new issues of industrial securities, or direct private loans. But, even assuming full employment of unexpended savings in such ways as these, the total available would still not suffice to meet the £1,500 million of assumed private capital outlay. The residual demand for finance would have to be met by the banks by purchases of gilt-edged securities or new loans and advances—operations which would create a volume of bank deposits corresponding to the amount of deposits cancelled through Governmental repayment of debt.

If, therefore, the nation's capital budget were indeed to be in equilibrium at the levels indicated by the official estimates set forth last week, it might be expected that the banks would lend £200 million less to the Government but would provide £200 million of additional finance for the private sector of the economy, so that the level of bank deposits would be unchanged. In that event, the influence of the monetary factor upon the investment markets would be neutral. Such an equilibrium would, of course, rest upon the assumption that the monetary

authorities followed a policy of stabilising the volume of bank cash, so as to enable the banks to maintain the level of their deposits despite the repayment of Governmental indebtedness. In that event, on the same assumptions about the stability of "investment" influences, there would be neither pressure nor slack in the demand for savings in the financial markets. Given the fact that the banks would be meeting the residual £200 million of industry's needs for finance, the unexpended portions of the £1,300 million of private savings and depreciation provisions would just suffice to absorb the securities which industry will have to sell. If, however, the volume of undistributed profits and personal savings (other than National Savings) were larger than the £350 million assumed above, the surplus resources would press upon the investment markets and tend to raise prices. On the other hand, if these savings fell short of the £350 million, industrial borrowers would be pressing upon the market, and prices would tend to fall. Of course, if in fact the gross capital outlays at home proved, as is probable, to be larger than the £1,800 million which the Government assumes, the additional demand for finance would press upon the market. But, if it is likely that the official estimate of investment will turn out to be wrong, it is at least equally probable that there will be a large error in the official estimate of the deficit on the external balance of payments. If the Government secures from external sources a larger volume of finance than the £250 million assumed above, the redemption of its indebtedness to the banks would, of course, be larger too, and this would leave room for a bigger volume of industrial financing through the banks while still maintaining monetary policy on an even keel.

It is too soon, as last week's article showed, to make firm guesses about the level at which equilibrium is likely to be reached; but the direction in which the monetary factor is changing is already clear. In recent years, and especially in the past two, the investment markets have had to contend with an excess of demand for finance. Henceforth—so far as the monetary factor alone is concerned—this excess will disappear. For the first time for some years, there is now a possibility that, if monetary disequilibrium arises, it will be a disequilibrium of the opposite kind. That is an important conclusion, and its implications will require detailed discussion in a later article.

Business Notes

Steel Politics and Production

The condemned man is presumably entitled to criticise the quality of the prison cooking without being told that he is politically undesirable. The analogy may not be quite perfect, but it is close enough to the comments which the Minister of Supply, Mr George Strauss, made to the conference of the Confederation of Shipbuilding and Engineering Unions on Wednesday. Some discount has, perhaps, to be applied to his remarks on account of the occasion—a meeting of unions which had earlier in the week listened to some frank speaking on wage claims from the Chancellor of the Exchequer and was doubtless ready for a little politics. But Mr Strauss was quite unreasonable in the attack which he made on the Iron and Steel Federation. He alleged that in its latest monthly bulletin the Federation had gone out of its way to attack the Government, and he warned it against acting as "a wing of the Conservative Party."

The April bulletin includes an article on the record output of the steel industry during the first quarter of the year. It examines the reasons for this record production—the seven-day week, the first fruits of the post-war development programme, the benefits of oil-firing of steel furnaces—and comments informatively on the flow of scrap supplies which is necessary to sustain the expansion of steel output. It points out that improved supplies of home scrap are primarily responsible for the high level of steel production, and that the reduction in stocks of scrap and pig-iron, to which the Chancellor publicly referred last month, must be attributed to the Government's failure to implement the programme for imported scrap and coke supplies. The article proceeds:

Notwithstanding the shortfall in these two items, production has been carried forward to record levels on the assumption that the plans under these heads will eventually be carried out; and the deficiency for the time being has been made good out of stock.

Surely this is perfectly fair technical comment on matters for which the Government is ultimately responsible. At least, most people would not regard a factual demonstration of the principle that steel cannot be manufactured without raw materials as a piece of Tory mischief-making.

If the Minister seeks evidence of co-operation for the highest possible production of steel, a second reading of the article ought to convince him. Report suggests that a further draft of the Steel Nationalisation Bill is now under consideration by Ministers. This is thought to provide for the acquisition by the Government of the share capitals of the separate firms in the industry, so that their separate identity can be preserved, on paper at least, for the purpose of export business. This is not a formula which will satisfy those who, to transcribe Mr Shinwell's words, have not done enough thinking about nationalisation. And even Mr Strauss would not expect the present firms to welcome it with delight. It is much to the credit of the industry that it is keeping its production well apart from its politics. It is an example that might be followed by Government spokesmen.

* * *

Financial Talks at Brussels

The veil remains discreetly drawn over the outcome of the Brussels discussions between the Finance Ministers of the five

Western Union Powers. The European clearing scheme which was discussed at these talks must be referred to the Economic Co-operation Administrator in Washington, since it involves the use of local currencies deposited as a counterpart of Marshall aid. It has also had to be referred to the continuing organisation in Paris, since the clearing envisaged in Brussels was conceived not in terms of the five Western Union Powers, but of the sixteen Marshall countries. No official details of what was decided at Brussels need, therefore, be expected until after the next meeting of the Organisation for European Economic Co-operation in Paris next week.

Unofficial reports of what is involved by this new scheme continue to circulate and are beginning to give some hint of its outline. It can hardly differ in essentials from the Belgium "Ansiaux" scheme which provided the basis of the intra-European compensation that has been operated through the Bank for International Settlements at Basle since the beginning of this year. In the course of the Brussels discussions, however, it was tacitly recognised that there might be psychological and other advantages in re-christening the scheme, which has now become "Le plan Cripps." It will, however, take a very keen eye to differentiate it from its predecessors. Under the BIS scheme two types of compensation were envisaged. The first was a clearing of mutual debts which would achieve a general reduction of the debts arising from trade inside Europe. The scope for these "first category compensations" was found to be extremely limited. The second category compensations were those which could be achieved only if one or more countries were prepared to increase the amount of their credits extended to others. For example, a second category compensation would be involved if a debt from the Netherlands to Belgium could be cleared by Belgium agreeing to increase its holding of sterling, and Britain, for its part, agreeing to a transfer of sterling from Dutch to Belgian account. For obvious reasons, British consent to such operations has not been given in the past. What is now proposed is that these second category compensations should be eased by increasing the overdraft facilities to the extent, it is reported, of one-third of the local currencies which are to be put up as counterpart of grants under ERP.

* * *

ERP and European Clearing

The introduction of ERP local currency in the European clearing scheme is, however, meaningless juggling. If France is to continue to run a deficit with the sterling area, it makes no real difference whether that deficit is financed by putting at France's disposal some of the sterling accumulated against ERP shipments to Britain or whether it is financed by overdraft facilities granted by Britain to France. To introduce the European Recovery Programme into this is merely to pull wool over the eyes of all concerned. The Marshall Plan may be brought more effectively into the scheme by making European countries eligible for off-shore purchases, i.e., by enabling France to pay for British coal or Belgian steel with Marshall dollars. It is probable that this feature will appear in the new plan, but only to a very small extent. The first year's ERP allocations are inadequate to meet Europe's deficit with the Western Hemisphere, and must, therefore, leave very small scope for any off-shore purchases in Europe.

It is probable that all the British influence at Brussels—and it must have been considerable in view of the re-christening of the plan—was exerted to keeping the introduction of dollars into the new compensation plan down to the smallest possible figure. The British have long contended that to inject gold or its equivalent, US dollars, into such a compensation must tend to contract and not to expand trade, since each participating country will, in prevailing circumstances, strive by all means to cut its imports from the others in order to create the credit balances that will become claims to the gold or dollars in the clearing. It is likely, therefore, that the new scheme will be little more than a slight re-dressing of the BIS compensation plan, reinforced by greater willingness on the part of the creditor countries to engage in "second category compensations," i.e., to extend more credit to their European debtors.

* * *

How the Treasury Bought Its Stock

A corner has been lifted this week of the thick curtain which has shrouded last year's official activities in the gilt-edged market. In the past, the technique of Governmental accounting has generally sufficed—thanks, partly, to the systematic omission to publish any details of the investment holdings of the Bank of England—to hide most departmental activities from the public gaze. But operations so large as Dr Dalton's were bound to peep

through the screen sooner or later. The portion now disclosed is not a pleasant sight. The investment account of the Unemployment Fund as at March 31st last reveals that no less than £79,973,046, or over 15 per cent of the resources employed on behalf of the Fund by the National Debt Commissioners, was in 2½ per cent "Daltons." Was Daltonian faith in cheap money matched by a conviction that full employment will last for ever? "Daltons," it may be recalled, are redeemable only at the Treasury's option, in or after 1975. Yet they are flanked in the Fund by large slices of other long and medium-long securities. Altogether nearly half the investments are in issues with final or optional dates of 1967 or later. The cynic might well ask whether the Commissioners of the National Debt had ever heard of a document known as the Economic Survey, with its warning of wholesale unemployment this year if Marshall aid had not materialised.

On the immediate issue of market-rigging this latest statement of the Unemployment Fund provides a test case. The invested resources of the Fund expanded in twelve months by some £80 million. No less than £55 million of this new money went into "Daltons"; £13 million went into 3 per cent Savings Bonds, 1965-75; and almost the whole of the remainder went into Transport Stock. The £24½ million of "Daltons" held at end-March last year was perhaps acquired by original conversion of Local Loans or through the tap; but the additional £55 million was presumably bought on the market. It is equivalent to fully one-ninth of the total issue of £482 million and to a much larger proportion of the amount originally held outside official quarters. Is it possible that these large purchases were part of the abortive attempt, launched in Dr Dalton's speech at last October's Bankers' Dinner, to bring the market back to a 2½ per cent basis for the Transport issue? In the pre-Budget phase last autumn, "Daltons" rose by some 10 points, only to collapse after their sponsor disappeared from the scene. Is it possible, too, that the £13 million addition to the portfolio of 3 per cent Savings Bonds, 1965-75, is the measure of the subsequent grooming of the market for the 3 per cent basis eventually adopted? After the controversies of the past two years, Parliament is entitled to know more about these matters. It should press for precise information about the circumstances, prices and dates at which these critical purchases were made.

There is, moreover, a wider aspect of this matter than that of Daltonian market-rigging. One reason for the establishment of such autonomous funds as the Unemployment Fund was to ensure that their investment policy was suited to their particular objectives, on the analogy with private pensions funds. This was always a rather questionable principle for Governmental funds; but in the past the Government has at least been able to sustain the fiction that the rule was being observed. Now that its flagrant infringement is apparent, it is time to review the whole foundations of this policy. There is, in fact, much to be said for placing upon the Treasury full and unquestioned responsibility for managing all centrally administered funds, on the ground that such management ought to be integrated with central monetary policy, the proper conduct of which is much more important than the due observance of the actuarial principles which underlie the fiction of autonomy. As it is, the Treasury has access to the funds but is not bound by any clear definition of its duties and responsibilities. It would be folly, however, to abandon the actuarial principle—incongruous though it may be—without a thorough factual inquiry into Government technique in the gilt-edged market as it has evolved in the period since cheap money began in 1932. Within this period, indeed, there has been so revolutionary a change in the whole approach to monetary policy that a strong case could be made for a much wider investigation.

* * *

Sabotaging Savings

After the departure of Dr Dalton, it might have been hoped that nothing more would be heard from the Treasury bench of the stupid charges that anyone who disagreed with its policy was guilty of sabotage. But this week Mr Glenvil Hall has taken a leaf from his ex-chief's book. Asked to explain the reason for the continual fall in National Savings, he thought that "some of the falling-off is due to sabotage on the part of the Opposition." The occasion for this childishness was a question in Parliament about Lord Mackintosh's statement at the weekend upon the effects of the new investment levy upon savings. At the National Savings Assembly at Hastings last week, Lord Mackintosh announced that, anticipating discussions of this problem, the National Savings Committee had resolved

That the National Savings Committee, while expressing no opinion concerning the merits or demerits of the capital levy, has been made

aware of the discouraging effect it is having on the members of the movement and feel it is their duty to bring this to the attention of the Chancellor of the Exchequer.

It is easy to understand why the Treasury should be touchy about this development. But the trouble is of its own making. Sir Stafford himself has had the grace to admit that the special levy is a purely political device. In a part of the Budget debate which seems to have escaped public attention, he said:—"I have been accused [by Sir John Anderson and others] of partisanship in applying this. . . . Of course, they never do anything from a political point of view. . . . I am, quite frankly, not as perfect as that. . . . I have held certain theories for a long time. . . . I feel it is my duty to do the things which I think, according to those political theories, are right." This admission, coupled with the recognition that the levy will be largely paid out of capital, makes it impossible for the Government to argue that there was any economic or financial case for it at all.

But they would have been wise to count the economic cost. The wider effects of this levy, even though it be a non-recurring device, cannot be considered in isolation. The drive against capital has taken diverse forms, and each successive move tends to have cumulative repercussions upon savings. The Financial Secretary to the Treasury should guard his tongue, and ponder well the Treasury's own record in this matter before he again makes these irresponsible accusations. Beyond doubt, the boot is on the other foot. If there has been any sabotage of savings in the past two years, it has been sabotage by the Treasury itself. Those who followed Dr Dalton's foolish boastings and promises about the level to which he would raise gilt-edged values have lost between one-fifth and one-quarter of their capital—even if the loss is measured only in monetary terms. But the policies by which these rash ambitions were pursued have involved other, and more far-reaching, losses. The small savers who followed the ex-Chancellor in his "last-chance" drives have escaped the loss of financial capital which hit those who did his bidding in the investment markets, but the value of their savings has none the less been dissipated by the inflationary rise in prices which his antics produced. And almost everyone has suffered from the wider repercussions of that inflation.

Sir Stafford's courageous budgeting has put an end to these reckless policies, and, if it succeeds in stopping inflation, will prevent any further fall in the real value of savings. But, in this particular context, the political policy of the levy threatens to throw away most of the advantage which the anti-inflationary policy offers. If the Government still believes that there is any economic worth in voluntary personal savings, as distinct from forced saving achieved by high taxation and a Budget surplus, it will have to find a way of removing the malaise it has created. There is no escape by the Daltonian technique of decrying the critics and of pretending that criticism itself is an act of sabotage. It is time the Government dropped its moral lectures on economics for patriots.

* * *

Lancashire's "No" to Overtime

After an unprecedented concentration on Lancashire of eloquence by members of the Government the attempt to get the workers in the cotton trade to work overtime through the summer has largely failed. It is true that about half the spinning industry responded, in the recent ballot, to the appeal for overtime work, and preparations are being made to put their

decision into effect. Those districts which are already working overtime will go on, and a few more will start. But half the spinning industry and two-thirds of the weaving industry have refused; the unfavourable vote in weaving was 41,545, the favourable vote only 20,572. On balance the Government's campaign to get more production in the cotton industry has suffered a serious setback.

It is clear that the export drive cannot afford this setback, and ways will have to be found of getting more production without overtime. The Government committee dealing with textile output will have to concentrate on the other ways, which are in any event more promising; the overtime proposals were only for an extra five per cent, and experience has shown that some of the extra effort would probably have been offset by absenteeism and slackening at other points. Since overtime plainly cannot succeed, a redoubled effort will be needed to recruit labour for the industry; and it should be an effort on imaginative and comprehensive lines, taking real account of the difficulties which deter women from going back to work, and ensuring that those who do are not drawn off into inessential small trades.

One lesson must be drawn from the ballots. The publicity which has been done did not succeed in convincing the cotton workers of the urgent need for their maximum effort. Why is this? The most probable reason, which is supported by a number of comments from the spinning and weaving areas in the last few days, is that the workers know that the best use is not even now being made of their normal working time. The case for redeployment, already strong, is made stronger. What can be done by redeployment has been shown in a number of mills, and was demonstrated lately by the Cotton Board's experiment described in the Musgrave Mill report. The increase in output per man-hour achieved there (39 per cent) is worth many hours of extra work in the bad old way. It is true that substantial increases in earnings have to be conceded to make redeployment palatable, and the danger that increased earnings per hour will swallow up its fruits has to be faced and overcome. Yet one of the necessities is to make the cotton industry more attractive to workpeople; another is to create the sense of urgency without which production will not rise as quickly as it must. Reorganisation of effort in the mills seems to be the only answer.

* * *

Uruguay Rail Schemes

Full particulars have been issued this week by the British owned railway companies in Uruguay for the distribution among the various classes of stockholders of the £7,150,000 which the Government of Uruguay has agreed to pay for the railways. Since the global sum and its allocation between the six companies concerned was announced early in March, the companies have submitted their proposals for its final distribution. These proposals have been adjusted by an independent panel consisting of Sir David Maxwell-Fyfe and Mr Gilbert D. Shepherd, and are now submitted for the approval of the shareholders. As in the Argentine rail purchase, the directors declare that the scheme must be agreed by all companies, and that the stockholders in each company must approve the subdivision of the payment moneys between the various stocks. Otherwise the dissention of any one class of stockholders will involve the rejection of the whole arrangement.

This, the most unpalatable aspect of the scheme, can hardly be avoided, however strongly the owners of prior charge capital may feel inclined to protest at the departure from their strict dues

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to full repayment of capital and arrears of interest for the purpose of appeasing holders of the junior stocks to accept the plan. Agreement by the stockholders is thus the next step; in view of the special circumstances of the purchase—the railways which had long since ceased to pay their way—perhaps the reduction in the allocations to debenture and preference shareholders is not an excessive price for them to pay for its smooth passage.

The sums allocated fall short of the agreed sale price by some £66,675; presumably this margin will be required to meet winding-up expenses, though it is possible that the directors of the companies have the question of compensation for loss of office in view

URUGUAY RAIL STOCK ALLOCATIONS

Security	Payment Per Cent	Market Price May 6, 1948	Capital Outstanding	Total Allocation
Central Uruguay:—				
4½% First Deb.	100	98	1,150,000	1,150,000
5% Second Deb.	85*	82	3,740,000	3,179,000
Ordinary	12½†	15	6,000,000	750,000
			10,890,000	5,264,438
Uruguay Northern:—				
5% Prior Lien Deb.	105	95	49,002	51,452
5% Income Deb.	34*	34½	449,400	152,796
7% Cum. Pref.	10*†	13	250,000	25,000
Ordinary	2½†	...	100,000	2,500
			843,402	255,024
Midland Uruguay:—				
5% Prior Lien Deb.	100	95	162,773	162,773
5% Deb.	48½*	45½	1,156,918	561,105
Ordinary	7½†	8½	600,000	45,000
			1,919,691	772,947
Midland Uruguay Extension:—				
5% Deb.	60*†	60½	200,000	120,000
Ordinary	Nil	...	100,000	...
			300,000	120,000
North Western of Uruguay:—				
6% Second Deb.	110	100	57,031	62,734
6% First Pref.	32*†	34½	583,850	186,852
5% Second Pref.	11†	12	293,173	32,249
Ordinary	5†	6	120,120	6,906
			1,054,174	320,755
Guaraní:—				
5% First Deb.	54	...	84,865	45,827
Capital Repayment by North Western	16	...	...	13,579
Ordinary	nil †	...	10,000	...
			94,865	59,406

* All arrears of interest or dividend cancelled.
† Any surplus or deficiency of purchase money to be adjusted on these issues.
‡ Outstanding to July 31, 1948.

as well. Any surplus from these residual amounts will go to the most junior stocks, and any expenses incurred above these amounts will be deducted from their allocations. In any case, the allocations given to the prior charges, except possibly in the case of the debenture stock of Midland Uruguay Extension, will not be altered.

If the Argentine railways scheme can be taken as a guide, the actual cash distribution may not take place for many months after the ratification of the scheme by the stockholders. Apart from the necessary formalities to be observed by the companies themselves, the scheme has to be submitted for the sanction of the High Court and it still has to be finally ratified by the Legislative Authority of Uruguay.

Concessions on Clothing Coupons

As this issue of *The Economist* goes to press the President of the Board of Trade has announced the reduction in the number of clothing coupons required for utility wool cloths and clothes made from them, for waterproof garments, seamless stockings, and adults' footwear. Children's shoes are taken off the clothing ration. Discussions are also being held with the trade on the prices at which surplus stocks of clothing can be sold in the summer sales at half their normal coupon rates. So the wholesale textile trade has won its point—or rather, part of it, for at the height of the argument suggestions were heard that with a few exceptions all garments could be made coupon free. If the clothing trade's contribution to the export drive is no more impressive than this line of argument, it will deserve censure as downright as that which it has directed at the Board of Trade this week. Of course, stocks of clothing have increased out of all proportion during recent months. The Attorney-General, who invited his week-end audience not to believe all that they read in the newspapers about stocks of clothing, is

doubtless familiar with the figures compiled by the Wholesale Textile Association in collaboration with the Bank of England, which show an increase in stocks at the end of March, compared with a year ago, of 75 per cent, while stocks of household textiles increased by 99 per cent, piece goods by 115 per cent, knitted underwear by 124 per cent and ladies' hose by 175 per cent. Such increases cannot be explained by abnormally low stocks at the end of the fuel crisis. They have accumulated steadily on wholesalers' shelves and are doubtless matched by the increased stocks of manufacturers and retailers.

What is the explanation for these accumulations? Partly they are the result of resistance to high—and still rising—prices. In women's wear there are changes of fashion—and some doubts about their permanence. The smaller ration of coupons, coupled with threats of a further cut, may have caused some hoarding of coupons and postponement of purchases. Some of the stocks of clothing are of poor quality and poor coupon value. There is still insufficient children's clothing, because the trade has preferred to make more profitable lines of women's wear. If the trade has misjudged the market it deserves to suffer the inevitable financial loss. It is not, after all, the first occasion when it has been wrong, for the same thing happened on a smaller scale a year ago. Nor has it any automatic right to a replacement of the coupons represented by the stocks which it now holds, for despite the trade's misjudgment, these stocks represent the textiles and leather to which the British consumer is entitled—and perhaps even more, having regard to the need for exports.

The Board of Trade has thus had a twofold problem. The first is to safeguard the export drive; this is of prime importance, and no complaints about the growth of stocks and no lighthearted assumptions that clothes rationing is no longer necessary must be allowed to obscure it. The second need is to make full use of textile capacity which cannot satisfy established markets overseas. Insufficient attention has been given to the part which woollens, as distinct from worsteds, might play. And what is to prevent greater sales of clothing to Germany? British exports to Bizonia are equivalent to dollars, and last February the Board of Trade announced that certain exports of women's clothing to Germany would be permitted. Representatives of German miners have already purchased such goods, and doubtless there are other German industries which would be prepared to spend their export bonuses on further supplies. Moreover, Bizonia will obviously require substantial quantities of clothing for the shops if currency reform is to be given a fair chance of success. Greater exports of clothing to Germany would not only help to clear accumulated stocks from British warehouses; they would also give an impetus to economic recovery in western Germany.

Rise in Bank Deposits

Hopes that the big rise produced in bank deposits by the Argentine pay-out in March would be only a temporary interruption of a declining trend have been disappointed by the April figures. The clearing banks' return for the "make-up" of April 21st reveals an expansion of £64.6 million in net deposits, which are thus raised to £5,674.2 million, only a little below the end-1947 peak. In banking circles it has been too readily assumed that this increase reflects the ostensibly very heavy "supply" expenditure of the Government during the closing days of the financial year. It is true that the additional credit has been created mainly on Government account, but the operative factor was not the abnormality of year-end demands. During the four weeks most nearly coinciding with the period covered by the banks' statement, the Government's above-line deficit was nominally a little under £150 million, but in fact no less than £170 million of the apparent expenditure at the end of March comprised mere internal debits for the purpose of repaying advances made by the Civil Contingencies Fund. In the four weeks, therefore, the above-line position disclosed a "real" surplus of about £20 million. Below-the-line, however, there were large outgoings—£32 million for housing, £13 million for war damage, £17 million for net repayment of tax certificates and £10 million for overseas food, to mention only the principal items. Taking the "above" and "below" line accounts together, the Treasury's visible requirements for finance in this period were about £80 million, before allowing for the sterling received from sales of gold and dollars drawn from the central reserve. If the sterling income from this source were put at £45 million, the Government's net demands from the banking system would have been no more than about £35 million. But in fact the banks' holdings of Treasury deposit receipts rose by £86½ million, and only £31 million of this was offset by a decline in their money market assets.

Meanwhile, non-Governmental demands upon the banks were abnormally small. During the preceding three months, bank advances had expanded by no less than £94 million, a rate of growth which presumably reflected borrowings to finance the exceptional flow of tax monies to the Exchequer. Now that the main tax-gathering season is over, the pressure upon bank advances has relaxed; in the five weeks from mid-March they rose by only £7,300,000—but reached a new high level at £1,306 million. Investment portfolios declined slightly, by £4,300,000. The presumption is, therefore, that some £60 million of the new credit created during the month was absorbed by the Government. The difference between this figure and the £35 million indicated above points to additional Governmental demand for purposes undisclosed. To some extent the discrepancy may arise from the customary gap between the banks' make-up days and the dates of the Exchequer returns, but the difference is sufficiently large to suggest that some other factor has been at work. A possible explanation is that continuing unrequited exports financed by the drawing-down of overseas sterling balances are necessitating repayment of floating debt held by overseas monetary authorities.

The Builders' Merchant Replies

Neither the builders' merchants nor the manufacturers who supply them are satisfied with the findings of the Committee on the Distribution of Building Materials and Components, discussed in *The Economist* last week. There should be room for an informative discussion which would swell the already substantial body of facts which the Committee amassed and arranged in its report. But the first reactions from the trade associations concerned have been of too general a kind to take things much farther. The Distributors of Builders' Supplies Joint Council remarks that "greater knowledge of the trade will correct many of the erroneous and unwarranted conclusions of the Committee." It observes in particular that

the quaint proposal of the Committee that prices should be identical for all classes of buyers will be regarded with mixed feelings by hundreds of other industries. How distributors could function under such conditions and whether the proposed "uniform price" is to apply to like quantities and conditions of trading is not made clear.

Two tractors put 6000 people into essential industry!

150 acres of this rough ground had to be graded absolutely flat before a single brick could be laid for the Dundee Industrial development scheme.

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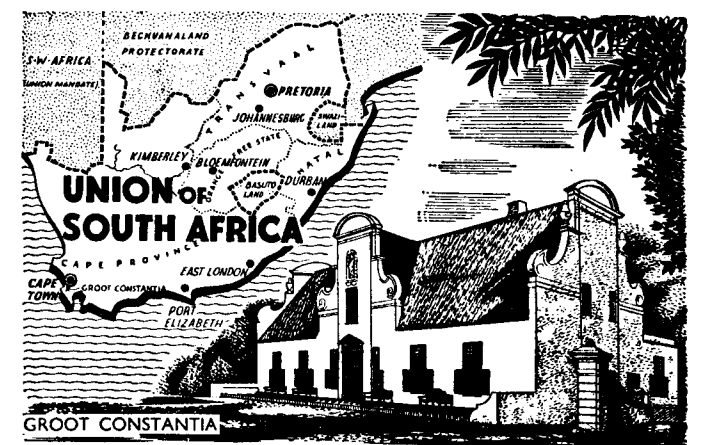
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This is not exactly what the Committee proposed: but it did criticise the system of special discounts to approved merchants who accept the association disciplines, and it did recommend that power be taken to declare individual agreements under this system illegal. And it is legitimate for the builders' merchants to point out that their practices are common to many other distributive trades. So they are. They have been fostered (as the Distributors of Builders' Supplies Joint Council points out) by the Government's "consistent refusal to deal with industry except through the medium of appropriate trade associations." Observations of this sort do not dispose of the issue; they merely put it on the general level on which the Committee, with its terms of reference to consider, could not handle it.

Such generalities may serve a useful purpose, but particular cases are at least as important. To take one, the Distributors of Builders' Supplies contend that the years (1938 and 1946) chosen by the Committee for its inquiry into their costs and margins were unrepresentative—a "slump year" and a "boom year." It is perhaps worth while to recapitulate the Committee's point about the margins earned by the builders' merchants. It is said that margins were "on the high side" in 1938, were substantially higher in 1946, and are probably still higher today. The argument does not seem to depend on a particular year being representative or not. But it would be useful to know at what point the Distributors of Builders' Supplies Joint Council decided that 1938 and 1946 were bad years to study. The Simon Committee appears to have consulted the chairman of the Joint Council before sending out its questionnaires, and indeed pays a graceful tribute to his helpfulness. Again, the Ministry of Works informed the Simon Committee that "the average annual turnover may be fairly taken to be four times the capital employed"—a mere assumption, retort the Distributors of Builders' Supplies, "unsupported by any evidence." Ministries can err. But if this is an error, could the Joint Council say what ratio would be correct?

The producers of building materials, through their National Council, declared last week that details in the report were "in many instances inaccurate and incomplete," and that

of the 91 Producers' Associations stated in Paragraph 40 to have been examined, less than half gave any oral or written evidence.



A casual observer of the architecture of the Union of South Africa would probably place more emphasis on the sky-scrapers of the Rand than on the spacious old Early Dutch houses which form such a pleasant decoration to the countryside of Cape Province.

There are, however, numerous examples of this attractive form of architecture still remaining. Many of them, as in the case of Groot Constantia near Cape Town, were designed as chateaux for the vineyards which still surround them and have served as centres for the wine industry ever since the seventeenth century. The wine industry in turn has done much to contribute to the prosperity of the Union in general and of the port of Cape Town in particular, and continues to hold its own to-day in the busy and expanding commercial life of the Union.

Full and up-to-date information from our branches in South Africa on the state and trends of local markets is readily obtainable on request.

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This should not be difficult to prove or disprove; an appendix to the report lists nearly 70 associations as having given written evidence, in addition to a fair number of individual firms which gave evidence or were visited. The National Council of Building Material Producers denies that the trade associations or their practices are against the public interest. It points out that the price index for primary building materials—as distinct from components—rose only 7.9 per cent between August, 1945, and the first quarter of 1948, and adds: "It is precisely in those industries that are well organised that prices have risen least."

The Small Man in the Motor Industry

As recently as February the Minister of Supply was insisting that the smaller manufacturers of cars must each fulfil the export quota of 75 per cent, in spite of their special difficulties about sales and service in foreign markets. Since then the motor industry as a whole has reached and, for the moment, exceeded its export target. No doubt this is mainly due to the sales efforts of a few big firms, but it has made possible a rather more flexible policy towards the smaller specialist manufacturers; their export targets have been reduced and they are no longer threatened with the curtailment of their supplies of steel.

An achievement by one of the smallest of the small manufacturers last week-end served as a pleasant reminder of the service that these firms can render to the motor industry on occasion. The Healey sports car had become known in the trade—though hardly at all outside the trade—as a promising junior. By winning the Mille Miglia it has made good its claim to public notice. An individual effort, largely hand-made and costing (with purchase tax) more than £2,000, it has no place in the bulk export picture. But its innovations in design, which proved their success last week-end, might not have been produced without individual initiative on this small scale.

This is an exceptional case, for the motor industry has always presented immense difficulties to the small-scale innovator, and it is doubtful whether these will grow less. It is difficult, to take one point that has been raised, for the small firm to obtain membership of the Society of Motor Manufacturers and Traders. Without it the firm cannot show its product at the annual exhibition, which is one of the industry's most effective means of publicity and attracts all the home and foreign buyers. Membership is open only to firms with a paid-up capital of £50,000; Mr Healey's firm, for one, has not this qualification. It is true that the society can allot space at Earls Court to non-members, should it so desire, and it probably will desire now to allot space to the Healey car. There are other exhibitions from time to time at which non-members may show, but these lose much of their business attraction because members of the Society have delivered a substantial bond which they may forfeit should they take part.

In fact, the big firms who control the Society of Motor Manufacturers and Traders have little competition to face from the small man, and realise in general that he is a useful stimulant and a useful source of ideas. Often they are helpful to the small man; indeed, were they not, it would probably be impossible for him to make a car at all. The Healey car has a Riley engine, made by the biggest of the big manufacturers; the Allard is powered by a Ford V8 engine; and all makers have to rely for electrical and other accessories on suppliers who are equally members of the society. This dependence was the basis of complaints made by the management of Grantham Productions in 1946 and 1947, but it is a matter of opinion how far those complaints were justified. But the Society's strong position makes it important that the handling of newcomers should be liberal and that care should be taken to avoid any suspicion of exclusiveness.

Unit Trust Dealings in the "House"

For many months the Stock Exchange Council has been considering the possibility of allowing dealings in Unit Trusts on the floor of the Stock Exchange. The Council has now issued amendments to the rules, which are due for confirmation on May 18th, authorising jobbers to deal in units and laying down requirements which must be satisfied before a quotation would be granted. The Stock Exchange was the first authority to take critical notice of the Unit Trust movement in its exuberant period of expansion and it is not surprising, therefore, that the requirements it has laid down are strict. Provision is to be made for the exercise of disciplinary powers over the Trust which seek a quotation; these will reside in an "approved independent authority" of which, perhaps, the Unit Trust Control Council might be regarded as a prototype. The Stock Exchange authorities also requires to be satisfied about management charges, the pricing of units and the contents of Trust deeds. The Council too has come down in favour of the method of operation known as the "cash fund" (of which the Municipal and General Group are the leading exponents) as distinct from the "appropriation" method of operation (which is used by the Trust of Insurance group). In the case of new trusts (though not existing ones) only cash trusts will be recognised.

It remains to be seen whether there will be any widespread movement on the part of unit trust managements to seek a quotation. The Municipal & General Group will presumably seek recognition, while the Trust of Insurance Shares Group assert that they will not. Obviously there may be some prestige value for a trust which has an official quotation; on the other hand the advantage to the investing public (apart from the safeguards on which the Council will properly insist) will depend on the ability of jobbers to make better prices in the sub-units than the managers themselves. Ultimately, unit prices must be determined

within the close limits of the buying or liquidation value of the underlying securities with the addition or deduction of management expenses. Under present conditions, dealing profits represent an important part of the managers' incomes, and some trusts will be disinclined to let the jobbers take such profits for themselves, leaving the managers to carry the expense of running the trust and also obliged to feed the market or take units from it as the jobbers trim their own position. The experiment will be worth making, but its extension throughout the Unit Trust movement is likely to be slow.

Miles Aircraft Investigation

The Chancery Division has this week granted an application by the Board of Trade for the appointment of an inspector to investigate the affairs of Miles Aircraft Limited. This action invokes for the first time the new powers provided in Section 43 of the Companies Act, 1947, by which the Board of Trade can appoint "one or more competent inspectors to investigate the affairs of a company and to report thereon in such a manner as the Board direct, if the company by special resolution, or the court by order, declares that its affairs ought to be investigated by an inspector appointed by the Board." In making his decision Mr Justice Roxburgh considered that a *prima facie* case had been made out for such an appointment by the submission of the Board of Trade that when in August, 1947, the directors of the company recommended a dividend of 7½ per cent and a bonus of 2½ per cent on the ordinary capital they ought to have been aware that a big loss was being suffered by the company—in fact a loss of £967,700 was disclosed for the 10 months' period which ended only two months later.

The background of the Miles Aircraft is familiar and comment on it, in view of this week's developments, would be undesirable. The interest in the case lies for the moment in the establishment of a precedent in the interpretation of the new Act. The Board of Trade has been able to take a step which under the old Act would have been possible only on the application of a representative body of shareholders. The shareholders, however, have shown less interest in probing the mystery of the sudden change in the company's fortunes than in salvaging something from the wreck. In this, they have been rather forcefully led by a body of smaller creditors who in November last sought the approval of the Court for liquidation, but failed on the ground that a scheme of arrangement was in course of preparation to obtain an equitable solution for both large and small creditors and to reorganise the capital structure. This scheme of arrangement when published in March, itself produced a distinct shock owing to the drastic proposals for writing down all classes of capital. It has yet to be confirmed by the Court and in their representations this week the directors expressed the hope that the Board of Trade investigation would not prejudice the confirmation of the scheme.

The Future of Rubber

The official communique issued at the end of the fifth meeting of the Rubber Study Group gives the barest details of what transpired at Washington. Estimates of natural rubber production in this year and next were compared with estimated world consumption of both natural and synthetic rubber. These

figures are given in the accompanying table, with particulars for the main countries. A surplus output of some 80,000 tons of natural rubber is expected in 1948 and there is a possibility of an even larger surplus in 1949. The Study Group, however, stressed the need to treat these estimates with the "greatest caution." Yet after looking at the figures, the Group felt that the time had not arrived "for any consideration or examination of a commodity agreement." Barely a week previously the Tin Study Group, which also met in Washington, decided to examine the possibility of an inter-governmental tin agreement, although according to the statistics accepted by the Study Group, no surplus production of tin would be apparent until 1950.

The discussions on the two commodities have not been published. They would make an interesting comparative study. Evidently, the United States had no desire to maintain an artificially high price for natural rubber. American policy on

WORLD RUBBER PRODUCTION AND CONSUMPTION
('000 Tons)

Natural Rubber Production			Natural and Synthetic Rubber Consumption			
	1948	1949		1948		1949
				Natural	Synthetic	Total
Malaya	675	700	U.S.A.	576	392	917
Indonesia	370	460	U.K.	205	5	225
Ceylon	90	90	France	93	9	117
Indo-China	45	80	Canada	33	20	49
British Borneo	62	65	Netherlands	12	..	14
Others	149	152	Others	393	7	425
Total	1,391	1,547	Total	1,312	433	1,747

synthetic rubber production is now more or less settled and recent experience suggests that natural rubber can only offer effective competition on the basis of price—which would mean quite a sharp reduction from its present level of 1s. 0½d. a lb. Nevertheless, the US Government's strategic stockpile of rubber is known to be small; hence increased American purchases of natural rubber are likely in the coming months. Moreover, the American defence programme should also lead to increased American consumption of natural rubber, although its effect may not be noticeable for some time. These two factors alone were probably considered sufficient to stabilise a market which sooner or later may be faced with surplus production.

Rubber production in both Indonesia and Indo-China is expected to increase significantly in 1949. If political stability can be achieved in these two countries, rehabilitation of the rubber plantations is likely to follow Malaya's experience, and a sharp increase in supplies may result. The imposed rest on the trees may give a large initial yield, particularly as much of the stock in Sumatra and Java was replanted with high yielding trees just before the war. But factories and plantations in Indonesia have suffered more damage than those in Malaya and re-equipment may take more time. If output from these two areas greatly exceeds the Study Group's estimates, the balance between supply and demand will be adversely affected unless large quantities of natural rubber are absorbed in Government stocks.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the *Supplement*: *Stewarts and Lloyds*; *W. T. Henley's Telegraph*; *Ever Ready*; *British South Africa Company*.

Prices, Year 1948 (Jan. 1 to May 5)		Name of Security	Price, April 28 1948	Price, May 5, 1948	Net Yield, May 5, 1948 (n)	Gross Yield, May 5, 1948	Prices, Year 1948 (Jan. 1 to May 5)		Last Two Dividends (a) (b) (c)	Name of Security	Price, April 28 1948	Price, May 5, 1948	Yield, May 5, 1948
High	Low						High	Low					
British Funds													
101½	101	War Bonds 2½%, August 1, 1949-51	101½	101½	0 0 6	1 7 6			(a)	(b)			
101	100½	Exchequer Bonds 1½%, Feb. 15, 1950	100½	100½	0 6 8	1 4 4	104½	101½	(c)	(d)	102½	102½	(e) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) (p) (q) (r) (s) (t) (u) (v) (w) (x) (y) (z)
102½	1009	War Bonds 2½%, March 1, 1951-53	101½	101½	0 12 6	1 16 3	91½	91½	(d)	(d)			
102½	101½	War Bonds 2½%, March 1, 1952-54	101½	102½	0 17 0	2 1 2	101½	99	(d)	(d)			
104½	101½	War Loan 3½% (after Dec. 1, 1952)	101½	101½	1 6 4	2 16 10	81	7½	50	50			
101½	99½	War Bonds 2½%, Aug. 15, 1954-56	101½	101½	1 2 1	2 5 3	10½	7½	5	25			
103½	100½	Funding 2½%, June 15, 1952-57	100½	100½	1 4 8	2 10 3	78½	62½	65	65			
105	100½	National Def. 3%, July 15, 1954-58	100½	105	1 3 8	2 10 11	38 6	29½	40	40			
104½	101½	War Loan 3% Oct. 15, 1955-59	102½	104	1 5 8	2 12 3	91½	72½	7	7			
102½	100	Savings Bonds 3%, Aug. 15, 1955-65	101½	101½	1 11 1	2 18 4	103	8½	15	120			
99½	96½	Funding 2½%, April 15, 1956-61	98½	99	1 9 4	2 12 1	104 9	85	8	12			
102½	98½	Funding 3%, April 15, 1959-63	100½	100½	1 12 2	2 19 1	46½	39½	8	7½			
111½	110½	Funding 4½%, May 1, 1960-90	111½	112	1 2 7	2 16 4	32½	25½	25	25			
102½	97½	Savings Bonds 3%, Sept. 1, 1960-70	99½	99½	1 12 9	3 0 1	32½	27½	8	8			
96	92½	Savings Bonds 2½%, May 1, 1964-67	94½	94½	1 14 3	2 17 6	79½	68½	12	15			
115½	112½	Victory Bonds 4½%, Sept. 1, 1920-76	112½	113½	1 5 5	2 18 10	53½	44½	3	7			
101½	96½	Savings Bonds 3%, Aug. 15, 1965-75	98½	99	1 13 11	3 1 5	6½	5	13½	13½			
110	107½	Consols 4½% (after Feb. 1, 1957)	109½	109½	1 1 11	2 17 4	48½	40½	10	10			
106½	102½	Conversion 3½% (after Apr. 1, 1961)	103½	104½	1 11 7	3 2 8	56½	48½	5	10			
85½	74½	Treas. Stk. 2½% (after Apr. 1, 1975)	76½	76½	1 15 11	3 5 5	61½	47½	12½	10			
99	91½	Treas. Stk. 3% (after Apr. 5, 1966)	93	93½	1 15 4	3 4 4	65½	49½	30	7½			
100	93½	Redemp. Stk. 3% Oct. 1, 1986-96	95½	95½	1 15 11	3 3 11	51½	30	26	7½			
83½	76	Consols 2½%	76½	76½	1 15 11	3 5 4	59½	49½	12½	77½			
99	96	British Electricity 3% (Gtd. 1968-73)	98½	98½	1 14 6	3 1 10	85½	73½	12½	12½			
98½	93½	British Transport 3% (Gtd. 1978-88)	95½	96½	1 15 8	3 10 7	7½	5½	12½	12½			
99	95½	British Transport 3% (Gtd. 1968-73)	98	98½	1 14 8	3 2 1	90½	79½	3½	11½			
Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date.													
Other Securities													
		Australia 3½%, 1965-69	102½	102½	5	1 0							
		Birmingham 2½%, 1966-71	91½	92	3	2 0							
		Argentina 3½%	101½	101½	3	9 3							
		Anglo-American Corp. 10s.	7½	7½	3	4 0							
		Anglo Iranian Oil (L.)	8½	8½	3	11 8							
		Asst. Port. Com. Ord. Stk. (L.)	72½	74½	4	1 1							
		Austin Motor 'A' Ord. Stk. (L.)	34¾	35½	5	14 3							
		Barchess Bank Ord. 'B' (L.)	78½	78½	3	11 10							
		Bass Ratcliff Ord. (L.)	9½	9½	2	11 10							
		British Oxygen Ord. (L.)	46½	46½	4	15 1							
		Canalsud Ord. (L.)	26½	26½	3	11 5							
		Distillers Co. Ord. 4s.	32½	32½	5	0 0							
		Dorman Long Ord. (L.)	72½	73½	4	1 11							
		Dunlop Rubber Ord. (L.)	49½	49½	4	0 5							
		Imperial Tobacco (L.)	51	51½	5	11 2							
		Lancs. Cotton Ord. Stk. (L.)	46½	46½	4	6 11							
		Lever & Unilever Ord. (L.)	51½	51½	3	18 1							
		London Brick Ord. Stk. (L.)	51½	52	3	16 2							
		P'chin 'J'ison Ord. Stk. (L.)	56½	57½	4	16 5							
		Prudential 'A' (L.)	55/9d	55/9d	4	16 5							
		Stewarts & Lloyds Def. (L.)	75½	75½	3	18 8							
		"Shell" Transp. Ord. Stk. (L.)	131½	130½	3	16 11							
		Turner & Newall Ord. Stk. (L.)	78½	77½	3	17 5							
		Woolworth (F. W.) Ord. 5s.	82½	84½	4	3 4							

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (these are marked 'l'). Net yields are calculated after allowing for tax at ½% in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2½ per cent free of income tax. Yield, cent. (g) To latest redemption date. (h) Fifteen months to March 31, 1947 (yield basis 7.6 per cent). (i) Free of tax.

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COMPLETE BANKING SERVICE

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 as a Limited Company)

Pension Assurances, Child's Education
Assurances, Death Duties Assurances

M. MACAULAY (General Manager for British Isles)

141, SUN OF CANADA HOUSE, COCKSPUR STREET, LONDON, S.W.1



The gossip-writer has finished the interview and has asked for permission to take some photographs. In a week or so's time the readers of a society illustrated will get a glimpse of the private life of a famous film producer. Here is one of the homes of Britain where good taste is not handicapped by limited means. One of the homes of Britain, more than half of which take the *Radio Times* regularly.

Average weekly net sale for 1947, 6,273,926. A.B.C. figures.

RADIO TIMES

Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1.

ANGLO-PALESTINE BANK, LIMITED

SATISFACTORY PROGRESS

MR. S. HOOFIEN'S STATEMENT

The forty-sixth ordinary general meeting of the Anglo-Palestine Bank, Limited, was held recently at the registered offices of the company, 6, Gracechurch Street, London, E.C.

The following is the statement by Mr. S. Hoofien, the chairman, circulated with the report and accounts for the year ended December 31, 1947:—

I have first of all to refer to the resignation in July last of Mr. L. Braudo from the office of chairman. Mr. Braudo joined the board in 1934 and was elected chairman in 1937. For some years past Mr. Braudo has on more than one occasion requested his colleagues to relieve him from the burden of office. They have now reluctantly agreed to do so, and they wish to record their great appreciation of his devoted service during the ten years in which he held office. I must add my own personal thanks to Mr. Braudo, in whom I have always found a wise counsellor and a staunch friend. I am happy to be able to announce that Mr. Braudo continues to serve on the board.

As to myself, I have retired from the office of general manager, and the directors have honoured me by electing me as their chairman, and by expressing the desire that in this new office I continue to give my full time to the Bank.

I am succeeded as general manager by Mr. A. Barth, who has resigned from the vice-chairmanship, but retains his seat on the board.

I must also mention the promotion of Messrs. D. Israeli, H. Margulies and S. Saalheimer all of them executive officials of long standing and proved ability, to the rank of assistant general managers.

CONDITIONS IN PALESTINE

The bank's business is to so large an extent interwoven with the entire economy of Palestine that, in reporting its progress, it is only natural that I should start by saying some words on the general conditions prevailing at present in that country. Events move so quickly that it seems necessary for me to point out that the present statement has been written in the third week of April, some days after the Special General Assembly of the United Nations started on its thankless labours.

His Majesty's Government, having decided to give up the mandate, placed the whole issue in the hands of the United Nations. That body decided in November last that sovereign Jewish and Arab States should be set up in Palestine, that the City of Jerusalem should be placed under international trusteeship and that the three territories should form an economic union. His Majesty's Government announced that it accepted the decision, but that it would be no party to its implementation. In pursuance of this policy the administration began to wind up its services, and this process of liquidation of the civil administration of a highly developed modern community is now in a far advanced stage. I do not believe that there exists a precedent for such a procedure.

The United Nations' Palestine Commission has in its report to the General Assembly stated that the attitude of His Majesty's Government has made it impossible for the Commission to take the necessary preparatory measures to assure continuity in administration after the date of termination of the mandate and it has made a definite complaint of lack of co-operation from the mandatory Power. It is difficult, looking at the facts, to quarrel with the Commission's conclusions.

I need say nothing about the lack of security, mainly brought about by the incursion of armed bands from neighbouring territories. It cannot be denied that the administration has been unsuccessful in whatever effort it may have made to maintain security, law and order. Such lack of success, when neither the duty nor the power to attain it were in dispute, is a painful thing to note.

A crucial step, taken by the Government, was the exclusion of Palestine from the sterling area on February 22, 1948. In modifying unilaterally, acting in virtue of their powers as Palestine's trustee, the conditions of their debt to Palestine, His Majesty's Government find themselves placed in a position of no little delicacy. The way in which the measure was announced caused some amount of avoidable dislocation, but it may be expected that the country will be able to adapt itself to the new conditions.

POLITICAL SITUATION

The political position is highly confused at the time the present statement is written, and there is no hope that it will have reached complete clarification at the time it will be read. No doubt there is still considerable trouble ahead, and a final and satisfactory solution is not yet in sight. There is, however, no reason to give up the hope that the two peoples of Palestine will ultimately attain their ideal of independence and statehood, each in its own territory, and that they will discover the road towards peaceful and fruitful co-operation. When that time comes it may well be expected that the present feelings of bitterness towards the Mandatory Power which the events of the last decade have caused to grow up within the two peoples in Palestine (and which, one must fear, are to some extent reciprocated) will gradually abate.

ECONOMIC PROGRESS

It is a comfort to note that, in spite of the political difficulties which the country experienced during the whole of the year under review, considerable economic progress has been made.

Statistics again show a considerable increase in imports, partly due to increased imports of machinery, building materials and transportation equipment, partly to the continued replenishment of stocks and partly, of course, to higher prices. The export figure, too, has grown. Citrus exports for the 1947-48 season are estimated at 10,000,000 cases as against 7,900,000 in the previous season.

Sales of electric current went up to 303,000,000 kw. hours from 252,000,000 kw.h., the increase for industrial purposes being from 74,500,000 to 86,100,000 kw.h., and for irrigation from 64,200,000 to 73,100,000 kw.h.

Housing, too, progressed considerably. The figures available for Jewish districts show that about 18,000 rooms were con-

pleted in 1947 and a similar number of new ones begun; this in addition to extensive commercial and industrial building. There was also considerable building activity by other sections of the population for which adequate figures are not yet available. Local cement production rose from 259,000 tons to 328,000 tons.

Total deposits in the country decreased from £97.4 millions to £94 millions. Total advances increased from £37.7 millions to £48 millions.

Currency in circulation on December 31st stood at £42.1 millions as against £43.4 millions a year ago.

All this shows a picture of very satisfactory progress in a year of continued and accentuated political insecurity.

SUBSIDIARIES

Our main subsidiary, the General Mortgage Bank of Palestine, Ltd., continues to show progress. The amount of outstanding debentures has risen from £2,154,000 to £2,706,000, and the item building loans has gone up from £2,909,000 to £3,517,000. The dividend on both the preference shares and the ordinary shares has been maintained at 6 per cent., subject to Palestine income tax (5s.).

The Orsar La-Taassiya, Ltd., which grants medium and long-term loans to industry, has increased its paid-up capital from £200,000 to £320,000, and its loans from £186,000 to £424,000.

The Orsar La-Haqlauth, Ltd., which grants similar credits to agriculture, has increased its paid-up capital from £100,000 to £160,000 and its loans from £116,000 to £188,000.

The A.P.B. Investment Co., Ltd., which was established mainly with a view to providing a convenient medium of investment in Palestine for foreign investors, has increased its ordinary capital from £100,000 to £135,000, its preference capital from £150,000 to £175,000, and its debenture issue from £253,000 to £471,000. In this way close on £300,000 was made available for new investment.

Progress was, therefore, satisfactory in all the three companies. We are still continuing our policy of allowing these companies to retain their profits in the business.

Towards the end of the year we opened two new branches, in Nathanya on the seashore, thirty miles north of Tel-Aviv, and in Ramath-Gan, three miles north-east of Tel-Aviv. Both branches have made good initial progress.

PROFIT AND LOSS ACCOUNT

The profit and loss account again shows an increase at £198,387 after an allocation to contingencies. The increase in income resulting from the expansion in advances has been set off to a large extent by an increase in expenditure.

Your directors have appropriated £75,000 to the contingencies reserve and £75,000 to the reserve fund, bringing the latter up to £500,000. They recommend a final dividend of 4 per cent. (free of income tax) on the ordinary and "A" ordinary shares, which, together with the interim dividend of 3 per cent. paid in October, makes the total dividend for the year 7 per cent., tax free.

I cannot close my remarks without paying high tribute to the management and staff for their devotion and energy in coping efficiently with considerably increased work during a rather trying year.

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

The retiring directors, Mr. A. Barth and Mr. A. Brudny, were re-elected; and the auditors, Messrs Jackson Pixley and Co., having been reappointed, the proceedings terminated.

CALEDONIAN INSURANCE COMPANY

TRIENNIAL VALUATION RESULTS

The one hundred and forty-third annual general meeting of this company was held, on the 6th instant, in Edinburgh.

The chairman, Mr W. H. Fraser, W.S., in moving the adoption of the report, said:—

Life Department.—The net life assurances issued during 1947 amounted to £2,550,342, a record for the company, the premiums thereon being £115,685, of which £21,215 were single premiums. The new annual premium income shows an increase of £18,596 over the corresponding figure for 1946.

Death claims for the year at £221,616, though greater by £24,526 than the amount last year, compare very favourably with those of recent years, and the mortality experience of the company has been satisfactory.

The life assurance and annuity fund has increased by £213,709 to £9,375,277.

The results of the triennial valuation are embodied in the report. The net rate of interest earned during the year increased to £3 4s. 8d., and for the triennium the average net rate of interest earned was £3 3s. 3d. Acting upon the advice of the actuary, and in view of the uncertain conditions, the basis of valuation was again strengthened and a sum of approximately £110,000 has been applied to this end. "With profits" policies have been valued assuming interest of 2½ per cent. per annum and "without profits" policies and annuities have been valued assuming interest of 2½ per cent. per annum. The surplus disclosed is very satisfactory and, after providing for the reversionary bonuses declared and referred to in the report, the amount carried forward is £71,121.

It has also been decided to pay as interim bonus for 1948 the same rates of bonus as have been declared for the past three years.

Fire Department.—The premium income for 1947 was £1,507,190. This figure exceeds the figure for the previous year, which was the highest in the history of the company.

The income could have been much higher, but on account of continued adverse experience in America we restricted our income there. It is our immediate intention to continue this course.

The experience of fire insurance throughout the world for 1947 was less favourable than for the preceding year, and the company's operations resulted in a substantial loss, to provide for which a sum of £121,826 has been transferred from the profit and loss account to the fire account.

Accident Department.—The premium income for 1947 was £1,437,483, which is a figure 35 per cent. higher than the figure for the previous year. The underwriting results for the year were unsatisfactory, and we have transferred a sum of £53,755 from the profit and loss account to the accident account.

The premium reserve for unexpired risk required a sum of £149,250. This is no less than 10.4 per cent. of the whole income of the department, and arises as the result of the large increase in income.

Marine Department.—The account continues satisfactory, and a sum of £70,000 has been transferred to the profit and loss account. The fund is £645,965, which is 171 per cent. of the premium income, compared with 254 per cent. for the previous year. The reduction is largely due to the increased premium income for 1947, which at £377,824 is £143,591 higher than for the previous year.

Total Premium Income.—The premium income for all the above-mentioned departments for 1947 was £4,062,762, compared with £3,411,968 for the previous year, an increase of 19 per cent.

The report was adopted; the allocation of £20,000 to the staff pension fund was approved, and a dividend of 3s. a share, subject to deduction of income tax, was declared for the year 1947, payable in equal half-yearly instalments on May 15 and November 11, 1948.

THE LONDON ASSURANCE COMPANY

ALL-ROUND INCREASES

The annual general court of the London Assurance will be held in London on the 20th instant.

The following is an extract from the circulated statement by the governor, Mr R. Olaf Hambro:—

In the life department we have to report a record year, both in the total of sums assured, which exceeded £4,500,000, and in the annual premium income at £1,148,021, which is in excess of £113,000 over the previous year. Our net interest rate has also very gratifyingly moved upwards from £3 2s. 4d. per cent. in 1946 to £3 4s. 2d. per cent. in 1947. Our mortality experience was a little higher than in the previous year, but was well within our expectations. Surrenders, including surrenders of bonus, are at a slightly lower figure. Expenses of management, including commission, show in combination a slight decline on a percentage basis. The resultant position, after allowing for all outgoings, is that the life fund increased during the year by £563,618, closing at £13,830,496.

FIRE AND ACCIDENT

In the fire department the volume of income now stands at £3,845,770 in respect of 1947. The increase over the previous year is £36,307. Our loss experience during 1947 has been heavier than for many years. The ratio for 1947 stands at 51.2 per cent. against 43.1 per cent. in the previous year. Within living memory there has never been a higher fire loss wastage in this country or in the United States of America. Our experience has been one common to all offices.

The accident insurance account shows a very substantial increase in premium income, the increase being £384,140, which has involved the financing of the 40 per cent. reserve by an additional £163,031. The reserve now stands at £885,426. Claims paid and outstanding show an increase from 49.1 per cent. to 52.6 per cent. Commission is virtually stationary at 16.1 per cent., and expenses of management show a slight decline at 16.5 per cent. compared with 17.1 per cent. Overseas taxation calls for a debit less than 1 per cent.

MARINE ACCOUNT

The marine insurance account, with an income of £2,276,748, shows an increase over the previous year of £521,233. Losses paid, after deduction of reinsurance and salvages on account of 1947 and previous years, are 61.7 per cent., which is 7.6 per cent. in excess of the same item in the 1946 account. As in previous years, we are making a transfer from the marine account under two headings, namely, £250,000 in respect of reserve for taxation and £200,000 as a transfer to profit and loss account. The resultant balance shows an increase in the fund of £211,352, which is 120 per cent. of the annual premium income compared with 143.6 per cent. in the previous year. The fund at this figure is exceptionally strong, and it is my view, looking to possible future developments, that it is necessary to keep it at the highest possible level.

The capital leasehold and redemption account opens with a fund of £311,359 and closes with an increase of £40,472 at £351,831.

In the profit and loss account there is provision for taxation of £250,000. We are recommending an appropriation to the staff pension scheme of £100,000. After dealing with all debits there emerges a balance of £1,075,033, which is in excess of the figure brought into the year of account by £88,494.

The total premium income for all departments for the year 1947 was £9,499,916, which shows an increase over the previous year of £1,048,121.

ALLIANCE ASSURANCE COMPANY, LIMITED

YEAR OF EXPANSION

The annual general court of the Alliance Assurance Company, Limited, will be held, on the 19th instant, in London.

The following is an extract from the statement of the chairman, Mr Richard Durant Trotter, circulated with the report and accounts for the year 1947.

In the life department the net new business completed during the year reached a record total of £4,956,771, compared with £3,965,000 in 1946 and £4,205,415 (the previous record total) in 1938. The total "Alliance" life and annuity funds at the close of the year amounted to £24,705,074, an increase of £522,244 over the 1946 figure of £24,182,830.

In the fire department the net premiums amounted to £3,506,172, being £710,528 more than those for 1946. The claims for the year, including contributions to fire brigades, amounted to £1,495,377, an increase of £533,632 over those for the preceding year. The result, after providing an increase of £284,212 in the reserve for unexpired risks, is a surplus of £190,465, which has been carried to profit and loss account.

ACCIDENT DEPARTMENT

In the accident department the net premiums, including the revenue of the "National Boiler," amounted to £2,976,571, which compares with £2,433,004 for the previous year. The result, after providing an increase of £210,184 in the reserves for unexpired risks, is a surplus of £96,884, which has been transferred to profit and loss account.

The expansion in the business applies to all sections of the department. I am sorry to say, however, that the motor account, in spite of an increase in income both at home and abroad, resulted in a loss, which was largely due to the fact that the revised rates proved to be insufficient.

In the marine department the net premiums at £1,484,746 show an increase of £464,173 over the premiums for 1946. The underwriting account for 1945 has now been closed, with a balance of £336,288, which compares with £359,160, which was the balance on the 1944 account. After setting aside £105,222 to meet further claims, which maintains the reserve for previous years at £425,000, a surplus of £231,066 is transferred to profit and loss.

In the trustee department the fees received for 1947 amounted to £11,089, compared with £9,974 in the previous year, and the department continues to make good progress.

DIVIDEND MAINTAINED

In the investment department the year was one of exceptional difficulty. The abandonment of the Government's ultra cheap money policy caused a substantial decline in the market prices of the majority of fixed interest securities. Nevertheless, there remained at the end of the year a substantial margin between the book values and the market values of our Stock Exchange securities.

The following appropriations have been made from the consolidated profit and loss account: £96,800 to staff pension funds; £20,876 to writing down of premises; £30,000 to reserve, and £45,247 to the widows' and orphans' funds. In addition, provision has been made for the dividend payable in 1948, which the directors feel should on this occasion be maintained at the same rate as that declared for last year, in spite of the increased burden imposed on the company by the present penal rate of profits tax.

ARMY AND NAVY STORES LIMITED

TRADING PROBLEMS

The seventy-sixth annual general meeting of Army & Navy Stores, Limited, was held, on the 5th instant, in London.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O., the chairman, presided and, in the course of his speech, said: The figure of £1,033,793 shows the actual gross profit made by trading. The gross profit from trading and all other sources amounted to £1,150,591, and the expenses to £692,393, which leaves a balance of net profit of £458,198, or £29,107 less than the previous year. If you will now turn to the profit and loss appropriation account you will see that the total credits are £573,442, and out of this sum we are providing £290,000 for income-tax, profits tax, etc., leaving for disposal £283,442.

APPROPRIATION OF PROFITS

We recommend the appropriation of this balance as follows: Payment of a 10 per cent. dividend, plus a bonus of 10 per cent. which is the same as last year; this will absorb £90,200 after deduction of income-tax; the allocation of £2,000 to the Indian good service fund; of £21,979 to the staff pension fund, and £55,000 to reserves, leaving £114,263 to be carried forward, or £2,705 more than last year.

I propose to say a few words about our net profit. Out of each £1 of net profit that we make, the Government takes in taxes 12s. 0½d.; debenture and other interest, 11d.; necessary reserves, 2s. 3½d.; staff benefit funds, 1s.; and dividends to stockholders, 3s. 9d. That is where the money goes. You will notice that the Government is out and away the largest shareholder in your business. For every £1 you get out of it this year, the Government gets £3 4s.

To conduct a retail business like ours is no mere child's play in these times. The prices of what we buy and at which we sell are constantly more and more minutely controlled and our operations more and more closely regulated. In a number of directions, our functions become those of retail agents, rather than of traders; and this does not apply only to such things as branded goods sold on a pre-determined margin, but also to large lines such as the Government concession wines, where moreover our capacity for judgment and selection is largely restricted.

PURCHASE TAXES AND PRICE CONTROLS

The operation of the purchase taxes and of price controls admit of little or no "cushioning" of the effect of constantly rising costs of what we have to buy and in respect of labour, material, transport, and handling generally. And it is obvious that all these factors restrict the exercise of experience in trading. Many of the controls, and restrictions, regulations and statistical inquiries under which we labour may be necessary in the present plight in which our country finds itself. But—and here I speak quite generally—I cannot refrain from the comment that in many cases they are mere pills prescribed to alleviate the symptoms of a disease that may be mortal. As I see it, the root cause of that disease is monstrously extravagant Government expenditure, much of it undertaken, as we gather from the pathetic speech of Mr Shinwell last Sunday, without the necessary knowledge, foresight or detailed preparation. Until the disease itself is attacked, and the Government ceases to spend "like a drunken sailor," the palliatives for the symptoms will inevitably continue to be needed, and will also inevitably, I think, fail to effect a cure.

The report was adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

A SUCCESSFUL YEAR

The forty-eighth annual general meeting of Associated Electrical Industries, Limited, was held, in London, on the 5th instant.

The Right Hon. Oliver Lyttelton, D.S.O., M.C., M.P., the chairman, in the course of his speech, said: The year 1947 has been particularly difficult. We were able, however, through arrangements which had previously been made, to keep a good proportion of our workpeople in employment. We were also glad to be able to pay the guaranteed week through the whole period of the stoppage, whereas a strict adherence to our legal obligations would have confined the payment to one week after notice had been given.

Interruptions in the smooth flow of raw materials through the shops, and the shortages of certain vital supplies for our industry, have also added to the difficulties of both management and workpeople. Lastly, several new factories were or had been acquired, and the management has had to deal with the baffling problems which present themselves when new factories have to be laid out, the flow of production planned, the machine tools deployed and labour trained.

It is, therefore, with a sense of satisfaction that I am able to record that during the year the invoicing of finished products from our factories, which are now situated all over the country, rose by no less than 18 per cent. Part of this is due to the rise in prices of our products, which in its turn is chiefly due to the rise in price of raw materials which we use. Part, however, is due to increased volume made possible by our additional manufacturing capacity.

EXPANSION OF EXPORTS

We have made great efforts to expand the volume of our exports, and in this we can claim to have been successful. The total value of exports made by this Group to all parts of the world in 1947, amounted to little short of £14 million. This figure should give some heart to those who are inclined to think that the industries of this country are incapable of competing in the markets of the world. Since the close of the year, we have been able to make still further increases in our export business to all parts of the world.

At the end of 1947 the firm orders on the books were the highest ever recorded in the history of the Group, and in 1948 the rate at which orders are being received is still increasing. Besides increased sales abroad, we have also increased our interests in the Empire by making a further considerable investment in South Africa. We have been engaged in expanding the manufacturing capacity of our Indian factory. The Australian General Electric Proprietary, Limited, in which we have approximately a 50 per cent. holding, continues to develop satisfactorily.

We have continued to take further orders for generating plant at home and are fully maintaining our position as the leading suppliers of heavy plant in this country. We continue to receive important orders for rolling mill motors and other electrical equipment. We regard the development of gas turbines as being of great importance in this century, and we expect that gas turbines will be used on an increasing scale as prime movers.

Striking advances have been made by the Group in the field of electronics. Great progress has been made in fluorescent lamps and lighting. The products of your company cover a wide range from the largest turbo generators to the smallest radio valve.

The report was adopted.

THE BRITISH SOUTH AFRICA COMPANY

PROFIT DOUBLED

The annual meeting of The British South Africa Company was held, on the 6th instant, in London.

Sir Dougal O. Malcolm, K.C.M.G., the president, said that the net receipts from mining royalties, rents and fees were multiplied more than threefold. These had risen from £410,000 odd to over £1,250,000. Those remarkable figures, of course, resulted in the main from the prosperity of the great Northern Rhodesian copper mining industry. The total production of copper from Northern Rhodesia during the year under review of 194,746 long tons exceeded the previous year's production only by about 23,000 tons, but the value of that production had increased by nearly £6,700,000, owing to the rising price of copper. Of that total production, Rhokana Corporation had produced 67,632 long tons of copper, and in respect of its financial year ended June 30, 1947, had paid dividends on its share capital of 85 per cent., which figure, however, bore very little relation to the much more modest return received by the stockholders in that undertaking on the money actually found and expended by them.

Nchanga Consolidated Copper Mines had produced 23,036 long tons of copper during the year under review. It was still in the process of expansion, and had not yet reached the dividend-paying stage. The production of copper by Roan Antelope Copper Mines and Mufulira Copper Mines was respectively 52,865 long tons and 51,213 long tons. Those companies had paid dividends of 15 per cent. and 25 per cent. respectively.

Their interest direct and indirect as shareholders in those Northern Rhodesia mining companies was very large, but their main receipts from Northern Rhodesia mining rights came to them in the form of royalties on their production.

MODEST INCREASE IN DIVIDEND

The profit from the estates at £25,600 was about £25,000 less than the corresponding figure last year. The overall result was that the profit for the year under review was £951,564—more than double the previous year's profit at £453,164. In the circumstances of the present time they had thought it right to confine themselves to proposing the modest increase of 9d. from 1s. 9d. to 2s. 6d. per share or unit of stock in the dividend, which would call for £602,285, less than two-thirds of the profit for the year, and to increase the carry-forward by the large sum of nearly £350,000 to £1,155,823. The dividend represented a return of 16½ per cent., less tax, on the nominal issued capital of the company, but of only 10 per cent. on the capital actually invested in the business.

That they felt was the least that they could do in fairness to shareholders, who were now at last approaching the fruition of the hopes which, in the commercial sphere, had inspired the long patience of the whole body of shareholders, who by their faith and with their resources had backed the great imperial project of Cecil Rhodes, and had made its realisation possible.

The company had a long history behind it, for nearly 59 years was a long time, and they were looking forward to celebrating their Diamond Jubilee on October 29, 1949. For more than a third of a century from the beginning, while they were carrying the burdens of the administration of Southern and Northern Rhodesia, they had never paid any dividend at all. Since then they had paid dividends, steady but not large, for about a quarter of a century.

The report was adopted.

AGGREGATE ASSETS
at 31st March, 1947
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Kite from the Kremlin

ONE would like to know whether the Politburo is now reproving its Foreign Affairs Commissar for a diplomatic blunder or congratulating him on a brilliant stroke of political warfare. By rudely broadcasting to the world on Monday night a statement of Russian policy which had been handed to the American Ambassador in Moscow only on Sunday, Mr Molotov has provoked a depressing series of diplomatic "no bids." Mr Truman says there is "no new departure in American policy," Mr Marshall denies that he has any wish to discuss alone with Mr Molotov matters affecting other nations, and Mr Bevin insists that the ground should be cleared before new talks are attempted. To achieve this much in 48 hours is indeed a feat—whether of clumsiness or skill.

It may have been calculated in Moscow that a diplomatic sensation would help Mr Wallace in the presidential elections, or that the sails of Western Union might begin to flap if the wind blew less steadily from the east. Or Mr Stalin's advisers may have seen in the full and frank reminder of American policy presented on May 4th an attempt to score a point in the cold war. Or, indeed, it is just possible that Mr Molotov mistook General Bedell-Smith's *aide-memoire* for a *billet-doux*.

Whichever may be the correct explanation, the hopes that were aroused have been quickly dashed. Having explained to Moscow that the shape of a bipartisan American foreign policy is set, and that it will be modified only in response to a change of tone in Russian policy, Mr Marshall has now to persuade a disappointed Europe that a desire for general conversations is no new feature of the policy of the Russians, and that they could better express their goodwill, in more than one capital or committee, by action instead of words. But Mr Marshall is entitled to expect that there should be no suspicion or resentment in London or Paris or Brussels about his single-handed and secret approach to Mr Molotov. A joint approach would have been regarded in Moscow as tantamount to a threat ; a public gesture would have been treated as a challenge or ignored. General Bedell-Smith's memorandum was well-timed, carefully drafted and free from any taint of appeasement.

It is not easy to do justice to the spirit of the argumentative Russian reply, because its version of postwar international history is the usual Marxist fantasy. It is friendly—by the standards of 1948—in so far as it speaks of the “positive attitude” with which the Soviet Government receives the American assurance that “the door always remains open for discussion and settlement of our differences.” But the Russians at once aroused suspicion of their good faith by interpreting it as “the proposal to *begin* . . . a discussion and settlement of the differences between us,” and by then broadcasting the distortion to the world in the midnight hours.

As for the American statement, there is a significant sentence which has escaped notice. Referring to attempts by Communist minorities to seize power and establish "regimes subordinated to foreign interests," it declares that, if these attempts ceased,

then the necessity for certain manifestations in the foreign policy of the United States which evidently cause dissatisfaction in Moscow will be eliminated.

That is a broad and promising hint of possible concessions. There is no counterpart to it in the Russian reply, save the general suggestion—by no means a concession—that Russia would be interested in a programme of European economic recovery outside the limits of the Marshall Plan. This is hardly the way to appeal to Mr Marshall.

The public airing of the two government's statements will have done a little good to the American and Russian publics. But in Europe it will have done great harm, by encouraging the appeasers. If any progress towards negotiation and settlement is now to be made this dangerous public diplomacy should cease. It is no good Mr Marshall's pointing to the Uno council

Long-Term Economic Problems—I.

The Importance of Capital

BEYOND very much question the most fundamental problem of the long run that faces the British economy is the rate at which it will create capital. It is less urgent than the problem of the balance of payments, which must be solved in a very few years. But if Britain contrives to bring its international accounts into balance by the early 1950s, it will only be by a great effort and by much privation. The only possibility of combining a balanced international account with ease and prosperity at home is by a great and sustained increase in real productivity—and that rests on the rate of capital creation more than on anything else.

The process by which capital is formed is familiar to anyone who has read even the simplest textbook of economics. Not only Robinson Crusoe on his island but also the most complex industrial community must set aside out of its annual production enough resources to keep its existing capital equipment in repair, to replace it when it wears out or becomes obsolete, and to increase its total amount. The essential characteristic of capital creation is that though it competes with consumption (and with the activities of the Government) for the limited resources of the community in the present, it is the means of increasing the whole level of production and consumption in the future. A high rate of capital creation lowers the standard of living now, but (if the capital is properly applied) raises it later on. It reduces the size of the slice that is available to be eaten now, but it increases the size of the cake later on.

The New Economics of the 1930s, under Keynes's leadership, turned a very bright spotlight on the relationship between the amount of capital creation that was undertaken and the amount of monetary saving that the community spontaneously performed out of its income. If capital creation exceeded saving, there would be a boom; if capital creation fell short of saving, there would be a slump. This doctrine, in its broad outline at least, is now all but universally accepted. But being worked out in a period of massive unemployment, it had the natural but unfortunate result of concentrating attention on the apparent phenomenon of over-saving. It is true that, throughout the 1930s, the British community (and still more the American) had a tendency to save more than it invested in the creation of capital. It is true that if the community had then saved less, it would have suffered less from unemployment.

But the crucial fact that was hidden by this concentration on the causes of unemployment was that even if Savings and Investment (to use the Keynesian terminology) had been equal to each other before the war, they would still have been far too small. By any test, the British economy of the inter-war years was creating far too little capital. It did not maintain its machinery; it was woefully inadequate in scrapping old plant and replacing it by new; much of its transport equipment (both

table. That method has been tried with the Russians and has failed too often. There should be negotiations through diplomatic channels, with the most careful preparation and without popular expectation of quick results. For the general agreement which is—and always has been—the objective of British and American policy may take years to achieve. Meanwhile, the measures taken to strengthen the West—political and military as well as economic—must go on swiftly and steadily, just as the consolidation of the east European bloc will go on. The condition of reaching, let alone maintaining, a general settlement between Russia and America is to achieve a new balance of power in Europe.

track and rolling stock) was allowed to become very antiquated. Almost the only forms of capital in which there was a rapid rate of replacement and expansion were dwelling houses and electric power equipment. With all the advantages of hindsight, it is very easy to see today that there should have been a much greater creation of capital of all kinds in the inter-war decades.

Certainly the boot is on the other foot now. The economy is now embarrassed by the enormity of its demands for capital. There are the arrears—the recognised arrears, so to speak—of the war years to be overtaken and the actual damage to be put right. There is also a growing recognition of the hidden arrears that existed in 1939 and of the need to overtake the effects, not merely of six years' preoccupation but of twenty years' indifference. And finally there is an enormous demand for social capital of all kinds—houses, hospitals, schools, new towns, parks, public buildings and the like—which is not directly productive but neither can be nor should be denied. In 1938 some 14 per cent of the gross national product was devoted to gross capital formation, and of this fully three-quarters must have been absorbed either in the mere maintenance and replacement (slow though it was) of the existing capital or else in the relatively unproductive form of dwelling houses. Broadly speaking, only sixpence out of every pound of gross income was invested in the means of increasing the nation's capacity to create wealth for itself.

★

It is not intended in this article to suggest any precise target for a long-range programme of capital formation. That, presumably, will be contained in the Government's promised long-term plan. But it is quite obvious that the proportion of gross capital formation must in future be considerably larger than the 14 per cent of 1938. There is, indeed, no more important decision that a community has to make—whether it makes it consciously through some mechanism of planning or unconsciously through the unplanned decisions of its citizens—than how much of its resources it will put into new capital. It would be going too far to say that the standard of living of a nation depends solely on the productive capital it possesses; but it certainly depends on that much more than on any other single thing, or even than on all other things put together. Why is the standard of living in America or in Britain higher than it is in Russia or in China? Basically it is because, through the accidents of economic history, every pair of American or British hands has many more mechanical slaves to supplement it than the Russian or the Chinese pair of hands. But why is Russia's wealth-creating power increasing so much more rapidly than Britain's? Because the Russian people are, year by year, putting into new productive capital equipment

a much larger proportion of their annual income (and starving themselves in the process) than the British. This is not a matter of free enterprise or socialism. The vital distinction is between "high-capital" and "high-consumption" economies and there are examples of each to be found under private and public ownership. Mr Stalin is certainly a far better capitalist (in any literal sense of the term) than the Tory businessmen of inter-war Britain.

The mark of a progressive economy is thus to have a high rate of capital formation. There is certainly no country in the world that has a more imperative need to be economically progressive than Britain, which needs to be very progressive for several decades simply to keep its present, or its prewar, place in the world, to become independent without suffering the pains of a permanent siege economy, to build up an income sufficient to afford the social promises it has made to its own people. But unfortunately a nation cannot achieve a high rate of capital formation simply by desiring it, or by approving of the general proposition, or by planning it in a White Paper. Even if it be fully accepted as a national objective, there are still two separate orders of difficulty in the way. The first is to create the supply of savings to finance the capital formation, or—to put the same point in non-monetary language—to see, by one means or another, that the community consumes, or uses up in Government activities, a smaller proportion of its annual resources. But the second, when the supply of savings has been assured, is to see that it is in fact invested in capital formation of a productive and profitable kind. To save gigantic amounts and then not to invest them would be to court unemployment on an unprecedented scale. There is nothing automatic about the investment

Lessons of The Hague

FOR Mr Churchill's speech alone it was worth holding the Congress of Europe. Whatever the proceedings at The Hague last weekend may have lacked in preparation and procedure, they were given an impressive send-off by Europe's only great orator. Mr Churchill was able to invoke his wartime authority, as well as the warnings of his Zurich speech two years ago, to present the workings of the Marshall Plan and the committees of the Brussels Treaty as great steps forward in a direction which he was one of the first to point out. He was able, too, to dramatise the simple motives and fears which had brought so many leaders of European life to the Ridderzaal; and he reminded the federalists, customs unionists, multi-lateralists and other expert pleaders that their real task was to interpret and harness the heart's desire of millions of families in Europe—the longing to be free of fear:

Why should they now be regimented and hurled against each other by variously labelled forms of totalitarian tyranny, all fomented by wicked men, building their own predominance on the misery and subjugation of their fellow human beings? Shall so many millions of humble homes in Europe, aye, and much of its enlightenment and culture, sit quaking in dread of the policeman's knock?

That, said Mr Churchill, was the question the Congress had to answer. And by this formulation, so unlike the cold economic propositions of Mr Marshall and the cautious political generalities of Mr Bevin, the purpose of union in Europe is put in a way that the ordinary man can remember as well as understand. Thereby Mr Churchill set the Congress working on what seems likely to be its main task; to act as the voice of Europe, formulating principles, reminding statesmen of their promises and voters of their aspirations, planning unofficial ways of co-operation, and debating differences between national groups.

of savings, as the experience of the inter-war years showed; it must be made to seem worth while to those who are in charge of industry.

Both of these problems—that of the supply of savings and of the demand for them—will be taken up in subsequent articles. It is not intended by that to suggest that any adequate solutions will be offered to either of them. On the contrary, in the particular circumstances in which Britain will find itself in the second half of the twentieth century, both of these two problems are likely to prove intractable. It is all too easy for a democratic, universal-suffrage community to allow capital formation to be pushed to the wall. Long-range intentions may be excellent, but at any one moment it may be politically impossible to cut down consumption or prune Government activities enough to create a sufficient margin in the national income. Capital creation may be necessary; but there are very few votes in it. Yet the penalties for neglecting it, though they may take some time to mature, will in the end be inexorable. An instalment is being experienced now. But if under-investment continues much longer, then it may be wholly impossible to rescue the British economy. Nor—to re-emphasise another essential point—is this an issue that can be advanced an inch by any comparative arguments of free enterprise against socialism. The Britain of the future may be fully dedicated to complete *laissez faire* or it may be completely socialised and planned; in either case it will be progressive or stagnant according as it succeeds or fails in securing a high rate of capital formation. This is not an issue on which the choice for Britain is between America and Russia; it is a choice between being as buoyant as either of these or as moribund as Ottoman Turkey or Bourbon Spain.

But not all Mr Churchill's good advice was taken last weekend. There was a strong party of those who want "sharply cut formulas or detailed arrangements." On several occasions distinguished men lost their tempers over niceties of drafting. French and Belgian trade unionists kept the economy committee up all night with an argument which, on the face of it, seemed to insist on a foolishly narrow interpretation of the word "workers." Above all there were federalists who wanted a European assembly at once, and who proposed quite recklessly to give equal status in it to self-appointed exiles from eastern Europe and Spain. In short, the congress drew to The Hague not only a distinguished company of statesmen out of office and leaders of public life, but also more than a sprinkling of Europe's cranks. And the result of their meeting was what the veterans had foreseen: a succession of sharp duels between those who make haste slowly and prefer birds in the hand to birds in the bush, and those who believe in blue-prints, planning, vision and hustle.

It cannot be said that either side won a clear victory. The political resolution voted by the Congress declares that

the time has come when the European nations must transfer and merge some portion of their sovereign rights, so as to secure common political and economic action for the integration and proper development of their common resources.

The economic resolution asks governments to abolish obstacles to trade, to reduce and remove customs duties, to restore the equilibrium of their budgets, to raise standards of living in Europe and to co-ordinate economic policies so as to achieve full employment. These economic proposals are now common coin in all countries working on the European Recovery Plan; all that the Congress has done is to say the coin is good. What it did not do—and what no discussion among statesmen and politicians has yet done—is to show the practical effect of such

It will be seen that the contributions are fairly heavy. They will seem particularly so to those who are now entering insurance for the first time. Many people, too, will have to pay employers' contributions for their employees, for instance, domestic servants, as well as their own contributions as employed persons. A small shopkeeper will have to pay 5s. 9d. a week as a self-employed person and if he employs, say, two assistants at a wage of over 30s. a week, 4s. 2d. in respect of each of them. In the circumstances, it is perhaps not surprising that the self-employed and the non-employed are being slow to apply for contribution cards under the scheme. There are approximately one and a half million persons in each class, but only 354,000 odd applications had been received from the two classes together by May 1st. Yet it was the alleged hardships of the self-employed class that made Members of Parliament persuade the Government, against its judgment, to allow it sickness benefit on the same conditions as employed persons. If the self-employed were as eager to obtain the full benefits of the insurance scheme as MPs said they were, a little more enthusiasm to be enrolled under it might have been expected.

The trouble, as always, is that people want the benefits of the scheme without having to pay for them—or work for them. They refuse to relate the size of their contributions to the size of the benefits they will receive. When the new contributions are levied from July 5th, it is quite probable that they will be the signal for further demands for increases in wages. Yet any rise in the price level will decrease the value of the benefits under the scheme. When the basic rate for old age pension, unemployment and sickness benefit was fixed at 26s. a week early in 1946, it was above the subsistence level as fixed by the Assistance Board. But the Board will shortly introduce new rates for national assistance, which will narrow the gap between assistance grants, paid after a test of need, and insurance benefits paid as of right. If the Board's rent allowances are taken into consideration, the 26s. a week benefit will be lower than the assistance payments. Is there going to be an outcry that 26s. is not enough, that it is wrong that old age pensioners and the unemployed are having to have recourse to the Assistance

Board to supplement their benefits? And, in the administration of national assistance itself, will the Minister of National Insurance be able to withstand political pressure that the Board should be ever more generous in its determination of need? During the passage of the National Assistance Bill through Parliament this pressure was very obvious. The disregard of an applicant's resources before his needs are determined has gone very far. No doubt from the standpoint of encouraging savings it is right that the thrifty should have some advantage over the spendthrift in the determination of need. But the essence of national assistance, as of the poor law which it is superseding, is that it is available for the completely destitute. What, after all, are savings for if not to prevent a person from seeking financial help from the state?

When that help in time of need had to come from the rates, many people were too proud to ask for it, and there was much suffering in consequence. But the more it has become centralised, the more willing people are to avail themselves of it—indeed, they fail to see that it has to be paid for by their neighbours as taxpayers, and regard it as something which that mythical "They" should provide, as a duty, for "Us." Now that a costly health service is to be paid for almost entirely by the state through taxes, there is a similar danger that people will overuse it and will quite fail to see that the country cannot afford to go on adding indefinitely to the number of nurses, doctors and other medical technicians it will be asked to provide.

The purpose of the social security scheme was to abolish the anomalies in the existing provision, to prevent overlapping between one social security agency and another, between voluntary effort and state provision, and to establish a comprehensive scheme to cover everyone against the normal hazards of life. It is a pity that, in all the publicity at present being devoted to the introduction of the scheme, no Minister has emphasised that it is certainly not its purpose to undermine the will to work and that it will only be a success if it is worked for. It is right that the harshness of the old system should have been abandoned. But the country could do with more of the individual pride which that harshness engendered.

too must also send in armies, but their small forces are so badly organised and lacking in transport, and their internal situation such, that they dare not risk more than a small part of them. Moreover, Hagana units in eastern and western Galilee bar the way and any clash would be likely to result in a Syrian defeat.

It is not only the Palestine Arabs who melted and fled before the Jews; the Liberation Army often led the way. The men wanted to get back home to help with the harvest, and quickly realised that they were no match for the Jews, for their equipment lacked heavy arms, transport, and petrol. It is impossible to estimate the number of Arabs who have fled from Palestine, or from towns and villages in the Jewish area into the Arab triangle and towns such as Acre and Gaza, but it must be something like 200,000. This does not suit the Jews, who are trying to persuade the Arabs to return to Haifa, where they count on using cheap Arab labour. Meanwhile Jewish industry and commerce are still at a standstill everywhere, except possibly in the Tel Aviv area, and the Jewish Agency is heavily in debt.

Arab League's Dilemma

The Arab States in the League now face this dilemma: either they can try by intervention to fulfil a part of their pledges to the Palestine Arabs, or they must abandon virtually all pretence of wielding effective power in the modern world. Egypt's declaration of martial law may be as much a preparation for non-intervention as for intervention. And unless King Farouk is goaded by public opinion into risking Egypt's armoured division and air force across the Sinai desert, the Hashimi axis of Trans-

Jordan and Iraq emerges as the only Arab combination capable of intervention. King Abdullah's intervention may, it is true, be covered by some face-saving pan-Arab formula, but this will not change the actual state of affairs. And the King is never the man to forgo any credit that may be due to him. If his intervention achieves a measure of success—and even the occupation and defence of the Arab rump of Palestine would be a success under present conditions—an important shift of power in the Arab world would result, and Hashimi pressure on Syria would be inevitably increased. If there is complete failure the political consequences inside the Arab countries will be far-reaching.

The real military point of the Arab collapse in Palestine is that guerilla warfare, combined with economic attrition, was considered the most effective as well as the most convenient strategy against the Jews. The failure of guerilla warfare leaves them with what may prove a still weaker weapon, their official armed forces. As was always foreseen, the real test for the Jewish state will be in the long run the economic one. The second post-Mandatory phase, of economic warfare, may now be beginning. But without guerilla resistance, the Jews may be able now, with United Nations help, to force a measure of Arab compliance in making the economy of Palestine work again. The Arabs, too, are suffering tragically from the economic breakdown, and this may help the Jews. None the less, they cannot run Palestine indefinitely on a siege basis.

Duel Over Germany

The London talks on Germany, which are intended to submit agreed recommendations to the Foreign Ministers of Britain, France, the United States and the Benelux group, ran into grave difficulties as soon as the experts left generalities and got down to details in the technical committees. The fundamental difference of views between the French and the Americans has been starkly revealed. In some ways, the British are equally far from the French, without being close to the Americans.

Though more has emerged about differences over the Ruhr, which is the focus of attention for the French man-in-the-street, it is in fact the political future of Germany which forms the basic issue. Broadly speaking, the question is whether the establishment of a German government in Frankfurt will ensure or endanger the attachment of Germany to the West. The French are quite certain (and they have a body of German Christian-Democrat opinion behind them) that a centralised German Government might start in Frankfurt, but would end in Berlin under Russian and Communist patronage. The French would prefer not to have a German Government in Frankfurt at all, but to build up the existing states. And if a constituent assembly is to be formed by September 1st, as proposed, it should—in the French and German Christian-Democrat view—be nominated by the states, and not elected.

The Americans, and to a lesser extent the British, are anxious to establish a government directly responsible to the electorate, and which would be granted far wider powers than the present ineffective bizonal economic administration in Frankfurt. In insisting on elections they are under Anglo-Saxon illusions about the way in which Germans now regard democracy, and there is much to be said for the view that it would be best to relieve the Germans of the responsibility for setting up the first separate government, especially in the present international situation. If the government has adequate powers it will function and be obeyed just as well or badly as if it were elected by an apathetic populace.

Though the French are in many ways more realistic than the Americans and British, their policy is fatally negative. The present stage in the administration of Western Germany cannot be allowed to continue without disaster to ERP, and to the whole concept of combined Western European strength which lies behind it. The Germans will continue to obstruct until they have more control over their own affairs. Their present reluctance to co-operate is due, not by any means only to their fear of being regarded as quislings, but simply to the fact that they are being prevented by military government from establishing an economic system in which business men could make money. Given a reasonably powerful government of their own, established by decree of the Occupying Powers, freedom from military government except in a very few essentials, currency reform, and the vast flow of imports which is coming under ERP, self-interest would keep Frankfurt from looking towards Berlin. The interest of Western Europe demands that this new German state shall be, from its inception, included in all the forms of Western integration which are now being tentatively established.

Equality of Misery

It was perhaps inevitable that last week's second reading debate on the Finance Bill should concentrate mainly on what were really committee points, especially where, as in the matter of the special contribution, principles and technicalities are inextricably intermingled or where, as in the purchase tax changes, the parts are obviously more controversial than the whole. There was no major attack to call forth a major defence—a deficiency which the Chancellor evidently found disappointing. Nevertheless, there did emerge from the background of special pleading and technical argument some points of principle. The question of the investment of Unemployment Insurance funds in "Daltons," and the losses thereby incurred, for example, is hardly a technicality; and when one remembers the electioneering play made in 1931 with the Government's comparatively unexceptionable use of Post Office savings, one wonders what has happened to the Tory propaganda machine.

But on a broad view the most striking feature of the debate was the clash between the two fundamentally opposing views on real income and its distribution.

We have proceeded, quite definitely [said the Chancellor in winding up], upon the basis that as long as there is a shortage provision must be made for giving everybody equal shares of what is short.

This is mercifully an exaggeration. There is no equal distribution per head of cigarettes, books, taxi rides, seaside holiday accommodation, or many other things of which the shortage is undeniable; but Sir Stafford evidently wishes that there were. Things should be controlled, he added,

to see that they are used for the general benefit of the community, and not for some particular small class of the community to enjoy when other people cannot enjoy them.

It is not, evidently, an absolute diminution in the enjoyments of the less fortunate which is to be guarded against; it is the shocking and immoral spectacle of a minority enjoying relatively more. The old yearning for equal misery still governs the Chancellor and marks what he calls "the profound difference between the two sides of the House"—a difference earlier underlined when, in a passage between Mr Warbey and Mr Casson, the latter explained that

we do not consider that some people have too large incomes, but that others have too small incomes.

Conservatism may have richly earned the reproach of complacency in the face of social injustice, but this Conservative statement embodies—as its maker claimed—a more positive and constructive attitude than does Labour's reiteration of the ingrained negativism of the underdog-in-the-manger.

Ban on Processions

The three months' ban on political processions in certain London boroughs has now been extended to the whole of the Metropolitan police district. This is the Home Office's answer to the Mosley demonstrations and Communist counter-demonstrations of recent weeks. Under the Public Order Act of 1936, the Commissioner of Police has power to impose conditions on those taking part in processions if he fears that serious public disorder may result, or he may ban a procession altogether. The ban does not apply to meetings, which are not covered by the Act. Nevertheless, the ban on all processions in the Metropolitan police district for three months is not a thing to be lightly accepted. Why has it to be imposed now, three years after the end of the war? The answer is, of course, that the police have too much on their hands, in their present depleted strength, to keep public order during political processions. Therefore, the only solution is to ban the processions. If one could be sure that the ban was recognised as only a short-term solution and that in the meantime the Government would do all in its power to strengthen the police, there might be less disquiet about this surrender of a liberty. But instead all the Government does is to pile new duties on the police by the creation of new offences—as witness the Motor Spirit Bill—which only weakens it further. Of all Departments, the Home Office must be by prewar standards one of the least overworked. Why does it not devote more energy to bolstering up the police instead of relying on more restrictions and suppressions?

Motor Spirit Bill in Committee

The Bill which attempts to put down the black market in petrol passed through its remaining stages in the House of Commons this week. It is a loathsome Bill and its loathsome-

NOTES OF THE WEEK

Debacle in Palestine

Before the end of the British Mandate last night, the Jews in Palestine had secured a territorial basis for their State. They have thus completed the predicted first phase of their post-Mandatory task, and done it in such a way as to expose Arab weakness to Arabs themselves and to all the world. The extent of the debacle is described in a despatch from our correspondent in Jerusalem who telegraphs: "Hagana's capture of Safad, with its 8,000 Arabs and 4,000 Jews, and the Arab town of Beisan, and the surrender of Jaffa, leave only five or six sizeable towns and the triangle of Samaria and Judaea still held by the Arabs. And if the Jews succeed in reopening the Jerusalem-Tel Aviv road, the battle of Palestine will be ended until and unless the Arab armies invade it from Transjordan. Even those who appreciate the Arabs' lack of preparedness, organisation, equipment, and knowledge of modern warfare are astonished at their complete and abject collapse and panic flight. There is hardly a responsible Arab left in Palestine."

Significantly a number of Palestine Arab officials and minor leaders who have not fled are now hurrying to Amman to transfer their allegiance from the Mufti to King Abdullah. Reports place the guerilla commander Fawzi Qawuqji in this category, though he would be abandoning not the Mufti but his Syrian sponsors. King Abdullah's reiterated threats of a march against the Jews must be judged in the light of these events, but it is thought that he certainly intends a march into Arab Palestine. The Jewish Agency declare that they will oppose even this, but this may be no more than a threat.

The Syrians are in a most difficult position. To forestall an attempt by King Abdullah to take over all Arab Palestine, they

ness is not diminished by the fact that the need to end the black market is essential if the basic petrol ration is to be restored. Opposition Members were, therefore, quite right in attempting, not to whittle away the object of the Bill, but to make it less repugnant. Thus they proposed an amendment which would shift some of the onus of proof of innocence away from a defendant who is being prosecuted for having the wrong coloured petrol in his tank. They tried also to allow some discretion to the court in the imposition of penalties; severity in black cases is one thing, automatic severity in all cases, grey and black—and possibly white if an innocent person cannot establish his innocence—is quite another.

The Government, however, refused to make these concessions, though it promised that in the House of Lords a clause may be inserted which will allow a motorist, disqualified from having a licence, to ask the court for a review of the penalty after six months. What, however, was disquieting was not so much the Government's refusal to make concessions as its general attitude to the Bill. If the responsible Ministers had said: "We dislike the Bill as much as you do, but it is a necessary price to pay for the restoration of pleasure motoring," the public might have been made more anxious to co-operate. Instead, the Attorney-General in particular gave the impression that he positively delighted in the severity of the Bill and that a lot of fuss was being created about nothing. This sort of attitude is not likely to encourage people to keep the law.

Cost of Western Defence

There has lately been no dearth of advice on the strategy that should be worked out by Britain and its western allies. Those who offer it disagree on many points, but not on the conclusion that adequate defensive preparations by the Brussels Powers—whatever assumptions are made about the American contribution—will cost a shockingly large proportion of national budgets. Exactly how large will depend on the decisions of the defence ministers, who have now begun their consultations; and it will obviously be a long time before the co-ordination of national plans leads to any noticeable economies.

It is useful at this stage to set out the defence expenditure of the Brussels Powers in two years of alarm and high spending—1938 and 1948.

DEFENCE EXPENDITURE OF BRUSSELS PACT COUNTRIES

	1938		1948	
	Total	% of Budget	Total	% of Budget
United Kingdom	£234,150,000	24.8	£692,632,000	23.3
France*	23,479,000,000 francs	42.9	352,000,000,000 francs	38.6
Holland	110,359,238 guilders	17.9	400,817,600	10.3
Belgium	1,278,000,000 francs	10.4	4,078,385,720 francs	5.6

* French defence expenditure has been appropriated only for the first three months of 1948. The figure given is based on the appropriation of 88 billion francs for that period.

In the flourishing United States the proportions are also impressive. In 1947-48 \$10.7 billion, or 29 per cent of the budget, was allotted to defence expenditure. For 1948-49 the figure is likely to be \$14 billion or 35 per cent of the budget.

The implications of these figures should not be ignored by the representatives of the Sixteen now working in Paris on the revision of ERP estimates and programmes. For Marshall aid was—and still is—intended for economic reconstruction. But, if too great a share of the burden of western defence is thrust on the shoulders of the Brussels governments, the ERP estimates will be quickly made out of date.

Italian Parliament Meets

Over election slogans still painted on the streets of Rome, the deputies to the new Italian Parliament have now travelled to Montecitorio. Their first task on May 8th was to elect a Speaker for the Chamber of Deputies and a President for the Senate. The new Speaker is Signor Gronchi, who received 314 votes against 164 for a Communist candidate. Signor Gronchi is generally regarded as the leader of the progressive wing of the Christian Democrat Party. In the Senate the vote went to the elderly but vigorous and distinguished Signor Bonomi, an Independent who has also been a candidate for the Presidency of the Republic. He

was preferred to Signor Terracini, the Communist who so ably presided over the former Constituent Assembly.

On Monday the two Houses assembled in joint session to elect Signor Einaudi the first President of Italy's newly-constituted Republic. Signor Einaudi is thus relieved of the duties of Minister of the Budget which he performed with courage and distinction. During his period of office he carried out in practice principles in the expounding of which he had gained an international reputation. *The Economist* takes particular pride in saluting the elevation of one who was for very many years its correspondent in Italy.

Meanwhile the deputies had had time to look round the new Parliament in being. More than one in every two persons they saw in the Chamber was a Christian Democrat. The party holds 307 seats, which gives it a bare but absolute majority of just over 51 per cent. Of the remaining seats, 182 go to the Popular Democratic Front of Communists and Left-wing Socialists under Signor Nenni, 33 to the Saragat-Lombardo Right-wing Socialists, 18 to the conservative National Block of Liberals and the Common Man Party, 14 to the Republicans, 9 to the Monarchists, 6 to the neo-fascist Social Movement, and 5 to miscellaneous others.

The balance of the parties in the Senate brings home the fact that, for all their great victory, the Christian Democrats are not the undisputed rulers of Italy. Owing to the constitutional procedure by which a large number of seats are allotted to men with notably anti-Fascist records, and on other grounds, the Christian Democrats, holding 150 seats, are in a minority of just under 46 per cent. The ultimate relationship between the two Houses is left a little vague in the Constitution. But if they are to give the country the strong lead which it now awaits, the Christian Democrats will need to allow themselves room for manoeuvre in both Houses. This means that Signor De Gasperi must take other parties into coalition with his own, and has now to decide to what extent they shall share such specially difficult tasks as the management of Italy's foreign and financial policies.

Trade Unions in Rome

The World Federation of Trade Unions has been given a new lease of life, though no one can yet tell how healthy or how effective the body snatched from death can be. The meetings that have just ended in Rome, were marked by continuous clashes between the democratic and the Communist-dominated groups—the latter having a clear numerical majority on both bodies. They ended in a series of verbal compromises and agreements to differ on the most controversial issues.

Thus, the application of *Force Ouvrière*, the anti-Communist French breakaway movement, for affiliation was postponed until a later meeting of the bureau. It might well have caused a crisis, since it was supported by the Americans and British, and bitterly opposed by the French *Confédération Générale* and the pro-Russian elements. The Marshall Plan, as such, was not directly discussed, although its shadow darkened most of the debates. The committee skated round the difficult question of unifying the German trade unions by agreeing that the initiative for such a move must come from the Germans themselves, and that there was little which the WFTU could do at this stage to promote it.

From a practical point of view, it was most important that delegates agreed to reform the federation's administration and secretariat, which were criticised by the British and Americans as inefficient, inept and politically partisan. Mr Carey, of the American Congress of Industrial Organisations, at one stage threatened to leave if M. Louis Saillant remained the secretary. But he did not press his threat and agreed with the formula which leaves the ubiquitous M. Saillant where he is, but in effect clips his wings. Thus, he has to resign from his secretaryship of the French CGT, and the authority of the assistant secretaries has been increased.

The truth of the matter is that the western trade union leaders, particularly the Americans, would probably have been not greatly perturbed if the federation had collapsed; but none of them wanted to have a break in trade union unity laid at his door. The Russians were in a conciliatory mood, although in the debates they took every opportunity to attack Britain and America. Signor Di Vittorio, the Italian Communist trade union secretary, worked hardest for conciliation, fearing no doubt that a breakdown would cause a split in his own Confederation, and encourage Signor Pastore, the Christian Democrat leader, to form an Italian break-away *Force Ouvrière*.

Mr Arthur Deakin, the president, remarked after the final session of the conference, that there would need to be a great deal of good will all round if the federation is to continue. There

will need to be more than this. The Communists within the WFTU will do well to recall Mr Citrine's advice, given in 1945, to concentrate on trade union activities and keep politics out. If they do not, the Rome meeting will have been a complete waste of time.

A Lesson to the Miners

Sir Charles Reid's resignation from the National Coal Board will bring out completely in the open what has long been almost public property—that the high hopes of nationalisation have been disappointed and that the Coal Board is divided on fundamental issues of policy. The "stay down" strike at Waleswood in Yorkshire may not have been the cause, or even the occasion of the final breach, but it is certainly the symbol of the difficulty. The Waleswood miners are protesting against a decision to close their inefficient pit—although they are promised work elsewhere. But if nationalisation does not mean a concentration on the low-cost mines it means nothing—at least nothing that bodes any good for the national economy. The latest instalment of evidence for this is contained in a report issued on Wednesday by the Coal Board, of a visit to the United States by Mr T. E. B. Young, a mining engineer and a member of the Board. In spite of a number of technical recommendations of some interest and importance, the sting of the report lies in its tail: Mr Young believes that the only one quick solution to the country's coal problem and its one immediate answer is—more work. Without more work mechanisation and reorganisation cannot succeed.

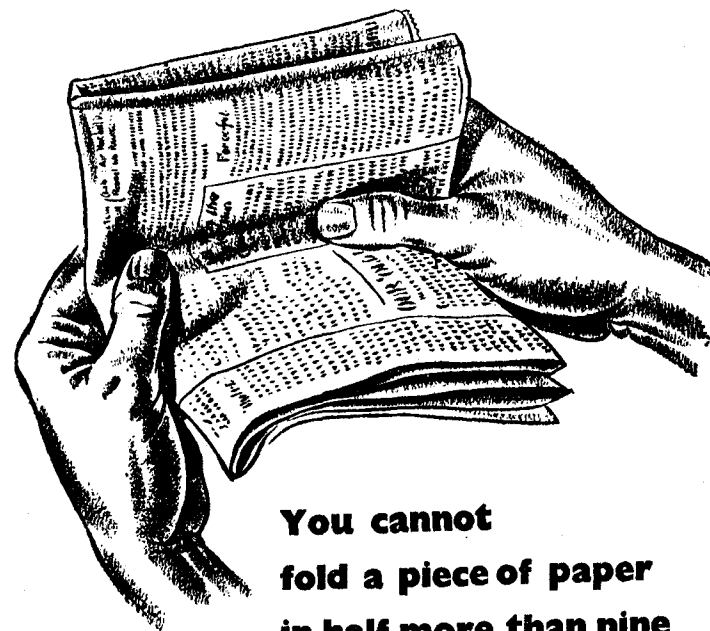
The report is not a very original document, but it gives a fair picture of the problems before the industry. On the technical side, Mr Young has gone into great detail into American methods and their applicability to this country, and on the whole his conclusions are that there is at present little more new to be learned: it is now a question of pushing ahead with methods which are known, but have yet to be applied in the exceptionally difficult conditions of British mines. The key objective in this respect is to reduce the crippling proportion of unproductive work in the mines, which takes place between the hewer at the face and the final worker on the surface. The following figures are given for comparison:—

	America	Great Britain
	%	%
Actual productive labour ...	72	26
Ancillary work at face	—	15
Underground haulage	8	15.9
Others underground	10	19.6
Surface	10	23.5

To the ordinary reader Mr Young's general reflections will be more interesting. Since his first objective is more work from the miners, he is greatly concerned with increasing incentives. He is convinced that higher wages are not the answer, since the industry cannot afford them, but that the requirement is more goods for the miner to spend his earnings on. To this end he suggests "commodity dockets" for additional rations based on attendance, a suggestion which is not likely to be well received by other workers and has indeed been thoroughly explored, and rejected. At the second stage he is concerned to recruit more and better mining engineers and to give them more authority and responsibility. And as his final recommendation he stresses the necessity for closing uneconomic pits more rapidly, because he believes this policy "can make a greater immediate contribution towards both reducing costs and increasing output than any other means."

Dr Dalton Asks for Orders

The fraternal greetings brought by Dr Dalton from the National Executive of the Labour Party to the annual conference of the United Textile Factory Workers' Association were calculated—if calculated is the word—to add fresh impetus to the questions now being asked about the party's special brand of collectivism. Labour is, of course, officially wedded to Socialism and the national plan; but is there a morganatic marriage to syndicalism to be taken into account? When the party sends an emissary to ask an industry's trade union what, if anything, they would like to see done about that industry in the next instalment of the party programme, the merits or demerits of the answer he may get are of only secondary importance; what really matters is the impression created (to put it at its lowest) that that answer has some binding force, that a pledge is implied and that the



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preferences of the workers in any particular trade, rather than the needs of the consumers of its products or the national interest, constitute the real criterion according to which policy should be shaped.

Dr Dalton is not, so far as any of his more measured utterances would lead one to believe, a syndicalist, nor are his ex-colleagues of the Cabinet; nor has any Labour spokesman seriously attempted, on a national plane, to make syndicalism respectable. Its practical incompatibility with the idea of national planning, to say nothing of national welfare, has been shown clearly enough by its unofficial manifestations in the coal industry—the last industry, incidentally, to whose unions Dr Dalton carried fraternal greetings. Syndicalist feelings, if not open syndicalist convictions and claims, are natural to the trade unions; and a party built up on trade union money and trade union efforts would be superhuman if it were able entirely to eradicate syndicalism from its own ways of thought. But there have at all events been signs that Labour, however thoroughly tied to the trade union interest, was aware of the dangers presented by syndicalism both to the national interest and to its own unity and power of effective action. Dr Dalton's expansive nature doubtless enjoyed a warm sense of good fellowship as he declared the party's willingness—in effect, as he hopes, the next Government's willingness—to reshape the cotton industry just as the textile unions may order. It probably never occurred to him that he was strengthening a disruptive force and, in the eyes of the non-trade union majority, discrediting both himself and the party whose fraternal greetings he bore; but it should, by now, have occurred to the National Executive.

* * *

British Nationality

The British Nationality Bill, which was given its second reading in the House of Lords this week, is excellent in its intentions, but it may bring some awkward and quite unintended problems in its train. Any discussion of British nationality is prickly with those unobserved thorns to which the skins of Englishmen and Scotsmen are insensitive, but which find the most unexpected tender spots among the inhabitants of the Dominions and Colonies. The issue turns on how far the word "British" is specific to people born in or descended from these islands, and how far it is generic to all the inhabitants of lands which are a part of the Commonwealth. No one has yet found a word more suitable than British, however "un-British" a Dutch South African or a Singalese may feel.

The Bill attempts to clarify the position concerning British nationality, and to give a common status throughout the Commonwealth. It was originally intended, by the Nationality Act of 1914, that all the members of the Commonwealth should adopt a common test of nationality. This was not done: several members preferred to enact separate legislation making their own terms. Those terms were very limited, but certain anomalies appeared and have since increased. The crowning complication to the existing system was an Act passed by the Canadians in 1946, which, by admitting a person to citizenship of Canada, automatically entitled him also to British nationality. The new Bill now lays down the rules by which citizens of the United Kingdom and Colonies or of the Dominions may also claim to be British subjects.

It is thus in essence a clarifying rather than a creative Bill. It does, however, carry out one useful and long overdue measure concerning the nationality of married women. British women marrying foreigners will no longer lose their nationality, and foreign women marrying British subjects will have to apply for British nationality. The loss of British nationality has for long been a grievance, and this reform will be welcomed.

The naturalisation procedure has been improving over the last year. During 1947 17,739 certificates of naturalisation were granted, of which 6,800 were to Germans, 3,200 to Austrians, 1,700 to Czechs and 1,300 to Poles. Fortunately, one no longer hears stories like that of the alien whose anxiety for naturalisation caused him to write and remind the Home Office every fortnight. Wondering at the lack of progress, he called in person, only to be informed that his action made postponement indefinite since his file, which slowly made its way up the pile for 13 days, was extracted and put at the bottom every time his fortnightly reminder arrived.

* * *

A Constitution for Cyprus

Do the Cypriots really want responsible government? If so, they should find the project now put to them by the British

Colonial Secretary an immense advance upon any form of government they have hitherto known. For the first time, it offers them the running of their affairs through an elected majority. Hitherto, on such legislative bodies as they have experienced, the votes of the Greek members were never more than equal to the sum of the votes of the Turkish members plus the British official representatives. The island's population is 80 per cent Greek by sentiment, church and language, yet a Greek view could in the past always be quashed by the non-Greeks, owing to the Governor's casting vote. Now, the legislature that is proposed will consist of 22 elected members, four seats being reserved to Turks, and of only four Government nominees.

Cyprus is sharply divided, politically, not only as between Greek and Turk, but as between left and right. The right, led by the Greek Orthodox Church, champions *enosis*, or union with Greece, but, if it cannot have this, prefers British rule to rule by the left. On the left is a small but ably led communist party which, in conjunction with some fellow-travellers, demands full self-government.

Neither left nor right will be pleased with the document now offered. It would be humanly impossible to produce a text satisfactory to both. The document is far from complete and can, within certain limits be moulded to suit their wishes. A refusal to try and hammer it into usable shape would evoke the suspicion that each side is rejecting the advance through fear of rule by its opponents—in a word, that Cyprus is frightened of democracy.

For it is democratic government that is now on offer. It will not, at this first essay, spring into being as fully fledged self-government. In the interests of defence, foreign relations and other imperial commitments, the British Governor will retain the last word on a limited number of subjects. The first messages from Nicosia suggest that local misgivings on this score may be paraded in order to shuffle off responsibility for considering and completing the plan. Both parties will reveal a weakness if they refuse to cross the starting line. Why not both do so, like the two yachts in a once-famous ocean race, each flying protest flags?

* * *

Medical Research 1939-45

Perhaps the most striking fact revealed by the report of the Medical Research Council during the six years of war (Cmd 7335 7s. 6d.) is that its work can be carried out on such a small budget. The grants-in-aid provided by Parliament amounted to only £195,000 in 1940-41 and £295,000 in 1945-46. Even when allowance is made for the fact that to a large extent the Council uses for its work the equipment and staff already provided and maintained by hospitals, universities and other institutions, it is amazing that so much good can be achieved at such small cost. One's imagination boggles at the prospects that might be open to mankind if medical research were financed on the same scale as military research, which was voted £60 million in 1947-48. The development of penicillin alone must be worth to mankind many hundreds of times £295,000.

It is indeed the chapter on penicillin that the layman may find the most interesting of the report. Also the chapter on nutrition and in particular the section on the work of the Food Rationing (Special Diets) Advisory Committee, for the priority rations allowed on the advice of this committee to invalids and others in need of special diets affected, and still affect, many people very nearly. These two chapters also reveal an important matter of principle. In the early days of penicillin, it was so scarce that priorities had to be laid down on what persons could be treated with it. Should the saving of life of an ordinary civilian dying from septicaemia have priority over the treatment of a soldier or war worker who had a less serious infection but whose period of incapacity would be shortened by penicillin? Similarly, in the question of special diets, the extreme shortage of food compelled the advisory committee to restrict extra rations to cases where the rations were of proved therapeutic necessity and, in deciding between competing claims, to give preference to those who could be restored to working capacity over mental and physical defectives and hopeless invalids. Decisions like these were "grim and distasteful." How will priorities be determined under the national health service in the period before its benefits are adequate for everyone?

* * *

Fewer Restrictions on Building?

The cuts in the housing programme are now bringing in their train unemployment of men, materials and capital equipment. As a result there is beginning to be pressure on the

authorities to raise the limit, above which a licence must be obtained for private building work, from £10 to the previous level of £100. There are many persuasive arguments in favour of this course. The regulations are evaded already on a wide scale, so why not bring the law into line with practice. Buildings are seriously deteriorating for lack of attention, and may even pass beyond redemption; why not repair them in time and so save them? Men are idle; why not employ those who cannot be moved to more essential industries on minor building and repair work? Materials—with the exception of timber and cement—are mostly in plentiful supply; why let them pile up in the stock-yards?

These are the arguments for a relaxation of the building regulations, and everyone can quote individual instances which deserve more lenient treatment than they now get. But these special instances do not add up to a general case. The building programme was cut because, in its present economic situation, the country cannot afford to devote so large a proportion of its current resources to non-productive capital equipment. If the Government was right in cutting the building programme—and it obviously was—then the consequences must be faced, even if they are unpleasant. The economic situation itself is unpleasant, and it would be absurd for the Government to yield at the first breath of North wind.

The Government has only itself to blame for the public's failure to appreciate the consequences of the cuts in housing. The whole onus has been put on the shortage of timber, not on the need to divert building resources elsewhere. Hence the outcry when the old pressures of unemployment and losses begin their unpleasant squeeze. If the Government succumbs it runs the danger of losing control over the building labour force and therefore over its own policy. A hundred pounds of building work may seem a little thing, but to allow it opens a small hole in the dyke through which quantities of men and building resources will fight to make their way. The only breach which might possibly be made without danger would be to permit more

D-Day for Western Union

SIR,—Since your note completely misinterprets my letter, perhaps you will allow me to try in a few words to make my meaning clear.

I do not want to "leave it unclear" or to "pretend" anything or "have it both ways" or "go on talking about Western Union."

Still less am I "merely saying" that the surrender of sovereignty is a "very tricky business." On the contrary, far from merely recording a truism, I regard the surrender as involving the British people in the most fateful decision in their history. Do they remain the centre of an Oceanic Commonwealth and yet co-operate closely with Western Europe or do they join as a state or province in a European Union and abandon the Commonwealth, or at least any association with the Dominions?

Sovereignty in Europe can be exercised in one of two ways. Either it can be exercised by the co-operation and agreement of existing sovereign Governments through Councils, Combined Boards or whatever other means may be thought effective for the joint exercise of their sovereign powers. That means no surrender of sovereignty and that is the course now being pursued by the Governments concerned.

Or if existing Governments definitely surrender—as in other Federations—some of their sovereign powers, they can only be surrendered to a new Government which in exercising the surrendered powers must itself be sovereign. And since the Western European Powers are democratic Powers, the new Government must consist both of a Parliament responsible to the Western European peoples and an Executive responsible to that Parliament.

Since the main object would be to develop the greatest defensive power possible, it would be worse than useless not to clothe the new Government with full powers over defence, over the finance needed for defence, and over the foreign policy of the new state as well.

This would mean a true Federation, in which the United Kingdom, if we joined, would be a province or state in the United States of Europe, just as Virginia is in the United States of

licences in areas where there were no alternative essential industries and labour was genuinely immobile.

Shorter Notes

During the first months of peace there were constant complaints about the dilatory machinery for naturalising aliens, many of whom had fought side by side with British troops and had been promised British nationality. The machinery now appears to have been greatly accelerated. During 1947, 17,700 aliens received their certificates of naturalisation, of which 6,800 were Germans, 3,200 Austrians, 1,700 Czechs, and 1,300 Poles.

*

In the article on "Changes in Bizonia's Foreign Trade" in last week's issue (p. 767), an error occurred in the passage dealing with the new conversion factor of one mark equals 30 cents. It was stated that the conversion rate is "30 marks to the dollar." This should be "3.333 marks to the dollar." German business circles refer for convenience to the rate as 3.30 marks to the dollar, but in practice the conversion has to be made accurately to three places of decimals. It should be repeated that what has been established is not a rate of exchange for the mark, but only a temporary conversion factor, pending the fixing of a rate of exchange after currency reform.

*

Although the statement in last week's article on "Malthus Regained?" that the total of births in the March quarter of 1948 was "down by nearly 20 per cent since last year" was correct, the accompanying statement that it was also "lower than that for any March quarter since the end of the war" was wrong. March quarter births were 181,220 in 1946, 241,421 in 1947, and 202,184 in 1948.

Letters to the Editor

America. We should no more have a foreign policy of our own, or our own Army, Navy and Air Force than has Virginia. Being merged in another Union, we should and could no longer form part of the British Commonwealth, or (except through the new European Government) have any relations with the United States. It is not, in my opinion, reasonable to assume that Canada or the other Dominions would or could become states in a European Federation.

This is the dilemma with which the British people may be faced, and this in my opinion is what you are talking about when you speak of surrendering sovereignty.—Yours faithfully,

11 Old Broad Street, London, E.C. 2

BRAND

[We are sorry if we have misrepresented Lord Brand. Unfortunately, it is clear that he himself still completely misunderstands the argument of our article of April 24th which started this controversy. Let us therefore make one more attempt to set out the difference between us—which we conceive to be small—and perhaps the argument might then terminate.

Lord Brand and *The Economist* are agreed that there are two possible courses that a closer association of the Western European nations might take. Course A is co-operation, going as far as "the joint exercise of sovereign powers." Course B involves the surrender of sovereignty over some defined subjects to a new Western European organ of government, which would itself be sovereign in those subjects. The present controversy is not about whether Course A is preferable to Course B. Although Lord Brand's three letters have permitted a progressively clearer inference that he does, in fact, prefer Course A, he has nowhere said so. Similarly, in our article of April 24th we carefully refrained from arguing for the one course or the other, although on other occasions we have made it clear that our ultimate aim is Course B—if only because we see no other prospect of solving the German problem. (Incidentally, we do not anticipate any such disastrous results for the Commonwealth from it as Lord Brand suggests.)

The argument, as we understand it, is not about what should be done now or in the next few years (on which we imagine there would be little difference between us), but on what should be said. Lord Brand, we take it, is arguing that sufficient could be done, within the limits of Course A, without any surrender of sovereignty, to justify the description of "Western Union." We still hold, for reasons

that are argued at somewhat greater length in a leading article this week, that co-operation will not get very far if it is left to depend, not merely in general but in every detailed proposal, on the positive assent of sovereign governments. We are alarmed by the fact that British Ministers are using words and phrases, such as "Western Union," which suggest to American and European minds that they are contemplating Course B, whereas we suspect that in fact they would agree with Lord Brand that Course A is all, or more than all, that is possible. We are not suggesting that in so doing they are misrepresenting the British public. As this week's article points out, it would be very difficult to persuade the British (or any other) public to agree to Course B, though for ourselves we would make the attempt. We have certainly no desire to be dogmatic about the choice that should be made. But we are willing to be very dogmatic about the dangers of a situation in which the British Government talks one way and acts another. That was why we urged Mr Bevin to make it clear "what Western Union is to be and when it can be expected to arrive."—EDITOR.]

Consumption Up or Down?

SIR,—Were it not for the last paragraph of Mr Harrod's letter of May 8th I should be content to await the publication of his calculations in full in some other place. The validity of his conclusions depends both on the method and upon the specific figures put in at each stage. With regard to the former a number of obvious difficulties spring to mind which have received no mention in either of Mr Harrod's letters, no doubt because of lack of space. As for the latter, the claim which emerges from his calculations that output per man in manufacturing industry in 1947 was well below 1938 is not easy to reconcile with the index of UK industrial production prepared by the Economic Commission for Europe.

The only evidence about total consumption based upon direct estimate is that contained in the White Paper. The onus is upon Mr Harrod to prove not only that these figures do not square with other published data, but that it is these particular figures which are at fault.—Yours faithfully,
G. D. N. WORSWICK
Magdalen College, Oxford

From *The Economist* of 1848

May 13, 1848

WE were a little startled at reading on Wednesday, in *The Times*, that "a great town is a great evil," which seems the revival of the protectionist saying, that it would be well for England if half her great towns were destroyed. *The Times*, however, in the excess of its benevolence carries its destructive furor further than the *Standard*; for evil is that which every man tries to extirpate, and *The Times*, to be consistent, would destroy all our great towns—being great evils.

There is a bill before parliament, entitled A Bill for Promoting the Public Health, and it has got as far as a committee without meeting with that opposition it deserves. It is an immense mass of minute legislation, occupying 71 pages, and consisting of 152 clauses, besides schedules. It refers to a great variety of matters which we cannot even enumerate, without crowding our space with a catalogue of somewhat offensive words. . . . That well lighted, well ventilated, well built towns, with comfortable abodes for all the people, are necessities of modern life cannot be doubted; but the taking away from those who inhabit them the discretion of acting for themselves, the making them dependent for all improvement on a few gentlemen in the metropolis, the subversion of the order of nature, by which not those who suffer from an act, but some official persons who know nothing of it, undertake to correct it; the mental imbecility which is everywhere produced in the masses by such subversion, one or a few, instead of the millions, being made responsible for the public welfare; one or a few clever men, assuming by their regulations to be wiser than all the clever men of the world, seem to us far greater evils than the perpetuation of bad smells, and generation of partial disease, suppose they were the inevitable consequence of non-interference by authorities with the dwellings of the multitude. In our condition suffering and evil are nature's admonitions; they cannot be got rid of; and the impatient attempts of benevolence to banish them from the world by legislation, before benevolence has learned their object and their end, have always been productive of more evil than good. We have been admonished by the mental imbecility in the masses, caused by such interference, in every country where it has been tried, to refrain from it more urgently than we have been admonished not to contaminate the sweet air by our impurities.

Local Government Reform

SIR,—I observe that in the article in your issue of April 17th on the report of the Local Government Boundary Commission, you accept, apparently without question, the dictum that, for efficient administration, all counties, whatever their views or characteristics, should comprise at least 200,000 inhabitants; and that you consequently regard as axiomatic the suggested fusion of Rutland with Leicestershire.

Even if, in regard to many counties (e.g. those comprising considerable urban and industrial areas) the "experts" are right in postulating a minimum of 200,000 inhabitants, this specification need not necessarily hold good in the case of Rutland, which possesses no large towns or industries, and whose economy is almost entirely based on agriculture carried on from small villages.

In spite of its small size there is no social service enjoyed by the larger areas which is not available to us in Rutland. Our County Council, very wisely, does not always seek to provide these itself, but contracts for some of them with whichever of its neighbours can best meet our requirements. For instance, our small police force—one of the first, incidentally, in the country to provide itself with wireless cars—makes use of the excellent forensic laboratory at Nottingham; we send our lunatics to Leicester; we obtain certain medical services from the Soke of Peterborough; we were the first county in England to start central schools, but we share our agricultural college with Leicestershire.

The fact that our own county headquarters can be reached by any villager in about half an hour keeps our officials in close touch with the ratepayers, and enables working farmers and tradesmen to run our local government. Each councillor represents only two or three villages. He knows his neighbours and their needs; and they watch him closely. Few of our councillors could afford to give up a whole day in order to go and sit at Leicester, where much of the business could be of no interest to them or their constituents. We should, therefore, become at the mercy, more and more, of the semi-professional element in local government, and the purity and efficiency of our administration might well fall to the unedifying level all too common in "large" units.

Moreover, if we are amalgamated with Leicestershire our rates will immediately go up by several shillings though we shall, so far as we can see, obtain absolutely no benefits or services which we do not already enjoy. Further increases would certainly be inflicted on us later, as services—necessary perhaps in semi-industrialised Leicestershire—were added or elaborated, however little value might accrue from them to our purely rural area.

You stress the importance of maintaining "the vital democratic principle of local self-government," and the Commission were instructed to have regard, *inter alia*, to "the wishes of the people." But in Rutland over 75 per cent of the estimated adult population have signed a petition *against* any form of amalgamation. Local government in Rutland shows no lack of the "life and vigour" which you so rightly hope may be restored to other larger and perhaps more heterogeneous areas. So why abolish it?—Yours faithfully,
WILLIAM CODRINGTON

Preston, Uppingham, Rutland

SIR,—Reference is made in *The Economist* of May 1st to the depopulation of rural areas in central Wales.

Surely the obvious solution which reason would suggest is to incorporate Herefordshire and Shropshire into Wales. These counties, and especially the former, have much in common with their western neighbours agriculturally and little in common with the east.—Yours faithfully,
C. F. MATTHEWS
Falkland Drive, Newbury

The Capital Budget

SIR,—In the article in your issue of May 1st, reference is made to the difference between the estimates of gross domestic capital formation in Table I and Table 13 of the White Paper on National Income and expenditure. This difference is, as you say, unexplained, but it is not inexplicable. The figures in Table I are at "national" or factor cost and are derived from the market value estimates of Table 13 by subtracting indirect taxes and adding subsidies in accordance with Table 23 on page 47.

The only inexplicable discrepancy I have discovered in the White Paper is that between the personal savings estimates for 1944 given in Table 8 and in Table 11, and this involves "only" £2,000,000.—Yours faithfully,
1 Stanley Gardens, W.11
P. WYKEMAN

Europe's Manpower

SIR,—In *The Economist* of May 1st your correspondent has extracted figures from the report of the Rome Conference, ERP special manpower committee, which give Britain's labour requirements as 100,000 skilled workers and no unskilled.

This seems contrary to the requirements of the Minister of Labour, who, in his present recruiting drive for foreign workers, is emphasising the training schemes available for unskilled labour in the undermanned industries of coal, textiles, etc. Admittedly his efforts are at present concentrated on European volunteers from the displaced persons' camps in Germany and Austria. But this source is reported to be drying up, and the need for unskilled labour, both male and female, in essential industries is unsatisfied by tens of thousands. In these circumstances there seems no reason why Britain's representatives on the ERP manpower committee should demand skilled workers exclusively.

It may further be argued that skilled labour is exactly what is not required, except in relatively small numbers, and then only in the teeth of determined trade union opposition. This was made plain in the case of the recruitment of skilled Italian foundry hands in 1946-47, when the refusal of individual lodges to work with them resulted in the collapse of the scheme.

On the other hand, the trade unions have agreed to the recruitment of unskilled foreign workers with relatively little opposition. The European Volunteer Workers' scheme has been generally well received by both management and labour, and is working smoothly.

On the face of it, the Rome report appears to contain another instance of lack of liaison between government departments in this country, and lack of co-ordinated policy on a vitally important question.—Yours faithfully,
JOAN DICKINSON
Barnett House, Oxford

Books and Publications

Germany's Generals

"The Other Side of the Hill." *Germany's Generals, Their Rise and Fall, with their own account of Military Events 1939-45.* By B. H. Liddell Hart. Cassell. 320 pages. 10s. 6d.

In his preface the author refers to this book as a "piece of historical research." In one respect it is, for he has reduced to a clear and fascinating narrative a great deal of information from first-hand sources, obtained in conversation with leading German generals in British hands. But in another respect it is not: for there is little effort either to assess the reliability of the sources or to check them with other evidence available. Many readers will derive—for example, from the statements of Rundstedt and Manteuffel—misleading impressions of the strength and skill of the German forces that the British and Americans had to overcome when they reached the Continent in 1944. Rundstedt says, "The Atlantic Wall was an illusion, conjured up by propaganda"; yet in the places where it mattered it certainly was not. If Allied air reconnaissance had permitted such a judgment, the Mulberry harbours would have been superfluous. Again, referring to the 3,000 miles of Western coastline which he had to cover with 60 divisions, Rundstedt says, "Most of them were low-grade

Examination for Schools

SIR,—Whilst I would welcome any discussion or criticism of the policy of the National Union of Teachers, I strongly object to the unfair and even prejudiced misrepresentations of our motives in your article of May 1st. Without the slightest supporting evidence, the NUT is accused of putting the trade union interests of teachers before the educational interests of the pupils. The facts on the point at issue, and the whole history of the NUT, warrant no such conclusion.

The purpose of the External Examination, as we conceive it, is to measure fitness for the next stage of education. It therefore follows that the examination should be taken as late as possible in the school life. Such a policy has other educational advantages, reducing the risk of cramming and enabling the school course to be planned as a whole, instead of in two parts, as at present—the first up to School Certificate and the second up to Higher School Certificate.

Such were the reasons for our policy. They were wholly related to the needs of children. "The trade union interests of teachers" were never considered, and the suggestion that they were is unworthy of the columns of *The Economist*.

It can fairly be claimed that the NUT has invariably placed the interests of children first. Hadow Reorganisation, for example, meant unwelcome transfers and decreasing opportunities of promotion for the teaching profession, but the policy was supported for the sake of the children.

That a case can be made against our examinations policy I readily concede. That our motives were as base as you suggest, or related to anything other than educational considerations, I deny utterly.—Yours faithfully,
RONALD GOULD,
General Secretary, National Union of Teachers

London, W.C. 1

divisions, and some of them were skeletons." There should be sufficient material now available to show just how accurate such a statement is. It was certainly not the impression of the British troops fighting around Caen.

Other readers will be surprised—or indeed shocked—that Captain Liddell Hart abstains from all moral judgments on the men he interrogated. Yet it is hard to see how such judgments could have found a place in a scheme which contains only a one-sided commentary on campaigns and only brief prolegomena to a study of Hitler's grand strategy. The author makes the intellectual limitations and political cowardice of the generals quite clear, and this much judgment is sufficient for his purposes. But one result of such a limited approach is the strongly professional and between-gentlemen air which pervades the narrative.

The first third of the book has an interesting, if sketchy, account of the events which moulded the ideas of the German generals before 1939. The next two-thirds of the book deal with campaigns, the best chapters being on the Western breakthrough in 1940, the battle of Normandy and the Ardennes offensive. On each of these the author was able to interrogate the leading German commanders—Rundstedt, Manteuffel, Student, Heinrici and, above all, Blumentritt. (On the Russian front the treatment is not so good, as such leading figures as Bock and

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FROM THE LEAGUE TO U.N.

By GILBERT MURRAY

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Professor Gilbert Murray has here brought together a number of lectures and articles written during the past fourteen years and therefore covering the period between the weakening in the first great experiment in world management by international conference and the setting up of the second. In view of the part played by the author in commending the idea and endeavouring to further the practice of international unity, his new book has a marked historical interest.

OXFORD UNIVERSITY PRESS

Kleist were not available.) Is one unduly suspicious in seeing in these chapters the seeds of two dangerous German military legends? One that the British were deliberately allowed to escape through Dunkirk, the other that the major failures in Russia and in the West were due to Hitler's interventions from the headquarters where command was concentrated?

Captain Liddell Hart's conclusions about Hitler as a supreme commander are worth quoting: "Hitler had a natural flair for strategy and tactics of an original kind, while the German General Staff . . . were very competent without much originality. I felt that, from the way many of the generals talked, Hitler's misunderstanding of technical factors so jarred them that they tended to discount the possible value of his ideas, while he was angered by their orthodoxy and lack of receptivity. In this way it seemed to me that a tug-of-war had developed instead of a good working combination."

Altogether this is an unsatisfactory book because the general reader may not understand its limitations. But as a summary account of some of the things that happened "on the other side of the hill" it is useful and uncommonly readable.

Reward of Single-mindedness

"Our Partnership." By Beatrice Webb. Longmans. 545 pages. 25s.

To read this book is like watching a piece of tapestry in the making: the movements are so deft, the pattern so complicated, the efforts so concentrated and absorbing, and the final results so satisfying. By her narrative, and even more by the voluminous quotations from her diaries, Beatrice Webb has brought to life again the stage on which the Webbs' life was set, the immense labour and pertinacity which lay behind such books as "The History of Trade Unionism," the skilful pamphleteering and manoeuvring which produced the new Technical Education Board of the London County Council, the courage and adventurousness which created the London School of Economics from a bequest of £10,000, the almost impish diplomacy which caught the Local Government Board unaware and finally ended in the famous minority report on the Poor Law. Throughout the names of famous men appear as the friends or antagonists of the Webbs' schemes—Shaw, Haldane, John Burns, Graham Wallas, Churchill, H. G. Wells and dozens more.

To his opponents Sidney Webb often appeared as a dangerous intriguer. Yet in spite of a disarmingly frank assessment of his faults and his lack of personal magnetism, this book brings out the extraordinary benevolence of both partners, their unalloyed sincerity and their lack of personal ambition. Everything was for the cause of human progress, and to that end their efforts were single-minded and quite extraordinarily persistent. They succeeded brilliantly, partly because they lived in an age of reform, but just as much because they were prepared to back their ideals by more solid knowledge than their opponents, and a singleness of purpose which was irresistible. As an account of the political and social currents of the years between 1892-1912 this book would be hard to beat.

Their industry is breathtaking. How much the reader sympathises with Beatrice when she says:

New and again, I long to rest and have time to look round and enjoy beauty or to dissipate in purposeless thought, yet I doubt whether with my ingrained habits of methodic work I could be long out of the tracks without dissatisfaction and displeasure.

At times this concentration seems almost inhuman, yet its points, both direct and indirect, have been astonishingly great. The book is not light reading, but the comments are so frank that for all the Webbs' single-mindedness they remain very human.

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Shops of Britain

"The Shops of Britain." A Study of Retail Distribution. Hermann Levy. Kegan Paul. 242 pages. 21s.

PROFESSOR LEVY, author of "Retail Trade Associations," was the obvious man to write this long overdue study. In the absence of a Census of Distribution he had an unenviably difficult job, and the evidence assembled is in many ways thinner than he would have wished. But his nose for facts has served him well, and "The Shops of Britain" is an impressive example of what can be achieved by extreme pertinacity in research coupled with an unflinching sense of perspective. He begins with an analysis of the retailer's function as part of the distributive process, and offers a reasoned classification of shops according to whether they follow a single trade, combine this more or less preponderantly with sidelines, or add to retailing proper some associated work such as repairing, servicing or actual manufacture; goes on to consider the chief types of retail outlet trade by trade, from baker or greengrocer to car retailer or bookseller, isolating their particular problems and indicating the fields in which their functions overlap; and rounds off this factual survey with one shrewdly argued chapter on prices and margins and another, particularly stimulating and valuable, on competition and labour. Thence he goes on to consider the question probably uppermost in the minds of most of his readers: how can distribution costs be reduced? In particular, can they be reduced by a concentration of retail outlets? And is the small shopkeeper, in any such scheme of rationalisation, due to be swept away?

To this last question the answer is an emphatic No. Some of the small man's functions, in some trades, could be better carried out by larger-scale specialised bodies; and coal distribution, and very likely milk, might be most economically managed as a co-operative or public service. But the mass of evidence goes to show that the small shop's low labour costs and absence of expensive frills easily outweigh, except over a fairly narrowly defined range of mass-produced and mass-demanded goods, the quicker turnover of the big establishment. Professor Levy is sceptical, indeed, about any plan for reducing "redundancy." No fair criterion exists either for redundancy or, given the complex social factors involved, "efficiency" itself. Any necessary reduction would be far more effectively carried out by the restoring of price competition, now almost wholly replaced by an expensive competition in amenities and general frills which, in his view, is far less in the customers' interest. "The first general conclusion," he says at the beginning of his final section, "is that there cannot be a general conclusion"—but his penultimate page carries, after a plea for a Royal Commission on Distribution, a sentence calculated to appeal to any reviewer for *The Economist*: "We reject restriction and we recommend reform."

Federalist For Today

"The Federalist." By Alexander Hamilton, James Madison and John Jay. Edited with an Introduction and Notes by Max Beloff. Basil Blackwell. Oxford, 1948. 8s. 6d. net.

MR BELOFF'S edition of this classic of American political writing is published at a most appropriate moment. For the clear-headed and hard-hearted arguments used 160 years ago to win votes for the new United States constitution, which had emerged from the Philadelphia Federal Convention, have as much general application now as ever, even though Hamilton and his friends were writing in a pre-industrial society. They will certainly surprise—if they read them—the impatient advocates of European federation in our time, for the men who had rebelled against British rule had some very conservative ideas about society and politics.

Mr Beloff's editing follows the form previously adopted in this excellent—and remarkably cheap—series of political texts, in which *The Federalist* has been preceded by Mill, Locke and Hobbes, and will be followed by Bentham and Aquinas. Not only does he set out clearly the purpose and course of argument in the letters; he also brings out the economic factors which influenced their writers and the political background against which they worked. This book of nearly 500 pages should attract attention on the Continent to the quality of American political thought and experience, to which Tocqueville paid memorable tribute 100 years ago. It will also do a great service if it stimulates publicists and business men in western Europe to set out their ideas on federalism with similar force and clarity. Hamilton and Madison and Jay wrote to influence less than 200,000 voters; someone has to write now to influence at least 100 million voters in western Europe. Mr Beloff has helped to make it easier.

Imperial Preference

"Britain's Colonies in World Trade." By F. V. Meyer. Issued under the auspices of the Royal Institute of International Affairs. Oxford University Press. 273 pages. 18s.

DR MEYER'S book covers the wide field of the history and economic effects of Imperial preference and other forms of protection on the trade of the British Colonies. It sets out in detail the origins and applications of preferences, quotas and discriminatory duties of each of the principal colonial areas, together with an interesting section on the foreign and regional trade of the British Colonial Empire. The only fault in this otherwise excellent survey is the absence of up-to-date figures. None of the tables are dated later than 1938, and Dr Meyer would have done even better had he included at least some figures to show the radical change in the terms of trade during the post-war years.

But the chief interest of this book lies in two analytical chapters—one on the benefits of Imperial Preference, the other on the question of which trade policy best suits the colonies. Dr. Meyer points out that preferences are not always beneficial and that to impose uniformity must be unfair to some Colonies. On the basis of the figures and analyses which form the body of the book, Dr. Meyer concludes by suggesting that, for economic reasons if not political, Imperial Preference should be abandoned in all colonies except the West Indies, Cyprus, Nyasaland, Mauritius and Fiji. His opinion is backed by arguments which are convincing on the assumption that world trade assumes again the pattern of 1938.

Baltic Eclipse

"Baltic Eclipse." By Ants Oras. Gollancz. 307 pages. 15s.

THE silence in which the Baltic States suffer under an alien and ruthless tyranny is seldom broken. The State Department recently issued a sharp reminder that it did not recognise the

THE WORLD OVERSEAS

Oil Prospects in Latin America

(From Our Correspondent in Latin America)

THE Western Hemisphere is in search of oil. So far as certain Latin American countries are concerned, the success of its quest depends at least as much on politics as on geology. The terms on which foreign enterprise might co-operate in developing Latin America's resources have long been a thorny issue between the United States and its "good neighbours." The agreement on economic collaboration which was recently signed at Bogotá may help to resolve it. But the underlying conflict must be borne in mind in any attempt to weigh up the prospects of an expanded petroleum industry in Latin America. The industry's history there is a tangled one, and its prospects are no less complicated.

The Western Hemisphere provides about 80 per cent of world output of crude oil. The United States, however, which produces about 61 per cent of the world's oil and consumes about 66 per cent, is a net importer of petroleum products. Mexican production does little more than meet domestic demand and next year may not even meet this. Venezuela is the hemisphere's only substantial exporter. It consumes a negligible fraction of its own output, in contrast to other Latin American countries, where the general rise in postwar demand has only been partially checked by dollar shortages. Colombia consumes a quarter of its output, Peru almost two-thirds, and in both countries consumption is rising steadily. Argentina, whose outlook is, geologically considered, unpromising, now imports half of the oil it consumes. Other importers are Brazil and Chile. Thus many Latin American consumers are affected by the world shortage. And it is to an improvement of the tanker situation rather than to further drilling that consumers who can afford dollars must

look for fuller satisfaction of their present wants. For experts doubt whether any appreciable increase in Latin American production would be possible before larger supplies are obtained from the Middle East.

Immediate commercial shortages make the United States anxious to see the hemisphere's reserves increase. But the State Department's interest, which began to emerge about three months ago, is primarily strategic. Two reasons were officially given for this policy. First, there was an unprecedented rise in consumption in the United States. Secondly, the State Department was anxious to avoid dependence on the Middle East in the event of war, although under normal working conditions Middle Eastern oil is cheaper than Caribbean, even to Latin American importers. Though he did not specify petroleum, Mr Marshall no doubt had the State Department's policy well in mind when he told the Latin American delegates at Bogotá that his Government would help them as much as its heavy commitments elsewhere allowed, but that they must look to private capital which, he significantly added, would gravitate to countries giving it equitable treatment. So far as petroleum is concerned, there seems to be no alternative to the open door for private capital if Latin American potentialities are to be exploited. It may reasonably be argued that the international oil industry is, as it has proved to be in the past, the only instrument adequate to the task, because of its command of both capital and technique. This view is borne out by conditions in Mexico, where, although the foreign companies have left, it is thanks to their equipment that the Govern-

Norway the trade unions of the heavy industries provide a similar problem. The Norwegian steel industry is politically important in another respect. At Paris Mr Molotov pointed to it as a specific instance of a development desired by a small Power which would be vetoed by the great imperialists.

The variety of opinions that are entertained indicates the instability and confusions of Scandinavian policy towards the problems raised by the prospect that neutrality will be untenable in any future war. The wartime realisation of their country's strategic importance renders Norwegians particularly sensitive to the possibility of foreign plans to control it. Yet of the three countries Norway is most likely to enter an effective and timely alliance with the West, if events should demand this. Denmark hardly expects its vulnerable position to be buttressed by an alliance. Yet both countries differ radically from Sweden in that their experience in the war made them capable of an objective consideration of the prospects and implications of an alliance.

No official mention of any alliances is made in Sweden. Yet it is difficult to avoid the conclusion that Sweden in fact counts on Western help. But it is certain that nothing will be done to prepare the way for its effective use. Swedish policy will remain ambiguous, inconsistent and, above all, opportunist, a policy of armed neutrality, of economic and cultural collaboration, of limited obligations, of membership of Uno—and insurance against its failure. Thus the strongest state in Scandinavia is the weakest. By this fact, it imposes a permanent weakness on the structure of Scandinavian defence and a permanent strain on Scandinavian relations.

Poland Looks at Europe

[FROM A CORRESPONDENT IN WARSAW]

ALTHOUGH political prospects for internationally minded East European Communists are nowhere near so bright and shining as the May weather, they are not felt to be dimly gloomy. From Warsaw it appears that the Italian elections and the beginning of Marshall aid—which means the end of Marshall Plan debates—have had the same relaxing effect on this side of Europe as in the West. While the sigh of relief has come mainly from the politically ineffective masses, the Communist leadership has also felt the easing of tension. All had feared that a close race in Italy, or a Popular Front victory, would have meant direct or indirect armed intervention from the West, which the Communist world would have had to fight—and nobody here is ready for a real fracas.

The popular reaction has been one of plain pleasure that nothing grave has happened, and a slight renewal of hope that maybe nothing will. It must be said, though, that in Poland ordinary people were not surprised at the Italian election results. They have, from long experience, developed a deep cynicism towards elections, reflected in the comment of a Warsaw workman who said, "I'm glad the Reds were beaten. But, after all, the Americans and British were there. You don't suppose they'd have let the Communists win." It is not local propaganda but local practices that have nursed this attitude, so in Eastern Europe the defeat in Italy did not mean nearly such a loss of prestige for the Communists as might be expected by citizens of countries accustomed to accepting, not dictating, the decision of the polls.

The leadership does not regard Italy as lost. Communists here are already talking hopefully about municipal elections there next year. But what is more important, they are making use of the present to consolidate their holdings. For there was considerable concern below the surface that, if the elections should force a fight in Italy, risings and discontent might spread into Yugoslavia and all through the Communist empire. To an outsider it is hard to see how this would be possible, but there are indications that the Communists had not completely disregarded the possibility. Certainly the purge of Socialists with the smallest taint of right-wing leanings or Western sympathies is being carried out more thoroughly than was foreseen. Disconcerting as the setback in Italy was to the Communists, who thought their organisation there superb and unshakable, they seem just as glad to have discovered that the time is not ripe for a head-on struggle and that, instead of manning the barricades, their job is still consolidation and spade-work.

With the possible exception of the Russians, the Eastern European leaders have an equally paradoxical reaction to the beginning of the Marshall Plan. There is little they can do directly to contribute to attempts at wrecking it. Naturally, they must hope for the sake of the "war against imperialism," that the plan will fail to make of Western Europe a robust, healthy damsel, who has wed the Washington witch-doctor in return for her

recovery. A bedraggled waif would be more responsive to poorer suitors. Yet there is also the wish that the West shall continue without interruption to sell machinery, steel, iron and industrial raw materials to the East. This is only possible if Western production is maintained. There is even an undercurrent of belief that, if the plan succeeds in putting Western Europe on its feet, then Britain, France, Italy and the others will be better able to assert independence from the United States and plunge more wholeheartedly into natural trading with the East.

Two Minds About Marshall Aid

No Communist openly admits this half hope that the Marshall programme of "fraud and slavery" (it's not called ERP here) may not collapse completely. Yet Communism's most able economist outside Russia, the Polish Minister of Industry Hilary Minc, never loses a chance to state how anxious he is to maintain trade with the mechanised West. He has proved it by his successful efforts to increase the turnover of trade with Britain, France, Sweden and Italy.

The greatest fear about ERP in Poland is that somehow the Americans will force its recipients to adopt restrictions on trade with Eastern Europe similar to their own tight licensing system, thus trapping the Poles, who are exporting products now in return for industrial goods to be delivered within the next few years. However much the Communist in Mr Minc would like to see the party triumph which would result from continental bankruptcy, the economic planner in Mr Minc is sufficiently anxious for markets and supplies in Western Europe not to waste too much energy in denouncing the way they are provided.

The sort of stabilisation which has resulted from this breathing spell is not, of course, reflected in public speeches nor will it mean less strident propaganda on this side of Europe. May Day, particularly, was the occasion for endless jibes and attacks on the imperialist war-mongers. But the horrid descriptions of the Western monster have been repeated so often that they now seem quite a commonplace and no longer attract much attention nor arouse much reaction. In Warsaw, at least, it would be an overstatement to say that one out of twenty or perhaps even one out of fifty, of the 40,000 people gathered for the May Day demonstration listened to a word of the outpourings. Poles are not so disciplined as Russians. They attend, if they must; but once they have contributed their presence to the celebration they feel free to gossip, munch sandwiches, and make it as much of a picnic as possible.

Lessons of Defeat in Italy

No one expects the breathing spell, which mainly affects the satellites, to be unspoiled by distracting squabbles, like the recent political sorties in Berlin and Vienna. But these encounters do not drain Eastern strength, nor divert attention from the task of cleaning out remaining dissidents where the party has achieved power. This is regarded as a time to learn the lessons of the Italian defeat and, where possible, make use of them. The most striking—to the Communists—was the power displayed by the Church. So far as Poland is concerned, the election apparently put an end to the two-year wrangling with the Vatican for a concordat, and instead convinced the Polish Government that it should try to force the Polish Church away from Rome's political influence. The Pope's recent friendly overtures to Germany have put a handy tool into the government's hands.

Another lesson of Italy is the effect of outside support for nationalist aspirations (Trieste, a seat in Uno). This is not so easy to apply to Polish circumstances. But Eastern Europe can take such a stand, without too many complications over Palestine. It is clear from the propaganda line on this matter ("the Anglo-Americans have started an aggressive war in Palestine") that the Communists have hope of gaining some support from disillusioned Jews in every nation.

A third deduction to be drawn from the Italian campaign is that, in the West at least, people do not turn to bite the hand that feeds them so easily as some Communists seemed to suppose. While Russia is in no position to compete with the USA in the distribution of largesse, those of its satellites who have received benefits are being reminded of the fact through the local governments. What plan of action is to be based on these experiences has not yet become apparent, if indeed it has been worked out. The shouting has not died down, but the impression here is that a temporary calm is spreading beneath the agitated surface. Contrary to the prognostications of some commentators writing from the West, it looks from Warsaw as if this year's major crisis in the East-West battle has been safely passed.

AMERICAN SURVEY

ECA Gets Under Way

(From Our US Editorial Staff)

THE Economic Co-operation Administration, after being slowly nuzzled from the dock like a giant liner, is now in midstream, with its bows pointing in the right direction and ready to start its journey under its own power. Just as a liner is dependent for its early movement on tugs, the European Recovery Programme was pushed and pulled for the first few weeks by a mixed team of those who had been responsible for the planning during the last nine months, special assistants who volunteered from all over the country and men borrowed by Mr Hoffman from his companies and committees.

From across the Atlantic the rescue ship must seem to have taken a long time to get moving. But during the first month it has faced two serious problems which would not have afflicted a similar undertaking in England, two problems which have taken up most of Mr Hoffman's time, to the exclusion of any but emergency operations. The first, which is by no means finished, was to steer the programme through the Appropriations Committees of both the House of Representatives and the Senate. The second was to choose a staff which would be equally acceptable to the Democratic Administration now in power and the Republican one expected at the beginning of next year.

The Senate is constitutionally the more important body when foreign affairs are considered, but it is the House which is paramount in money matters. While the Foreign Assistance Act began in the Senate, with hearings before the Foreign Relations Committee, its Appropriations Bill, without which ECA cannot spend more than \$1 billion, comes up first in the House of Representatives. Within a few days of being appointed Mr Hoffman had to argue his case before the House Appropriations Committee, headed by the redoubtable Representative John Taber, who has a reputation for examining both sides of every penny equal to that of Mr Harry Lauder.

As the proceedings of the Committee have been closed to the public, nothing is known for certain of what has been going on. Plenty of stories have been spread—many of them, no doubt, by Mr. Taber himself, who delights in his reputation as an ogre with the habit of eating alive executive agencies who try to get more money than he thinks they need. Members of Mr Hoffman's staff, however, seem to be pleasantly surprised with their reception at his hands. But they have still had to spend a great deal of time with his Committee, with no decision yet, and they must then repeat their performance before the Senate Committee.

*

The task of picking a staff has been no less laborious, beginning with the choice of Mr Hoffman himself. The President had to pick an Administrator, from the very short list of men whom he and his advisers thought of sufficient ability for the post, who would have the enthusiastic support of Senator Vandenberg and the approval of the Joint Congressional Watch-dog Committee. Mr Paul Hoffman, who had been a member of the Harriman Committee, knew the problems of ERP in detail, in testimony before the Senate Foreign Relations Committee, had shown that his ideas for carrying out the programme fitted in with those of the Administration.

Mr Hoffman is in the accepted tradition of American business, having risen from small beginnings to be president of a large corporation. But he is also one of the leaders of the new type of business men, developed since the slump, who believe they have a responsibility to their country as well as to their shareholders. Before 1929 salesmanship seemed to be the chief quality needed for success in business. Economics was a

subject for professors who, since they had never, in the phrase still in use in antiquarian business (and Congressional) circles, "sweated out a pay-roll," were considered only dangerous theorists. But during the war Mr Hoffman, through the Committee for Economic Development, of which he was chairman, persuaded other business men to take an interest in future planning and to use economists to help them. Mr Hoffman made his reputation by bringing the Studebaker Corporation out of the slump and a receivership, but he began as a salesman in Los Angeles. The smile which sold motor cars so successfully twenty years ago will be needed many times in the next four years. It is not the eager, superficial grin which usually goes with salesmanship, but a worldly-wise smile forced to the surface by some interior spring of sympathy.

Another kind of self-made man has been appointed Deputy Administrator. Mr Howard Bruce comes from one of the first families of Virginia and Maryland—beside which the Cabots and the Lodges of Massachusetts are parvenus—but, as son of a comparatively penniless member of the clan, had to make his own fortune. He did it early in life and with great success. He was the owner of Billy Barton, which ran second in the Grand National of 1926. He is one of only four civilians awarded the Distinguished Service Medal; this was for his work on procurement in the War Department. General Somervell called him "one of the great architects of the war machine." Senator Vandenberg said in the Senate that the country was fortunate to get him to accept the post of deputy as he was seriously considered for the Administrator's post. He is old for such a taxing job—he will be 69 this year—but it would be hard to find another man with such proved ability to keep the organisation running while Mr Hoffman keeps ECA's policy abreast of the changing European situation and ECA's reputation clean in the eyes of Congress and the nation. Mr Bruce was for fourteen years a member of the Democratic National Committee, which makes him an attractive choice for Mr Truman.

The third man on the Washington team is Mr Richard Bissell, a young Professor of Economics from the Massachusetts Institute of Technology with an insatiable appetite for overwork. As Secretary of the Harriman Committee he was responsible for much of the Committee's Report. He returned to Washington as soon as ECA was set up and for the last month has been carrying out all its operations almost single-handed. Most of the other posts are still filled only on an acting basis and the organisation is not yet settled. It is certain that there will be a separate Food Section—under Mr D. A. Fitzgerald, until recently Secretary-General of the International Emergency Food Committee—but all other commodities will be grouped in one section.

For Europe, the most important appointment is that of Mr Averell Harriman as Roving Ambassador. Like Mr Hoffman and Mr Bissell, he has been involved in ERP from the beginning and has a fervent belief in its aims which has led him to leave the Cabinet to take what is technically a post of

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lesser rank. He knows more than anyone else what can and cannot be done in Europe. "Our greatest potential allies in Europe," he said the other day, "are the Social Democrats. We must make them understand that we have a common cause." (This statement should be compared with Mr Stassen's first reaction that Socialism and Communism are "two peas from the same confining pod.") Mr Harriman is rapidly becoming, for this generation, what Mr Stimson was for his. Both are great public servants whose sense of duty takes them above party, a quality which is recognised by Congress, which has never failed to confirm any appointment of either with enthusiasm, regardless of the party in power.

Mr Harriman has also the quality of giving devotion to, and getting devotion from, those who serve under him. Leaving the Department of Commerce, he has taken its top men with him. His Under Secretary, Mr William Foster, a Republican, will be his Deputy in Paris and his Assistant Secretary, Mr David Bruce, will be the ECA Administrator in France. This Mr Bruce, whose brother is Ambassador to Argentina, is a cousin of Mr Howard Bruce, the Deputy Administrator, sharing his ancestry, but coming from a branch which had no need to make a new fortune. He has spent his whole career in the Maryland or Virginia legislatures, Government service and—during 1940 and 1941—as representative of the American Red Cross in England.

The plethora of Bruces caused certain confusion in the Senate and held up confirmation of the Deputy's appointment for twenty-four hours. Senator Wherry paid a stirring tribute to Mr David Bruce's qualities in the belief that he was talking about Mr Howard Bruce, and Senator Langer objected to the appointment, mistaking the latter for still another member of the family. The *Washington Post* came to the rescue with an account of the careers of all three, adding "There was also Robert Bruce, from whom all other Bruces claim to be descended. Robert Bruce was a supporter of William Wallace, who may have been an ancestor of Henry A. Wallace. Henry A. Wallace has almost nothing to do with American foreign policy and the ERP. That makes everything clear."

American Notes

Open Door for Russia

In spite of the State Department's insistence that Mr Molotov has presumed an invitation to a meeting where none was intended, there can be little doubt that, if Mr Molotov had chosen to steer a normal diplomatic course through the door that "always remains open for the discussion and settlement of our differences," Mr Truman would have gained a definite advantage in his election battle. The immediate reaction to the Russian offer to begin conversations bore out the evidence of recent public opinion polls that a very substantial proportion of American voters are deeply concerned about the present international deadlock and desire some new attempt to build peace through international co-operation. They can have little sympathy for the complacency about the inevitability of war which has been growing in Washington and elsewhere, the belief that, since war is bound to come, it had better come soon, while the United States still has a probable monopoly of the atom bomb and before the nation's economy has been exhausted by the strain of continued preparedness. The Senate demonstrated this reliance on military power last week by its almost unanimous vote in favour of the 70-group Air Force already approved by the House.

Such fatalism has been strongly condemned by the Federal Council of Churches of Christ, of which Mr John Foster Dulles, Mr Dewey's adviser on foreign affairs, is a leading member. But so far in the political field only Mr Wallace has offered any striking proposals to arrest the drift towards war and the President may well have felt the need to provide some counter-attraction. However, the broad interpretation put by Moscow upon what was intended to be at the most only an exploratory and private approach took the wind from Mr Truman's sails before they were hoisted. Mr Truman now appears to have abandoned this particular voyage and there are many in the United States who will be disappointed at what may seem a lack of courage. Mr Wallace is, of course, making good use of his opportunity to advertise the rival cruise which he is running.

Nor will the reputation of the Administration be enhanced by the ineptness which the State Department is considered to have

shown in its handling of the situation, although the Russian disregard of the confidential nature of the American Note provides some excuse. It also provides further evidence of the impossibility of doing business with Russia. Exasperation with Russia is in large part responsible for the demand in Congress for revision of the United Nations Charter. This demand is still strong, although it was checked by the forceful arguments against it put forward by both Mr Marshall and Mr Austin, who are convinced that any attempt at such revision would be fatal to the United Nations. They maintained that the United Nations could not be expected to function satisfactorily until the peace which it was designed to preserve had been made, and that in the meantime much useful, although little publicised, work was being done and a forum was provided "for explaining our policies to other states and peoples and for mobilising their support." Mr Marshall insisted that "a fundamental task of the United Nations and of our foreign policy is to dispel the misconceptions of the Soviet leaders and to bring about a more realistic view of what is possible and what is impossible in the relationship between the Soviet Union and the world at large." It is on that task that he has been working this week.

Seizing the Railways

Mr Truman is once more running the railways through the Army. The railway strike scheduled for May 11th could not be allowed to take place, both because of the domestic chaos and privation it would cause, and because of the injury it would inflict upon the European Recovery Plan. But the railroads, because they are covered by the Railway Labour Act of 1926, an ancestor both of the Wagner Act and the Taft-Hartley Act, were exempted from the provisions of the latter. Mr Truman therefore had to act under a law passed in 1916 and never repealed, which authorises the seizure of the railroads in time of war. Fortunately for this twilight zone of executive authority, a technical state of war still exists. It is upon precarious subterfuges of this kind that the constitutional limitations upon the authority of the Government have been expanded to meet twentieth-century emergencies. In 1946 the railwaymen struck despite Government seizure; this year they show no signs of such intransigence, because the Government has been able to secure a judicial restraining order, following an earlier ruling by the Supreme Court that, when the Government seizes private property, injunctions may be obtained to prohibit a walk-out.

The non-operating unions and two of the operating Brotherhoods accepted a settlement of their claims last autumn; it is the remaining three of the five operating unions which have precipitated the present crisis by refusing to accept the recommendations of the President's fact-finding board for a 15½ cent an hour increase in wages and limited changes in working rules. No doubt these unions were emboldened by Mr Lewis's success in securing Republican support, in an election year, for his demands. But it is also true that the "model" provisions of the Railway Labour Act for peaceful settlement of disputes have been overridden time and again, as the war and the postwar crisis made an American railroad strike not only a national, but an international, disaster. In years of rising prices, full employment and national necessity, the record inevitably has been one of appeasement.

Seizure is no solution; it merely holds the issues in an uneasy suspension. From union statements that the 15½ cent award will be recommended to the members and that negotiations are proceeding on working rules (which usually boil down to questions of money) it does not appear that a solution of the present dispute will be hard to reach. Every consideration of the inflationary consequences of further wage increases must encourage Mr Truman to stand firm. He is being fortified by public opinion, which has been outraged by the possibility that the chaotic experiences of the 1946 strike might be repeated.

In Congress there is a disposition to feel that the cure may be to bring the railways under the jurisdiction of the Taft-Hartley Act. This would mean that an 80-day injunction against a strike could be procured without the ponderous fiction of government seizure. But too much faith should not be put in this mechanical remedy. The provisions of the Taft-Hartley Act designed to deal with strikes affecting the public interest have never been thoroughly tested on a national scale. No one knows what would happen if, after an 80-day injunction had expired, a union in an essential industry were still determined to strike. Mr Lewis, still enjoined from pursuing the miners' recent walk-out, is

already plotting another on June 30th if his new demands are not met. (The emergency provisions of the Act have not been invoked in the meat-packing strike, now two months old, and could not be applied to this week's strike at the Chrysler plants, or to the projected strike of electrical workers. How to preserve the right to strike, while ensuring that it is not used in industries essential to the national welfare, is a problem of education rather than legislation.

Death Sentence for Basing-Points

In one of the most important monopoly decisions for many years, the Supreme Court has upheld the contention of the Federal Trade Commission that the basing-point system of identical delivered prices is in illegal restraint of trade. The decision was taken on the FTC's eleven-year-old campaign against the cement industry, but the basing-point system is common to many others and reaches its finest flower in the steel industry. Originally the basing-point system was identical with "Pittsburgh plus" for steel. No matter where a steel mill or its customers were located, it sold its products at the Pittsburgh price plus rail freight from Pittsburgh. That is, the Chicago customer of a steel mill in Chicago paid "phantom freight" charges from Pittsburgh although his steel actually moved only a few miles. Under other circumstances the process was reversed; the company absorbed freight charges. The effect was to rule out price competition, and divide up markets.

In 1924 the FTC issued an order against "Pittsburgh plus." The industry, acting on the assumption that what was at fault was the number of basing-points rather than their effect on competition, then produced the multiple basing-point system which is now employed in the cement, lead, brick, window glass, salt, sugar, and other industries. The FTC insists that most of the evils persist; cross-hauls are exaggerated, inefficient location of industry and excess capacity are encouraged, and prices are kept higher than necessary. Business, on the other hand, insists that the basing-point system prevents wasteful cut-throat competition in industries with heavy fixed charges.

Industry has been stunned to find that the Supreme Court has caught up at last with a monopolistic device used since the turn of the century. The steel industry forecasts "widespread dislocation of the economy" if it is deprived of what one expert has called "far and away the most successful single device that American big business has hit on in 75 years." But the extent of the dislocation will provide a measure of the extent to which the system has distorted the development of industry. And if dislocation there must be, the anguish surely can be borne more easily at a time of insatiable demand for steel and cement than at some future period when industrial activity may be much lower. The experience of the past suggests, however, that the victory may be more academic than real. Outright mergers may well increase, and the steel and cement firms may insist on going to Congress for the same kind of exemption granted to the insurance companies and proposed for the railroads under the Reed-Bulwinkle bill. The cold war, they will no doubt argue, provides grounds similar to those which persuaded the Administration during the recent fighting war to overlook monopoly if only it produced the goods.

The Power Shortage

In 1947 electricity plants in the United States generated 255 billion kilowatt hours of electric power, double their output in 1939 and substantially more than in 1944, the peak year of the war. Supplies of power are already insufficient to meet all demands, and it is not therefore surprising that a shortage of electricity is likely to be one of the first scarcities arising out of the new defence programme and one which may mean that there will not be enough aluminium to make the aircraft authorised by Congress.

Shortly after his message to Congress on March 17th President Truman directed the chairman of the Tennessee Valley Authority to prepare plans for the expansion of electric capacity. This move made it seem probable that Congress would hesitate to refuse the TVA's request for \$4,000,000 to construct a 120,000-kilowatt steam plant for generating electricity, but the House Appropriations Committee nevertheless rejected it last week. The matter has still to be considered by the House itself. The Committee took its stand on the constitutional issue, which gave the power lobby a stronger base than usual from which to attack

the TVA. The official purpose of the TVA is to develop the Tennessee Valley in the interests of navigation, flood control and national defence, and it is only entitled to generate and sell electricity in order to avoid the waste of water power. This is the first time that the TVA has asked Congress for permission to construct a steam plant which has no connection with its statutory purpose. TVA representatives contend that the new plant is necessary to meet the normal growth in demand in the area and to provide an insurance against drought. The power lobby's attack is probably inspired not so much by respect for the constitution as by the hope that if the TVA is unable to meet the demands of its industrial consumers, private companies may be able to regain a foothold in the area.

The power lobby will look more favourably on Governor Dewey's plan for the New York State Power Authority, in co-operation with the Province of Ontario, to develop the power resources of the St. Lawrence, since it is intended that this electricity shall be distributed by private facilities. The Governor's proposal is, in fact, the scheme for power development contained in the St. Lawrence Waterway project, which was once more rejected by the Senate at the end of February and is now regarded as a dead issue. Congressional approval for Mr Dewey's plan is not required; only that of the US-Canadian International Joint Commission is needed and is expected. In New York State itself opinion is sharply divided on the waterway question, but all are agreed on the desirability of the power development by itself. The Province of Ontario welcomes the suggestion and the Canadian Government is unlikely to object.

Dewey and Stassen

In the 1944 campaign, President Roosevelt succeeded, by a few skilful taunts, in disrupting Mr Dewey's well-laid plans and forced the Republican contender to meet the President on his own ground. This year no Democrat exercises even remote control over the Republican campaign. It is the pressure of events, and Mr Stassen, which make foreign issues the heart of the Republican campaign even in the Middle West, and have forced Mr Dewey out of his corner to fight for his political ambitions.

Campaign speeches are no sure index to what a politician will do in office. Mr Roosevelt's platform in 1932 gave no hint of the New Deal of 1933. But it is significant that under the persistent pressure of public opinion Mr Dewey has come to advocate military training, the Marshall Plan, the Truman Doctrine, the union of Western Europe, help for China, and greatly strengthened national defence. In a recent major address on foreign policy at the University of Oregon, he offered an eight-point programme for peace which ranged from the atom bomb on the one hand, to a great moral offensive which would tell the "thrilling story" of American enterprise and rally, peoples everywhere to the standard of liberty.

Mr Stassen is more forthright and more adventurous. He has made himself the political leader of anti-Russian sentiment. He would outlaw Communists in all democracies; he would ban American exports to Russia; he advocates revision of the United Nations Charter; he wants as much money to be allocated to Marshall aid next year as this. Even Mr Stassen balks at committing himself as yet to a military guarantee to Western Europe, but he favours the use of Article 51 of the Charter to facilitate advance consultations against aggression. But it is impossible not to recognise that Mr. Stassen possesses in a high degree the politician's traditional skill of being able to work both sides of the street at once. Although he would outlaw the Communist party, regard for the labour vote leads him to denounce the requirement that union leaders must file anti-Communist affidavits. Last year he said that no aid should go to "socialist" Britain if the government persisted in nationalising the steel industry. Now he declares that Britain is not socialist; only Russia and Yugoslavia qualify for that odious adjective. He urges controls, but at the same time demands a housing programme which would aggravate inflation. Despite his anxiety to label himself a liberal, labour is unconvinced, and there are rumours that some sections of business feel he is a liberal who can be reasoned with.

Mr Dewey and Mr Stassen are keeping the issues of foreign affairs before Oregon and the West. But the chief beneficiary of this contest may yet prove to be Senator Vandenberg, who is remaining in Washington, fighting no campaign and making no enemies, but devoting himself solidly to the nation's interests and reinforcing his claim to be the Republican party's most distinguished authority on foreign policy.

THE BUSINESS WORLD

Still a Bear Market?

FEW periods in Stock Exchange history have been more confused than the past seven months. The market has been trying to resolve the main issue whether the fall in ordinary share prices, which began with the fuel crisis and was carried last summer to the lowest point since April, 1944 by the rapid exhaustion of the American loan, marks a decisive change in the investment cycle. In October last year, there were scarcely two opinions about the future trend of ordinary shares. The possibility of severe economic difficulty during the winter and the spectacle of Britain down to its last dollar reserves (with no assurance, at that time, of Marshall Aid) was too much for the nerves of Stock Exchange dealers. They lightened their books—and they have been paying for their foresight ever since. They were, so to say, right; but prices have mischievously proved them wrong.

Between the middle of October and the end of the year, ordinary shares belied expectations, and rose on the average by 17 per cent. The "Hatch" school re-entered the market; and some of the chart-readers who had been so confident during the summer that a bear market of classic proportions was in train, began to show deviationist tendencies about a secondary interruption to a long-term bull market. Ordinary shares as a whole took the doubling of the Profits Tax last November—and the change of Chancellors—in their stride; yet their advance was not due to any recalculation of British economic prospects, but rather to the re-investment in equities of steady sales of railway stocks. Indeed, at the very moment of the take-over of railway stocks on January 1st the equity market turned; preoccupations about British economic prospects in the absence of Marshall Aid increased, particularly in February, when the frank forecasts of the Economic Survey came as a shock. In the last two months, the assurance of American aid, coupled with reinvestment from sales of electricity stocks, has brought further support. In sum, the *Financial Times* index of ordinary shares is now fluctuating about 120, some 9 points lower than at the end of 1947, but 16 points higher than the lowest point touched at the beginning of September.

To be sure, this is slender evidence for the view, which is now gaining support among the perennial Stock Exchange optimists, that the fall of ordinary shares last year was merely an interruption to a bull trend. Indeed, that view is tenable only on the assumption that the Chancellor's financial policy—to back his earlier deflation by exhortation—makes no difference to the investment scene. Recent articles in *The Economist* have argued the importance of the budget surplus for the gilt-edged market. The exponents of the theory that the rate of interest on undated stocks was bound for 3½ per cent or higher have modified their opinion during the past month. In the seven weeks between the middle of February and Budget Day, the return on 2½ per cent Consols rose from £3 2s. 6d. per cent to £3 6s. per cent; but in the last month the yield has steadied to exactly £3 5s. per cent. Here, at least, is some sign of the new monetary factor at work.

A market forecast for the summer months, therefore, starts from the premise that gilt-edged securities should now have an anchor which they lacked as soon as confidence in the ex-Chancellor's cheap money drive lapsed. The shorter the date,

no doubt, the firmer will be the anchor; but the prospects of an unspectacular recovery, extending perhaps to the twenty-year stocks, are not to be disregarded. On that assumption, the investor can base his immediate policy on a yield structure ranging from just under 3 per cent for twenty-year stocks, about 3.1 per cent for thirty-year stocks, 3.2 per cent for the

	June 18, 1946	Oct. 1, 1946	Jan. 14, 1947	Sept. 2, 1947	Dec. 30, 1947	May 10, 1948	May 10, 1948	Div.
Under 3½%								
Bleachers Assn.	Nil	Nil	Nil	3.1	2.4	3.0	10/-	% 3
Elect. & Musical Indus.	2.2	2.7	2.8	4.5	3.0	3.4	17/9	6
3½%—4%								
British Celanese	2.1	2.5	2.3	3.5	3.2	3.6	22/6	8
Distillers	3.2	3.5	3.3	4.0	3.1	3.6	28/-	25
Court Road	2.5	2.9	2.7	3.5	3.4	3.7	41/-	94(a)
Boots Pure Drug	2.3	3.0	2.7	3.7	3.2	3.7	54/-	40
Turner & Newall	2.6	3.1	2.7	3.5	3.4	3.8	78/-	15
Lever & Unilever	1.7	1.9	1.9	4.2	3.6	3.9	51/3	10
4%—4½%								
British Oxygen	3.9	4.3	3.9	4.7	3.9	4.0	100/-	20
Assoc. Elect.	2.8	3.0	2.7	4.1	3.5	4.0	73/9	15
Guinness	3.7	3.8	3.4	4.0	3.8	4.0	146/-	29
Assoc. Portland Cement	2.7	3.2	2.9	5.0	4.0	4.0	74/-	15
Woolworth	2.8	3.4	2.9	4.9	3.8	4.2	82/6	70
4½%—5%								
Unilever	6.0	6.5	4.6	5.7	4.4	4.6	43/6	10
John Barker	2.9	3.6	3.2	6.1	4.8	4.8	109/-	25
Pinchin, Johnson	3.1	3.4	3.3	4.8	3.9	4.9	96/6	27½
Home & Colonial Stores	4.0	4.4	3.8	5.0	4.4	4.9	73/-	9
5%—5½%								
Dorman Long	6.7	6.3	5.7	6.7	5.3	5.0	32/3	8
Fine Spinners	4.1	4.4	3.8	6.0	4.8	5.0	32/-	8
Colvilles	6.6	6.6	6.1	6.7	5.3	5.1	31/3	8
United Steel	7.1	6.3	5.8	6.6	5.6	5.3	30/-	8
Swan Hunter	4.5	4.7	4.3	6.7	5.8	5.4	58/9	16
De Havilland	4.7	4.7	4.5	5.9	6.0	5.4	57/-	10
5½%—6%								
Imperial Tobacco	4.0	4.2	4.0	7.1	5.8	5.6	118/9	35
Joshua Hoyle	2.7	3.3	4.8	5.9	5.5	5.7	53/-	15
Caracas 'A'	3.8	4.1	3.8	6.7	5.7	5.7	64/-	35
Austin Motor	2.9	3.5	5.0	6.8	5.2	5.8	34/4½	40
Over 6%								
Camacell Laid	4.7	5.1	4.3	9.0	6.8	6.1	14/9	17.95
Bristol Aeroplane	5.4	5.3	4.6	6.8	7.2	6.5	15/4½	10
R. Thomas & Baldwin	8.3	7.5	7.3	8.3	7.1	7.0	14/3	15
Hawker Siddeley	6.7	7.0	5.8	9.3	8.0	7.0	23/-	32½
Assoc. British Picture	4.4	4.5	4.1	8.0	7.3	8.0	18/9	30

(a) Fifteen months yield at 7.6 per cent. * Ex. dividend.

forty-year Transport Stock, and 3½ per cent for the irredeemables. But although this may be a fairly firm basis on which institutional investors can frame their operations, private investors will need rather more convincing assurance than a mere change in monetary policy, important though that is. The lesson of the Special Contribution has not been lost on private investors; many of them will want a more tangible incentive to enter the market again than a fair prospect of greater stability in gilt-edged prices. The levy will tend to increase their preference for holding cash rather than investments, and it has yet to be seen whether this will be a permanent consequence of the "once-for-all" levy.

Yet this provisional conclusion offers some datum line for comparative yields of equities and Government securities. The differential between ordinary share yields and the return on Old Consols (illustrated in the accompanying chart) has narrowed to little more than one per cent, compared with

1½ per cent in February and as much as 2 per cent last September. An ordinary share yield is an exercise in two dimensions—a dividend relating to the past, and a present price which attempts to measure the prospect of dividends in the future. The Chancellor has removed this latter element from the calculation by voluntary dividend limitation—again, ostensibly for one year only. There is no statistical evidence, as yet, that industrial profits are falling. Indeed, the sample of 505 companies whose reports were analysed in the *Records and Statistics Supplement* a fortnight ago revealed a rise in profits before tax of over 20 per cent, from £105,991,000 to £127,786,000. But the total ordinary dividends of these 505 companies showed a quite modest increase, from £58,952,000 before tax to £60,788,000; and their average ordinary dividend represented 15½ per cent on the issued capital, compared with the (possibly exceptional) rate of 22.9 per cent paid by a similar but not identical sample of companies a year earlier.

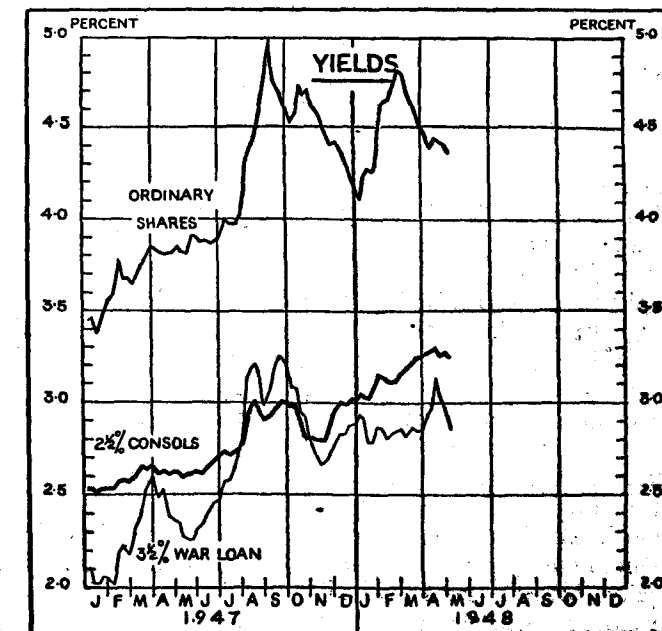
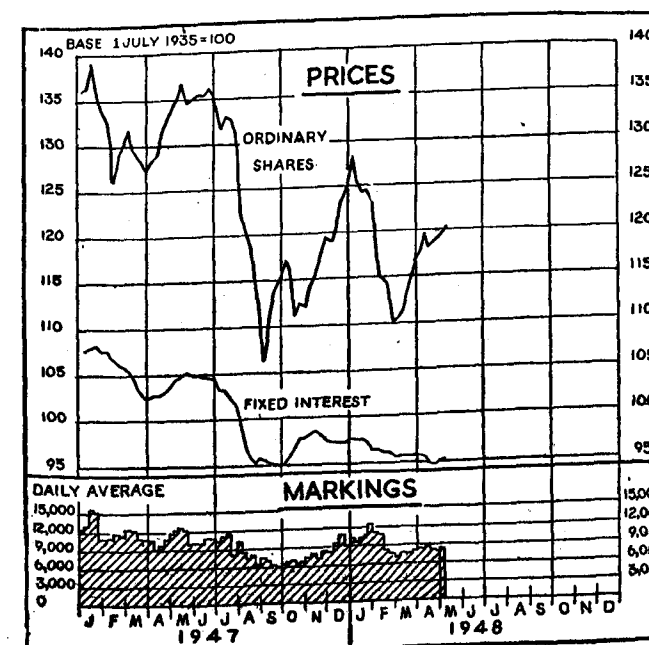
But other evidence points to a material slowing down in the rise in industrial earnings of recent years. In some industries—radio is one example—it will not be voluntary dividend limitation which determines the level of dividends during the coming year, but a reduced total of distributable profits. The comfortable profit margins of the war and post-war period are under pressure. Industry as a whole is still congested by work "in progress," at the very moment when stocks are accumulating on the warehouse shelves. In the capital goods industries, there is no immediate sign of a return to buyers' markets, but even here order books are not so bulging, and delivery dates are not so far distant as they were. In many consumers' goods the sellers' market is waning fast. The conclusion that some fall in industrial profits is more likely than a further rise during the next twelve months seems justified by this evidence, for while prices may be under pressure, industry will not easily be able to cut its costs either for wages or most raw materials.

Some of these factors are reflected in present yields obtainable in the industrial share market. The table which accompanies this article gives some typical examples in the various yield groups. Low yield shares like Bleachers, Electric and Musical Industries, Distillers, British Celanese, and Boots Pure Drug are often those in which some increase in dividend had been reasonably anticipated before voluntary dividend limita-

tion had been thought of. Their strength, in present circumstances, suggests that investors are prepared to take a longer view than a mere twelve months about their prospects. Such optimism indeed may be justified in certain cases; but if the trend of profits is now in process of change, some low yield shares would hardly escape the consequences. A yield below the "blue chip" level of 4 per cent does, indeed, require a special justification today. There may well be doubt whether that return itself is high enough, for it leaves a bare 1 per cent difference, compared with the return on gilt-edged securities, to take care of industrial risks. The higher yield groups are composed of shares on which dividends may be maintained, with good luck, or reduced with bad. They include shipbuilding, tobacco, aircraft and some textile shares—with steel shares as a special class in view of the threat of nationalisation. The varying yields of these shares at the decisive dates of market change given in the table show that the market has gone a long way since June, 1946, in recasting its expectations about future profits in particular industries. But it seems, so far, to have been rather insensitive to the prospects for earnings and dividends for industry as a whole, and especially so in the low-yield and "blue chip" groups. It may be that the reinvestment of £150 million of Argentine railway money is now a sustaining factor for equity shares, as British railway money was before Christmas. It may be that a generous margin of earnings over dividends is worth paying for, in the hope of higher dividends at some future time. But Stock Exchange values cannot for ever be determined by adventitious reinvestment, and markets nowadays are narrow and sensitive. Even with Marshall Aid, a large sector of industry is about to run into problems of which it has seen little since the late 'thirties: problems of markets; of meeting changing demand; of reduced profits, and in some cases perhaps even losses; of changes in labour supply and perhaps increased unemployment. For many concerns, this will be a thoroughly uncomfortable process, and the shareholder will come out worst of all. For others, it will check the anticipated growth of profits on which current share values are still based. The answer to the question posed in this article must be a sober "Yes" in the case of ordinary shares. And for gilt-edged stocks, the trend of recovery is likely to be so gentle that it could hardly be characterised as a bull market. Boanerges, after all, has gone.

SECURITY PRICES, YIELDS AND MARKINGS

PRICES: *Financial Times* indices of 20 fixed interest stocks and 30 ordinary shares (July 1, 1935=100). YIELDS: 2½ per cent. Consols, gross yield; 3½ per cent War Loan, gross yield assuming redemption 1952; ordinary shares, *Financial Times* index. MARKINGS: Daily average of Bargains recorded in Stock Exchange lists.



Wages and Hours

SIR STAFFORD CRIPPS'S recent warning to the engineers against general wage increases, and the utterances of the engineers' leaders themselves, show that the conflict between trade union demands and the policy expressed in the White Paper on Personal Incomes will not be easy to resolve. The May issue of the Monthly Journal of the Amalgamated Engineering Union states:

Our Union, in association with others in the engineering and allied trades, is proceeding with its claim for wage increases. It is charged against our group of unions that we are acting in defiance of the recommendations accepted by the special conference of Executives, but this is not true. Apart from the fact that our own Union voted in the minority against acceptance, there is the fact that the wage claim was formulated under instructions from the membership through their elected delegates before the White Paper was published, and there is the further fact that the wages of the engineering workers have not been increased for more than two years, although the cost of living has risen considerably during that period.

Sir Stafford Cripps, when he addressed the annual conference of the Confederation of Engineering and Shipbuilding Trade Unions at Weston-super-Mare, did his best to drive home the case for keeping the level of earnings down. "This country is sunk," he said, "if at this moment we indulge in a general rise of wages. . . . Our object is to try to preserve the present wage levels undiminished and gradually get improvements in the standard of living by lowered costs and so lower prices. . . . And we can't succeed on the basis that each section of industry can have its own way but the others must be stopped having theirs."

So far as the engineers are concerned (and they are responsible for the largest wage-claim at present under negotiation) the Government's case comes up against more than the general desire for more money: the engineers feel that in the general reshuffling and inflating of wages during the last ten years they have not had their fair share. The last war (like the war of 1914-1919) narrowed the gap between skilled and unskilled earnings in industry. The engineers believe themselves to be entitled, on the ground of their skill and labour, to improve their position in relation to other industrial groups. But this—a recasting of the wages structure—is precisely the hardest thing to achieve without a general raising of earnings: no other method of doing it has yet been found in this or any other country.

*

Social habit, the custom of the trade, and the formidable mesh of trade union agreements are together strong enough to keep the rates of pay of industrial workers in different industries in fairly constant relation to one another over a period of years. Wars and economic crises may render these relationships fluid for a time. One such period of fluidity has occurred during the past eight years. There is a possibility now that the relative wage structure of British industry may be about to set in something like its present pattern. This is by no means certain. But it is the probable effect of the policy embraced in the White Paper, if that policy is not destroyed by the provision for exceptional cases which the White Paper itself admits.

The half-yearly inquiry into earnings and hours of work conducted by the Ministry of Labour is a valuable guide to the wage structure over the greater part of industry—or rather, to what it was last October—and to the changes which have occurred during the war and postwar periods of fluidity. The inquiry covered some 52,000 establishments with about 6,000,000 workpeople; its results have been recalculated by the

Ministry of Labour on the basis of the numbers estimated to be employed in each group of industries, in order to give a fair general picture, though certain industries (coal-mining, agriculture, and others) are left out. The first general feature is the rise in weekly earnings in every industry between April, 1947 (the date of the previous survey), and October, 1947, when average earnings of all industrial workers were higher than they had ever been before. Since October, they have risen still further. The average increase throughout industry between April and October last year was 4s. 8d. a week. It ranged from 1s. 8d. a week in transport (excluding railways but including road haulage and dock workers) to 7s. 7d. in mining and quarrying and 8s. 3d. in the treatment of non-metalliferous mine and quarry products. This increase was more than could be explained by the increase of 12 minutes in the average length of the working week, from 45 to 45.2 hours, for hourly earnings were about 1d. higher in October than in April, 1947, for men, boys and girls, and about ½d. higher for women.

Wages, which in 1936 formed 36 per cent of the total of civilian income from work and property before taxation, accounted for 40 per cent in 1947. The White Paper on National Income

TABLE I
AVERAGE EARNINGS AND HOURS IN INDUSTRY, 1938-1947

	Earnings			Hours		
	Weekly Average	Percentage Increase Since Oct., 1938		Hours Worked Weekly Average	Hourly Average	Percentage Increase Since Oct., 1938
	s. d.	per cent		s. d.	per cent	
October, 1938	53 3	Nil		46.5	1 1.7	Nil
July, 1940	69 2	30		...	...	...
July, 1941	75 10	42		...	...	...
January, 1942	77 9	46		...	...	...
July, 1942	85 2	60		...	...	...
January, 1943	87 11	65		...	...	...
July, 1943	93 7	76		50.0	1 10.5	63
January, 1944	95 7	79		49.2	1 11.3	70
July, 1944	96 8	82		48.6	1 11.9	74
January, 1945	93 9	76		47.0	1 11.9	74
July, 1945	96 1	80		47.4	2 0.3	77
January, 1946	92 7	74		45.8	2 0.3	77
October, 1946	101 0	90		46.2	2 2.4	101
April, 1947	103 6	94		45.0	2 3.6	101
October, 1947	108 2	103		45.2	2 4.7	109

and Expenditure last month showed how the share taken by wages had increased. The Ministry of Labour's figures express the same point in terms of average weekly earnings and relate it to the hours of work in industry. In the last week of October the average industrial worker in the industries covered by this inquiry earned 108s. 2d., an increase of 103 per cent over October, 1938, when earnings averaged 53s. 3d. A girl earned 43s. 9d., or 136 per cent more than in 1938; a woman 69s. 7d., or 114 per cent more; a boy or youth 51s. 10d., or 99 per cent more. (Youths, in the Ministry of Labour's vocabulary, become men at 21, though girls turn into women at eighteen.) The average man earned 128s. 1d. in October, 1947, but the rise in his earnings of 86 per cent over 1938 has been relatively the smallest of all the groups. Thus the second feature of the Ministry's analysis is that the disparity between men's and women's earnings in industry, though still great, has narrowed during and since the war. It began to widen again at the end of the war, when women were leaving industry and men were returning to it, but this tendency was soon reversed; no doubt the efforts being made to get women into the textile and other industries will further reduce the gap, particularly since female labour will become scarcer in the next few years.

Since the Ministry's survey takes into account bonuses and overtime pay, the figures in the accompanying tables represent not basic wages, but actual earnings before deduction of insurance and tax. Earnings have outstripped wage rates, mainly because industry is more fully occupied than before the war, but also because reductions in the basic working week have caused more work to be paid at overtime rates. The Ministry estimates that in the industries covered by the inquiry the average level of rates of wages for a full ordinary week's work was only 61 or 62 per cent higher in October, 1947, than in October, 1938. The difference between increased wage rates and increased earnings is considerable. And the number of hours actually worked in industry has fallen, not risen.

The second table shows that comparative wages in the groups of industries investigated have greatly changed in the past nine years. Such changes are inevitably blurred by the craft structure of a large part of the trade union movement; many workers receive not the rates of the industry but the rates of their craft. But the consequences of a long period of labour shortage are easily discernible. There is a tendency towards a levelling-up of wage rates as between the more skilled and the less skilled trades; and (another expression, perhaps, of the same fact) trades with lower standards of pay have given larger increases in pay than those with higher standards—no doubt in an effort to hold their employees when work is plentiful elsewhere. Text-

TABLE II
EARNINGS AND HOURS BY INDUSTRIAL GROUPS
(October 1938 and October 1947)

Industry Groups	Average Weekly Earnings			Average Hours Worked		Average Hourly Earnings		
	Oct., 1947	Increase since Oct., 1938		Oct., 1938	Oct., 1947	Oct., 1947	Increase since Oct., 1938	
	s. d.	%				s. d.	%	
Iron, stone, etc., mining and quarrying	118 0	108		45.8	46.6	2 6.4	105	
Treatment of non-metalliferous mine and quarry products	125 11	106		49.3	49.1	2 6.8	107	
Brick, pottery and glass	108 1	127		46.8	46.3	2 4.0	129	
Chemical, paint, oil, etc.	108 5	97		47.2	45.2	2 4.8	106	
Metal, engineering and shipbuilding	122 2	105		47.1	45.0	2 8.6	114	
Textiles	85 5	126		45.8	44.5	1 11.0	132	
Leather, fur, etc.	102 8	120		46.8	44.2	2 3.9	132	
Clothing	76 0	117		42.4	41.7	1 9.9	121	
Food, drink and tobacco	95 11	104		47.8	46.0	2 1.0	112	
Woodworking	108 7	109		46.4	44.4	2 5.3	119	
Paper, printing, stationery, etc.	105 2	83		45.4	43.9	2 4.7	89	
Building, contracting, etc.	109 7	79		46.3	46.9	2 4.0	77	
Miscellaneous manufacturing industries	106 10	130		46.8	44.6	2 4.7	141	
Transport, storage, etc. (excl. railways)	118 11	82		48.8	48.2	2 5.6	84	
Public utility services	102 1	71		48.0	45.6	2 2.9	80	
Govt. industrial establishments	114 9	63		49.1	45.6	2 6.2	75	
All the above	108 2	103		46.5	45.2	2 4.7	109	

tiles, still among the lowest-paid trades, show one of the largest percentage increases in earnings over 1938; and there have been further increases in textile earnings since those recorded in the Ministry's survey. Building, transport, paper and printing, and the public utilities—all fairly well-paid trades—record low percentage increases. Clothing, even worse paid than textiles, shows an average increase of 117 per cent since 1938, well above the average rate of increase and, indeed, well above the increase of 105 per cent in the metal, engineering, and shipbuilding group. Thus, war and postwar conditions, by threatening to draw workers from trades such as clothing into trades such as engineering, have resulted in the greatest percentage increases in earnings going to the former. But that result has not succeeded in moving such low-paid workers to a much more favourable level. It means merely that their datum level in 1938 was very low indeed. The miscellaneous manufacturing group, which includes a variety of essential and non-essential things from scientific instruments to sports requisites, shows the most handsome increase of 130 per cent.

For a significant contrast it is necessary to turn to the railway

service, an industry not covered by the Ministry's survey. Here the Ministry of Transport's own returns show that average earnings of railway workers in March, 1947, were 123s. 6d. for men, 46s. 2d. for youths and boys, 87s. 4d. for women, and 43s. 6d. for girls. These earnings represent increases since March, 1939, of 80 per cent for men and 60 per cent for youths and boys. They do not include the increase in the standard rates for railway workers (7s. 6d. for men and women and 3s. 9d. for youths and girls) which took effect at the end of June. But they show that the railway worker is in a less favourable position than he was nine or ten years ago, compared with that of workers in a number of not so obviously necessary trades.

*

Coal mining also was not covered by the survey, but here again the Ministry of Labour Gazette has procured some comparable figures from the Coal Board. Miners' earnings have risen far more rapidly than those of any group in the survey. For all classes of mineworkers, including juveniles, average earnings per man-shift were 28s. 10d. in October, 1947, as compared with 11s. 2d. in 1938, an increase of 158 per cent. Average weekly cash earnings for all mineworkers were 145s. 4d. compared with 55s. 5d. in October, 1938—an increase of 162 per cent. For men they were 152s. 10d., compared with 60s. 4d. nine years earlier.

The earnings of different trades shown in the survey contain enough eccentricities to make it doubtful whether the structure can be maintained unaltered for long without friction. One change, however, is at work in some industries and may provide a safety-valve. The Ministry inquired into the proportion of workers paid on piece rates or by other systems of payment by results, including output bonus systems and other methods by which workers are paid partly on time and partly on output: altogether, 28 per cent of workers were paid by systems of this kind last October, compared with 26 per cent in the previous April and 25 per cent in 1938. This inquiry does not distinguish between one system of payment-by-results and another (there are good systems and bad) nor does it record the attempts which employers in some trades are making to improve their existing incentive systems. If the wage structure is to be kept broadly stable for a time without becoming intolerably rigid, or imposing intolerable strains, such attempts may take on a new importance.

COMMODITIES COAL AND OIL

ERP allocations to W. Europe for fifteen months from April 1, 1948. US quotas, showing grade and destination, for May-July, 1948.

Full details of the above, together with production figures of rayon, consumer goods, iron and steel, and volume of overseas trade appear in the current issue of

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Business Notes

Another Australian Conversion

Underwriting was being arranged in the City last week for a new £10 million Australian conversion loan, the cash lists for which will be open only on Tuesday, for the purpose of re-financing four 4 per cent State issues, totalling just over £14½ million, which are being called for redemption this year. Sterling for repayment of the portion which is not being replaced will be provided by drafts on Australia's accumulated London funds. The new issue takes the form of 3 per cent Commonwealth stock, 1964-66, offered at par. The last Australian conversion, the long-postponed £13 million operation eventually launched in January, also comprised a 3 per cent stock, but this was offered at 1½ points below par with a life (1963-65) one year shorter than the loan now announced. At first glance, this notable stiffening of the terms may seem a little surprising, for British Government securities, despite their recent strong recovery, still stand rather below their levels of three months ago. It was apparently this consideration which led some quarters to suggest at first that the authorities seemed determined to squeeze the last ounce out of the market.

This view does less than justice to the new issue, and certainly fails to give due weight to the market circumstances which surrounded the previous issue. Australia had been waiting for many months for a chance to make a further assault upon its callable 4 per cent loans, but had been held back, first by the priorities given to Mr Dalton's own programme, and later by the unpropitious conditions of the market after the first violent break of last summer. But when, eventually, the all-clear was given, the market was still in no condition to withstand forcing tactics. On the contrary, after the relatively unhappy experience with the launching of Australia's earlier 2½ per cent issue, it was imperative to make the new issue attractive. The nearest comparable British Government security both to the January issue and next week's is 2½ per cent Savings Bonds, 1964-67. The measure of the attempt to ensure success for the January flotation was that the final redemption yield at the issue price—£3 2s. 3d. per cent—offered 5s. 2d. more than was then obtainable from the slightly longer-dated British Savings Bonds. On the eve of the latest Australian announcement, the yield on Savings Bonds was £2 17s. 7d. per cent, so that the yield differential offered by the new loan was rather less than half that offered in January. There is still, however, a margin of nearly ½ per cent.

But this is not the only, or perhaps the best, test by which the issue should be judged. It is clear that British Government credit and Australia's have, for the present, ceased to march precisely in step. Between the dates of the announcement of these two Australian loans, the net price of 2½ per cent Savings Bonds excluding interest, showed little or no change, but that of 2½ per cent Consols dropped from 80½ to 76½. Over the same period the 3 per cent Commonwealth stock (1963-65) moved up from its issue price of 98½ to 101¼—the closing price last Monday. In short, if indications of the policy of the British authorities are to be sought in this operation, the conclusion must be, not that there has been any attempt at forcing tactics, but simply that the authorities are satisfied that no such tenderness is necessary in handling the market as was evidently needed three months ago. Most market observers, indeed, would have reached that conclusion without the aid of an official pointer. Australia plainly has the advantage of riding on the crest of the wave—but that, in itself, does not indicate the state of the tide.

IMF and Devaluation

Summaries cabled from Washington a fortnight ago of the views of the International Monetary Fund upon exchange rates—as set forth in a statement prepared by the Fund for the Economic and Employment Commission of the United Nations—played a part in reviving rumours about imminent devaluation of the pound and other European currencies. Since then the recurrent bogey of sterling devaluation has receded, and its departure has been speeded by a particularly forthright declaration of faith by the Chancellor of the Exchequer. Speaking in the debate on the Finance Bill last week, Sir Stafford affirmed that “nothing more fallacious could possibly be put forward” than the argument that sterling devaluation is necessary. “To embark upon such a programme would be the extreme of folly. This Government certainly have no intention whatever” of doing so. Now that the full version of the IMF statement is available, it is apparent

that the brief extracts gave a false impression, but it is easy to see, too, how the confusion arose. The document is a rambling dissertation upon the problem of exchange rates in general, with many veerings and tackings; careful reading is needed to confirm that it is not in fact constantly contradicting itself.

A large part seems to be intended as an apologia for the Fund's attitude to European exchange rates in the past—especially for its approval of the arbitrary initial parities and its condonation of certain multiple currency practices. But this process of self-justification serves some useful purpose. It demonstrates more completely than any previous exposition the Fund's freedom from that excessive orthodoxy by which it was originally expected to be ridden. It defends the Italian free rate system on the ground that the free market is not really free but requires astute management. It excuses—or appears to excuse—the multiple rate practices of Latin America on the ground that, except to the extent that “penalty” rates for imports are designed as a conveniently disguised method of taxing consumers of non-essentials, the system will tend to disappear as inflationary pressure diminishes (“when the establishment of a new parity at the penalty import rate will be helpful”). It deplores the “disorderly” cross-rates which arise for inconvertible currencies—yet actually advocates, as a remedy, concerted import and export policies to achieve bilateral equilibrium between each pair of countries whose currencies are in question. It insists upon orderly cross-rates based upon the agreed parities because these “are among the essential conditions for restoring currency convertibility and multilateral trade”; but it “will not insist upon the empty shell of exchange stability if this would have the effect of hurting a country's economy and the expansion of world trade.”

* * *

Would Depreciation Help Exports?

Thus, on the crucial issue whether any particular currency ought to be devalued, the Fund's test is strictly practical: would devaluation assist the country to export? The basic functions of an exchange rate, it says, are to enable a country's exports to flow in a volume appropriate to its needs, and to keep its imports within its capacity to pay. But, endorsing in effect Sir Stafford's reiterated thesis, the Fund points out that in present conditions of shortage an exchange rate cannot generally perform this second function. Hence its concentration upon the export criterion, by which, it contends, its own action in approving arbitrary parities initially has been vindicated—because, until last autumn, exports of nearly every country of Western Europe expanded faster than production. But in recent months the position has been changing:

It has become clear that in some countries the initial parity has begun to burden export trade, more particularly exports to the dollar area. Whether these developing difficulties are proof that an error in judgment was made in accepting the initial parities is a matter of opinion. There is, however, strong evidence for the belief that if the necessary changes are made promptly the record will support the wisdom of the Fund's original action. If, however, changes are unnecessarily delayed, the course of events is likely to show that the members of the Fund are making a serious mistake in continuing the over-valuation of their currencies. Under such conditions the Fund will not hesitate to urge on a member consideration of the desirability of a revision of the parity of its currency.

This looks forthright enough—even though, in this context, the Fund names no names.

But then the veering begins afresh. Is prompt adjustment desirable, it is asked, during a continuing inflation, when devaluation might “restore” exports for merely three or six months? Again, in this matter of exchange rates, the problem of inflation is stated to be subordinate in many countries “to the real deterioration in their international economic position.” And, finally, though European prices are too high to attract US buyers, there is “no basis” for the view that “if European exchange rates and prices were properly adjusted the dollar shortage which these countries are experiencing would be corrected. . . . There is no reason why the Fund should embark on a general adjustment of parities, either now or later.” All of which suggests that the IMF, though leaning increasingly towards specific devaluations, is most anxious not to commit itself.

* * *

Oil Supplies to Industry

It was Mr Hugh Fraser, the member for Stone, who in the Commons debate on oil supplies on Tuesday drew a comparison

between Marie Antoinette and the Ministry of Fuel and Power. The Ministry, as he put it, said to the industrialists in 1946: “You have no coal? Burn oil.” Mr R. S. Hudson, who opened the debate for the Opposition, described the resulting situation:

Some firms have installed conversion machinery and have no fuel, others have installed machinery and can get fuel, some are still going ahead with conversions, and others are now reconverting back.

Mr Robens, the Parliamentary Secretary to the Ministry of Fuel and Power, gave figures of what had been done under the Government's scheme for encouraging conversion to oil firing in industry. Inland consumption of fuel oil before the campaign started amounted to about 860,000 tons a year. The 1,548 plants which had converted and were now using oil required 2.54 million tons a year. A further 291 conversions had been authorised, and would require 250,000 tons; and the further 120 which the Ministry proposed to authorise soon would require 340,000 tons a year. This would mean a consumption of 4,000,000 tons of oil in a full year. But there remained about 435 schemes initiated with Government approval which could not be put into effect now or in the near future, representing an oil consumption of .94 million tons a year. In this class are to be found the industrialists who are now receiving the oil plant they ordered last year and are wondering whether to sell it cheaply or keep it for another turn of the tide.

Mr Gaitskell, who wound up the debate, did not offer much comfort to industrialists in that predicament. He had been repeatedly pressed to state whether the oil companies were getting the steel for the big new refinery projects on which the future level of oil supplies will largely depend. His answer adhered obstinately to the secrecy with which members of the Government find it necessary to surround all questions relating to the allocation of steel:

It would be wrong for the Government to publish the steel allocations to different industries. There are all sorts of reasons, one of which is security. There is bound to be a great deal of misunderstanding about such figures.

He confined himself, therefore, to affirming that the immense importance of the refinery programme is appreciated: “We are anxious, within the limits set by the inevitable high demands for steel for other purposes, to give them as much as we possibly can.”

It is hard to see any good reason for this reticence. The oil companies have, after a long wait which they have used to complete their plans and prepare their contracts, been authorised to start work on the main refinery projects, and one of them at least has started preparing sites. The companies expect to get enough steel to start building, but the rate at which they get the steel to complete the work is uncertain; it will depend on the state of steel supplies. This is not an entirely happy position, but it is intelligible; Mr Gaitskell would have given more reassurance if he had stated it with as much, instead of as little, factual detail as he could supply.

* * *

Inquiry into Building

The Minister of Works announced in the Commons on Monday his intention of setting up a working party to inquire into “the organisation and efficiency of building operations in this country,” but he did not state what its terms of reference would be. The inference that the working party will extend to the building trade the type of inquiry which the Simon Committee applied to the trade in building materials is to be drawn from Mr Cherwynd's question rather than from Mr Key's answer. But the general intention has been quite enough to draw a hostile reaction from the Federation of Building Trades Employers, which observed on the same day that the time was “highly inopportune” for such an inquiry:

The Government's decision will create uncertainty and destroy confidence and the necessary team spirit. Production generally will be adversely affected by the dissipation of energies which should be used in getting on with the actual job of building, and conditions are still so unsettled that the Working Party will find it difficult to make recommendations which will be of any real value in less abnormal times.

These are strong words—for the purpose of the inquiry has yet to be stated. What are the questions into which the working party may be thought likely to inquire?

The term “organisation” suggests that it may be required to interest itself in the size and number of building firms. On this the Simon Report, from which the accompanying table is extracted, has already thrown a certain light: the number of

building firms in existence increased from about 80,000 before the war to about 140,000 last year. Most of the increase was in extremely small firms, many of them one-man firms—a consequence, indeed, of the Ministry of Works' own liberality in granting licences to ex-Service men previously connected with building to start business on their own. Here is one matter for inquiry.

NUMBER AND SIZE OF BUILDING AND CIVIL ENGINEERING FIRMS

Size of Firms	May, 1945		May, 1946		May, 1947	
	Firms	Employees	Firms	Employees	Firms	Employees
One-man firms	30,752	0	48,150	0	68,832	0
1-5 employees	26,441	60,861	34,688	84,524	43,302	104,028
6-15 employees	9,862	102,110	15,713	153,720	18,169	185,551
20-99 “	4,314	169,760	7,009	274,233	7,788	302,666
100-499 “	608	111,746	1,059	196,597	1,114	211,223
500 and over	55	60,343	98	111,285	107	137,016
TOTAL	72,032	504,820	106,777	826,759	139,312	938,490

Organisation may well be considered in relation to equipment, and there is work to be done on the remarkably disparate standards of efficiency between building firms. The difficulty here is to find an acceptable norm of efficiency by which the performance of builders can be measured. The costs of house building have been investigated during the past year by a Ministry of Health Committee, which is expected to report soon; the new working party might extend that inquiry to the costs of other kinds of building. In considering productivity it will no doubt take an interest in the working of payment by results in the building industry. The Building Trades Employers concluded an agreement with the trade unions towards the end of 1947 for the application of incentive systems of payment. Such systems have not yet been at all widely applied in building, but the employers' federation has begun an inquiry of its own into their working, and may have some provisional conclusions to put before the working party.

* * *

Silence on Films

When the film industry was discussed in the Adjournment Debate a fortnight ago the President of the Board of Trade spoke of publishing the full text of the American film agreement “right away,” and announcing his arrangements for financing independent film production “in a few days.” Neither of these announcements (which are awaited by the trade with some anxiety) has yet been made. In the American agreement too much appears to have been taken for granted. It became clear after the agreement was signed that the American producers had much bigger ideas of the extent to which they could enter film production in this country than Mr Harold Wilson had, and that the two sides interpreted in quite different ways the provision that the American expenditure on film activities in this country “shall not be such as to go beyond the limits of fair competition or be otherwise harmful to the legitimate interests of the British film industry.”

Indeed, a formula lending itself more easily to various interpretations would be hard to conceive, and it would be surprising if in these days American and British ideas of “fair competition” or of “the legitimate interests of the British film industry” were to coincide. These and other differences were enough to require a visit by Mr Fay Allport (the representative in London of the American film producers' organisation) to his chief, Mr Eric Johnston, in the United States. Mr Allport arrived back in England on Thursday; it is to be hoped that he brought terms that will end a delay that has been embarrassing to the Board and disturbing for the film trade.

The import duty on foreign films was taken off on May 3rd, and renters have been able to get the release of films from the Customs on producing an import licence. The procedure for obtaining an import licence threatened for a time to hold up the trade shows which had been arranged this week for fifteen or more American films; one trade show at least had to be cancelled. But the majority took place without hitch. It is still a little absurd that renters seeking an import licence should have to sign an undertaking that they will observe the principles of the agreement, the text of which they have still not seen.

If one can speak of unsettling the British film industry, this situation is bound to have an unsettling effect. Finance can hardly be expected to start flowing in any adequate volume into the film industry until it is cleared up: that is, until it is known not merely how the agreement reads in its final form, but how it is to be interpreted in practice. This will not become clear at once, and the independent British film producers will need what help they can get to finance production in the meantime. Here Mr Wilson's plan for finance to assist independent film produc-

Canada's Dollars

The report of the Canadian Foreign Exchange Control Board for 1947 repeats the familiar story of Canada's utter dependence upon triangular trade for an effective balancing of its international credits and, therefore, upon the convertibility which allows that triangular trade to be cleared. In 1947 the triangle was larger than ever. On current account there was a deficit of \$1,138 million with the United States, a surplus of \$872 million with the sterling area, and a surplus of \$313 million with other overseas countries, leaving a net surplus of \$47 million. Last year, however, rather more than half the surplus with countries other than the United States was paid for in convertible exchange. The net deficiency on Canada's current and capital account amounted to \$743 million, this being the figure by which the holding of gold and US dollars had to be reduced during the year. This reserve, which had stood as high as \$1,508 million at the end of 1945, and had come down to \$1,245 million by the end of 1946, was thus reduced to about \$502 million by the end of 1947. The report of the Control Board cannot be accused of exaggeration when it points out that "these reserves are unsatisfactorily low, given the importance of Canada's international transactions and disturbing uncertainties of international affairs."

The report refers hopefully to the European Recovery Programme and, more particularly, to the possibility of "off-shore purchases," which would provide an opportunity for Canada to earn more convertible exchange from shipments to Europe than would otherwise be the case, thus enabling Canada, while supplying to Europe the goods which Europe needs, to continue the flow of essential imports from the United States. The report, however, adds that off-shore purchases would not by themselves solve the immediate foreign exchange problem, which is to restore Canada's surplus in its current operations with the rest of the world. In 1947 the current account surplus was small and it would have disappeared altogether in 1948 had not special remedial action been taken. If, therefore, Canada's inadequate reserves are to be fortified, more will have to be achieved than to get convertible exchange for the whole of the Dominion's exports at their current rate.

Finally, the Control Board's report points out that there are very definite limitations to Canada's ability to extend credit to other countries. It emphasises that if Canadian lending is not to involve further drafts on the gold and US dollar reserves it must be covered by a current account surplus of equal size. The report, which is signed by Mr Graham Towers, governor of the Bank of Canada, will undoubtedly further the general understanding of Canada's peculiar and difficult exchange problem; but it leaves some questions unanswered—in particular, why effective remedial measures were delayed until the reserves had fallen to so low a level as to leave little or no room for manoeuvre.

ICI's New Capital Requirements

Among a number of leading companies, Imperial Chemical Industries is apparently approaching the point where it will no longer be able to cover the entire cost of new capital development from internal resources. Despite the considerable "ploughing back" of profits and EPT refunds in the past two years this is not surprising; ways and means of raising additional finance are under consideration by the board. In 1947 the group made gross additions of £13½ million to its fixed assets compared with a little over £4,000,000 a year earlier, and at the end of last year had outstanding capital commitments of some £16½ million, a figure which is a good deal below the total planned outlay. In addition to these fixed capital projects, working capital represents an equally urgent and complementary claim for finance. The extent to which rising prices and increasing turnover have absorbed working capital is reflected in the expansion—by nearly £11 million to £42,878,706—of stocks of raw materials, stores and finished goods. The total absorption of cash in 1947 for additions to fixed and working capital was over £20 million and although cash and near cash items for the group at December 31st last still exceeded £10 million, the total was over £12 million lower than a year earlier. Meanwhile, the group's turnover has risen from £118 million to £137 million.

The inevitable question of the effect of the Government's policy of capital cuts on ICI's expansion programme is effectively answered by Lord McGowan in his statement which accompanies the accounts. While Lord McGowan admits the need for this policy "under present conditions," he rightly sees a danger in delaying the translation on a full industrial scale of the technical discoveries and fruits of research of the group. Lord McGowan cites several examples from the group's achievements in 1947 as well as projects mooted for the future. For instance, a cheapen-

ing of standardised sizes of industrial explosives is expected to result from the modernisation of the plant at Ardcer; production of the new insecticide "Gammexane" which is in keen export demand was started in February, 1947, and good progress is reported in the construction of the Wilton plants. And among the group's discoveries for which development plans are laid is the wool-like fibre "Ardil," although so far the erection of full-scale plant to manufacture it has been held up. A new dye stuff "Alician Blue" has been produced and much is expected from it in the textile printing industry, while in the field of new synthetic fibres the early promise of the polyester "Terylene" has been confirmed. The exploitation of these and other products will be pressed forward as circumstances permit; but the delay occasioned by current restrictions has impeded the group to shift the emphasis of its research in directions which will involve the erection of plant only after a number of years.

"Marshall" Deficits, 1948-49

If the breadth of the statistical basis of the Marshall Plan were the measure of its chances of ample fulfilment, success would already be assured. That, at least, is the impression left by the latest evidence of the comprehensiveness and minuteness with which the Washington authorities, with the aid of the sixteen-nation organisations on this side of the Atlantic, are busily preparing the blueprints of statistics and forecasts. It is, perhaps, too cynical a response—but a little cynicism about governmental estimates, especially when presented in extreme detail, is surely excusable among those in Britain who have lately been setting the Economic Survey beside the National Income White Paper, issued only a few weeks later. Be that as it may, this latest Washington document is a testimony of great effort. In 150 pages of tables it sets forth and analyses estimates of the balances of payments of each of the Marshall countries and their dependencies for the first fifteen months of the Plan—the three months to end-June next and the ensuing twelve months, the US fiscal year 1948-49. Exports and imports under almost fifty commodity groups and debit and credit invisibles under some ten heads are set out separately for each country for each of the two periods, and are sub-classified throughout so as to show in each instance the division of trade between Marshall and non-Marshall trade areas, and, within the latter category, between the United States, other Western Hemisphere countries and countries outside that hemisphere.

The assumptions which underlie these estimates are not disclosed, but the fairly close alignment of the figures for the United Kingdom with the deficit assumed for the calendar year 1948 in the Economic Survey may afford a clue. The Survey figure of £250 million did not "include" Marshall aid, but was derived from a projection, for the full year, of the rate of importation planned for the first half on the assumption that such aid would be available eventually. According to these new ERP estimates, Britain's total deficit on current account is expected to be at an annual rate of £685 million in the current quarter and £267 million in the twelve months thereafter. As the accompanying table shows, the deficit for the twelve-month period is put at \$1,617 million with the Western Hemisphere (of which \$825 million with the United States) and \$67 million with the Marshall group of countries; with other countries there is expected to be a surplus of \$615 million. These estimates, which are dated March, 1948, show a reduction of \$333 million from the estimates made three months earlier of Britain's Western Hemisphere deficit for the same fifteen-month period. On the other hand, the estimate of the fifteen-month period surplus with the Western Hemisphere of the group described as "United Kingdom Dependencies" has been revised from \$310 million to \$99 million.

U.K. BALANCE OF PAYMENTS, 1948-49—E.R.P. ESTIMATES (\$ mn.)

	3	12	15
	Mths. to end-June 1948	Mths. to end-June 1949	Mths. to end-June 1949
Western Hemisphere	540	1617	2157
United States	196	825	1021
Other Countries	343	792	1135
Marshall Recipients	61	67	128
Rest of World	85	615	530
TOTAL	686	1069	1755

For the Marshall countries as a group, the deficit for the fifteen months is now put at \$9,166 million, of which \$8,308 million is with the Western Hemisphere (\$5,332 with the United States) and \$858 million with other non-Marshall countries. The previous estimate of the Western Hemisphere deficit (for the

same period) was \$246 million smaller; most of this deterioration is due to the large revision (by \$194 million) of the needs of the German bizon, now put at \$1,109 million. The estimate for France has been reduced from \$1,460 million to \$1,285 million, but that for the French dependencies, formerly \$163 million, is raised to \$248 million.

Of the Marshall countries, the only ones to show perceptible prospective surpluses with their co-participants considered as a group are Italy (\$222 million), the Netherlands (a surplus of \$183 million for the Dependencies comfortably covers the \$119 million deficit for Metropolitan Holland), the Saar (\$176 million), Sweden (\$165 million) and Norway (\$129 million). The largest deficit is the French, at \$271 million, reduced to \$203 million by the surplus for the French dependencies.

Bricks After Price Control

As the Minister of Works announced on Monday, the control of brick prices is to be removed on May 17th. The brick industry has had a special system of price control: maximum prices, minimum prices, and a schedule of haulage charges. All these are now to go. The system was devised during the war, when it seemed important to preserve for the postwar housing drive firms which might otherwise have been unable to survive. Prices were therefore fixed at different levels for each district, and were based largely on the costs of production of the existing works—costs which show extremely wide variations. The great majority of the 1,350 brickworks in the country are small. Seventy per cent of the firms, responsible for 35 per cent of the output, still dig their clay by hand and foot and operate only in the summer months. At the other end of the scale are the five firms which make Fletton bricks and produce one-third of the total national output of all bricks. These firms, using mechanised digging and continuous kilns, operate on the East Midland clay belt; their raw material is "Oxford" clay, which contains carbon, helps to burn itself, and thus saves fuel. With their vast output and low costs of production they already dominate the brick trade in southern and eastern England and the Midlands. A new brickfield on the clay belt in Wiltshire threatens existing firms in the West Country as well. For some years Government price control has been holding the ring. Now that it is to go, the smaller brickworks will be driven back on their two advantages: the quality and variety of their output, and proximity to their markets. To carry a brick a hundred miles doubles its cost.

What will happen to brick prices now? Firms which do not make Flettons intend to raise prices by four or five shillings a thousand. This is not strictly a consequence of the removal of control—which, indeed, has been put forward to enable the industry to sell at lower prices. In negotiations with the Ministry of Works early this year the trade gained the Ministry's agreement to an increase in prices to cover increased coal and labour costs. Then the White Paper on Incomes and Prices appeared,

and the increase was not put into effect; the Government has decided on the removal of price control instead.

Evidently, this decision has taken the brick trade by surprise. A year ago, with the building programme in full swing, free prices might have been more welcome. Today, many brick makers are uncomfortably disturbed by fears of competition and accumulating stocks. Production, which was 650 million bricks a month in 1938, was only 119 million in October, 1945; by October, 1947, spurred by encouragement from the Ministry of Works, output rose to 467 million. Since then the housing programme has been cut, production of bricks has been reduced, and many brickworks have had to turn away men; production in March was 397 million, and stocks had risen from 260 million in October, 1947, to 538 million. If the smaller producers raise their prices, as they now intend, it will be a demonstration of team spirit within the trade rather than of anything else. And it will leave the smaller brickmakers at a distinct disadvantage against competition from the mass producers, whose prices are as likely to fall as to rise.

Raw Materials from the Commonwealth

The importance to the United Kingdom of raw material supplies from the Commonwealth needs no emphasis. But in recent years it has been impossible to illustrate this dependence in statistical form. For that reason alone, the resumption by the Commonwealth Economic Committee—formerly the Imperial Economic Committee—of its informative commodity surveys is to be welcomed. The first two annual summaries published this week are *Industrial Fibres** covering cotton, wool, silk, flax, jute, hemp, mohair, coir and rayon, and *Plantation Crops** covering sugar, tea, coffee, cocoa, spices, tobacco and rubber. In each case statistics referring to production, trade and consumption are given for the years 1938 to 1946. Summarised extracts are published in this week's *Records and Statistics Supplement*.

For each commodity, the Committee has calculated the net Commonwealth import or export balance, which represents the surplus of imports into all Empire countries over exports from all Empire sources or the converse. In 1946, the Commonwealth had a net export balance of 205,000 tons of rubber, 178,000 tons of cocoa and 129 million lb. of tea. With sugar, coffee and tobacco, the Commonwealth—and particularly the United Kingdom—has to depend on foreign supplies to meet its requirements. Throughout the war years, the Commonwealth remained a large net importer of cotton, but in 1946 the import balances for rayon yarn, silk and flax were considerably smaller than in 1938. The Empire, however, continues to provide a net export surplus of wool, jute and hemp. Britain's requirements of wool, jute, hemp, rubber, spices, cocoa and tea were met almost entirely from Commonwealth sources in 1946, but large quantities of cotton, flax, tobacco and coffee still had to be purchased from foreign countries, most of them hard-currency countries.

* HMSO, 5s. each.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Imperial Chemical Industries; J. and P. Coats; Home and Colonial Stores; Whitbread & Co.

Prices, Year 1948 (Jan. 1 to May 12)		Name of Security	Price, May 5, 1948	Price, May 12, 1948	Net Yield, May 12, 1948 (s. d.)	Gross Yield, May 12, 1948	Prices, Year 1948 (Jan. 1 to May 12)		Last Two Dividends	Name of Security	Price, May 5, 1948	Price, May 12, 1948	Yield, May 12, 1948	
High	Low						High	Low						(a)
British Funds														
101 1/2	101	War Bonds 2 1/2% August 1, 1949-51	101 1/2	101 1/2	6 4	1 7 2	104 1/2	101 1/2	(d)	(d)	Australia 3 1/2% 1965-69	102 1/2	103 1/2	6 4
101	100 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0 6	1 4	94 1/2	91 1/2	(d)	(d)	Birmingham 2 1/2% 1966-71	92	92 1/2	3 0 0
102 1/2	100 1/2	War Bonds 2 1/2% March 1, 1951-53	101 1/2	101 1/2	0 11	1 10	101 1/2	99 1/2	(d)	(d)	Argentine 3 1/2%	101 1/2	101 1/2	3 9 5
102 1/2	101 1/2	War Bonds 2 1/2% March 1, 1952-54	102 1/2	102 1/2	0 17	2 1	101 1/2	99 1/2	(d)	(d)	Anglo-American Corp. 10s.	7 1/2	7 1/2	3 6 8
104	100	War Loan 3 1/2% (after Dec. 1, 1952)	102 1/2	102 1/2	1 5	4 2	101 1/2	7 1/2	50 c	50 c	Anglo-Iranian Oil 11s.	8 1/2	8 1/2	3 10 7
102 1/2	99 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	102 1/2	102 1/2	1 1	7 2	101 1/2	7 1/2	5 a	25 b	Assoc. Port. Cem. Ord. Stk. 1/2	74 1/2	74 1/2	4 1 1/2
103 1/2	100 1/2	Funding 2 1/2% June 15, 1952-57	103 1/2	102 1/2	1 5	0 2	94 1/2	62 1/2	61 1/2	61 1/2	Austin Motor 'A' Ord. Stk. 5s.	35 1/2	35 1/2	5 14 3
103 1/2	100 1/2	National Def. 3% July 15, 1954-58	105	105 1/2	1 3	5 2	94 1/2	38 1/2	29 1/2	40 c	Barclays Bank Ord. 'B' 1/2	78 1/2	78 1/2	3 11 10
104 1/2	100 1/2	War Loan 3 1/2% Oct. 15, 1955-59	104 1/2	104 1/2	1 5	0 2	101 1/2	84 1/2	72 1/2	7 a	Bass Ratcliffe Ord. 1/2	9 1/2	9 1/2	2 12 6
102 1/2	101 1/2	Savings Bonds 3 1/2% Aug. 15, 1955-65	101 1/2	101 1/2	1 11	1 2	101 1/2	8 1/2	15 a	12 b	British Oxygen Ord. 1/2	5	5	4 0 0
99 1/2	98 1/2	Funding 2 1/2% April 15, 1956-61	99	99 1/2	1 8	4 2	104 1/2	85 1/2	8 a	12 a	Courtaulds Ord. 1/2	40 1/2	40 1/2	3 15 1
102 1/2	99 1/2	Funding 3 1/2% April 15, 1959-69	100 1/2	100 1/2	1 12	2 2	101 1/2	46 1/2	39 1/2	5 1/2	Distillers Co. Ord. 4s.	28 1/2	28 1/2	3 11 1
114 1/2	110 1/2	Funding 4 1/2% May 1, 1960-90	112 1/2	112 1/2	1 1	9 2	101 1/2	32 1/2	25 1/2	7 1/2	Dorman Long Ord. 1/2	32 1/2	32 1/2	5 0 0
102 1/2	97 1/2	Savings Bonds 3 1/2% Sept. 1, 1960-70	100 1/2	100 1/2	1 12	9 2	101 1/2	32 1/2	25 1/2	7 1/2	Dunlop Rubber Ord. 1/2	73 1/2	73 1/2	4 1 8
96 1/2	92 1/2	Savings Bonds 2 1/2% May 1, 1964-67	94 1/2	94 1/2	1 13	2 2	101 1/2	32 1/2	25 1/2	7 1/2	Imp. Chem. Ind. Ord. Stk. 1/2	49 1/2	49 1/2	4 0 9
115 1/2	110 1/2	Victory Bonds 4 1/2% Sept. 1, 1920-76	113 1/2	114 1/2	1 5	0 2	101 1/2	32 1/2	25 1/2	7 1/2	Imperial Tobacco 1/2	5 1/2	5 1/2	5 12 4
101 1/2	96 1/2	Savings Bonds 3 1/2% Aug. 15, 1965-75	99 1/2	99 1/2	1 1	1 2	101 1/2	48 1/2	40 1/2	10 c	Lancs. Cotton Ord. Stk. 1/2	46 1/2	46 1/2	4 6 11
110 1/2	107 1/2	Consols 4 1/2% (after Feb. 1, 1957)	109 1/2	110 1/2	1 11	3 2	101 1/2	56 1/2	48 1/2	5 c	Lever & Unilever Ord. 1/2	51 1/2	51 1/2	3 18 1
106 1/2	102 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	76 1/2	77 1/2	1 15	9 3	101 1/2	61 1/2	47 1/2	12 1/2	London Brick Ord. Stk. 1/2	52 1/2	53 1/2	3 14 5
83 1/2	74 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	74 1/2	75 1/2	1 15	4 3	101 1/2	66 1/2	49 1/2	20 b	Pchina 'J' son Ord. Stk. 10s.	57 1/2	56 1/2	4 17 4
99 1/2	93 1/2	Treas. Stk. 3 1/2% (after Apr. 5, 1966)	93 1/2	93 1/2	1 15	7 3	101 1/2	35 1/2	30 1/2	17 1/2 c	Prudential 'A' 1/2	54 1/2	54 1/2	4 2 6
100 1/2	93 1/2	Redemp. Stk. 3 1/2% Oct. 1, 1968-96	93 1/2	93 1/2	1 15	9 3	101 1/2	59 1/2	49 1/2	12 1/2	Stewarts & Lloyds Del. 1/2	55 1/2	55 1/2	4 8 10
83 1/2	74 1/2	Consols 2 1/2% (after Apr. 1, 1957)	76 1/2	77 1/2	1 14	1 3	101 1/2	85 1/2	73 1/2	15 b	'Shell' Transp. Ord. Stk. 1/2	77 1/2	77 1/2	3 17 8
99 1/2	96 1/2	British Electricity 3 1/2% Gtd. 1968-73	98 1/2	99 1/2	1 15	7 3	101 1/2	7 1/2	5 1/2	12 1/2	Tube Invest. Ord. Stk. 1/2	130 1/2	128 1/2	3 17 8
98 1/2	93 1/2	British Transport 3 1/2% Gtd. 1978-88	96 1/2	96 1/2	1 14	3 3	101 1/2	90 1/2	73 1/2	3 1/2	Turner & Newall Ord. Stk. 1/2	77 1/2	78 1/2	3 16 11
99 1/2	95 1/2	British Transport 3 1/2% Gtd. 1968-73	98 1/2	98 1/2	1 14	3 3	101 1/2	93 1/2	77 1/2	15 a	Woolworth (F. W.) Ord. 5s.	84 1/2	82 1/2	4 5 4

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'r'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 30% in the U.K. (ff) Net yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2 1/2 per cent free of income tax. Yield worked on 15 per cent basis. (h) Fifteen months to March 31, 1947 (yield basis 7-6 per cent). (i) To latest redemption date. † Free of tax.

Consent of His Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1949

Issue of £10,000,000 Government of the Commonwealth of Australia

3 per cent. Registered Stock, 1964-1966

at the rate of £100 per cent.

Interest payable 15th February and 15th August.
Six months' interest will be paid on 15th February, 1949.

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

OFFER OF CONVERSION TO HOLDERS OF

£2,902,116 VICTORIA 4% CONSOLIDATED INSCRIBED STOCK, 1940-1960.
£5,948,000 QUEENSLAND 4% INSCRIBED STOCK, 1940-1950.
£2,939,035 SOUTH AUSTRALIA 4% INSCRIBED STOCK, 1940-1960.
£2,798,000 TASMANIA 4% INSCRIBED STOCK, 1940-1950
£14,587,951

for which Stocks notice of repayment on 16th August, 1948 (15th August, 1948, falling on a Sunday), has been given.

COMMONWEALTH BANK OF AUSTRALIA is authorised by the Government of the Commonwealth of Australia to offer to holders of the above-mentioned Stocks, conversion of their holdings, in whole or in part, into an equal amount of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1964-1966, on the terms set forth in this Prospectus.

The aggregate amount of the above-mentioned Stocks outstanding is £14,587,951. This offer of conversion is limited to a total amount of £10,000,000 and the List will be closed when applications totalling that amount of Stock have been accepted. In any case the List will be closed not later than 28th May, 1948.

Principal of the new Loan will be repaid in London at par on the 15th February, 1966, the Government of the Commonwealth of Australia having the option to redeem the Stock at par, in whole or in part, on or after 15th February, 1964, on giving three months' notice by public advertisement.

The Loan, which has been approved by the Australian Loan Council, is authorised by Acts No. 25 of 1919, No. 5 of 1928, No. 4 of 1929 and No. 46 of 1944, of the Parliament of the Commonwealth of Australia, and is issued in accordance with a law passed by that Parliament by which the Commonwealth of Australia, as from 1st July, 1929, took over the debts of the various States. The direct liability of the Commonwealth to Stockholders and Bondholders in respect of the Loans so taken over was confirmed in the Financial Agreements (Commonwealth Liability) Act, which became law in March, 1932.

Holders of Victoria 4 per cent. Consolidated Inscrubed Stock, 1940-1960, and Queensland 4 per cent. Inscrubed Stock, 1940-1950, whose applications for conversion are received on or before 16th August, 1948, on interest payment of £1 10s. 0d. per cent. (less tax) representing four and a half months' interest at the rate of 4 per cent. per annum from 1st April, 1948.

Holders of South Australia 4 per cent. Inscrubed Stock, 1940-1960, and Tasmania 4 per cent. Inscrubed Stock, 1940-1950, whose applications for conversion are accepted, will receive interest payments as follows:—

(a) On 1st July, 1948, the usual six months' interest then due.
(b) On 16th August, 1948, 10s. per cent. (less tax), representing one and a half months' interest at the rate of 4 per cent. per annum from 1st July, 1948.

Six months' interest on the new Stock will be paid on 15th February, 1949. Applications for conversion must be lodged on the appropriate forms: in the case of Victoria 4 per cent. Consolidated Inscrubed Stock, 1940-1960, at WESTMINSTER BANK LIMITED, Stock Transfer Office, 41, Lothbury, London, E.C.2.; in the case of Queensland 4 per cent. Inscrubed Stock, 1940-1950, by post, at BANK OF ENGLAND, 18, Finsbury Circus, London, E.C.2.; and in the case of South Australia 4 per cent. Inscrubed Stock, 1940-1960, and Tasmania 4 per cent. Inscrubed Stock, 1940-1950, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2. Forms for conversion have been posted to the Stockholders, or, in respect of joint accounts, to the Stockholder first named in such accounts.

Applications for conversion of Stock Certificates to Bearer must be accompanied by the relative Stock Certificates, and all unexpired Coupons, and must be lodged at the appropriate Banks named above; in the case of the BANK OF ENGLAND, at the Chief Accountant's Office, Threadneedle Street, London, E.C.2. Interest payable in respect of the period to the redemption date will be paid by warrant.

Any Victoria 4 per cent. Consolidated Inscrubed Stock, 1940-1960, and Queensland 4 per cent. Inscrubed Stock, 1940-1950, not converted, will be paid off at par on 16th August, 1948 (15th August, 1948, falling on a Sunday), together with an interest payment of £1 10s. 0d. per cent. (less tax), representing four and a half months' interest from 1st April, 1948.

Any South Australia 4 per cent. Inscrubed Stock, 1940-1960, and Tasmania 4 per cent. Inscrubed Stock, 1940-1950, not converted, will be paid off at par on 16th August, 1948 (15th August, 1948, falling on a Sunday), together with an interest payment of 10s. per cent. (less tax), representing one and a half months' interest from 1st July, 1948.

The books of all the above Stocks will be finally closed for transfers on the evening of 15th July, 1948. Instructions as to the disposal of redemption moneys must be lodged at the appropriate Banks on the prescribed forms, which will be forwarded in due course.

The Stock now offered will be registered and transferable in any amount by deed, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia. Interest Warrants will be transmitted by post at the Stockholder's risk, and in the case of joint accounts, the warrants will be forwarded to the person first named in the account, unless instructions to the contrary be given.

Commonwealth of Australia Stocks issued and payable in London and the interest thereon, the property of persons not domiciled in Australia, are not, and will not be, subject to any taxes, duties or levies in Australia.

All Commonwealth Loans, all Loans issued by the several States and now taken over by the Commonwealth, and all Loans guaranteed by the Commonwealth, carry a Sinking Fund in accordance with the provisions of the National Debt Sinking Fund Act, 1923-1934, and the Financial Agreement Act.

In the case of all such Loans, the following contributions to the Sinking Fund must be made out of Commonwealth and State Revenues:—

(a) On the present Conversion Loan and all Loans existing on 30th June, 1927, including such Loans when converted into other Loans a minimum of 7s. 6d. Australian currency per £100 per annum;
(b) On any new Loan, 10s. Australian currency per £100 per annum.

In the case of Loans raised in the United Kingdom the contributions stated above are in respect of each £100 sterling.

The Sinking Fund moneys allocated by the National Debt Commission for use in London during the year ending 30th June, 1948, amount to £3,195,000 sterling.

COMMONWEALTH BANK OF AUSTRALIA is further authorised to offer for subscription in cash Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1964-1966, to such amount as may be required to make up the above total of £10,000,000 in the event of conversion acceptances not reaching that total.

PRICE OF ISSUE £100 per cent.
Payable £10 0 0 per cent. on Application.
£20 0 0 " " " 15th June, 1948.
£70 0 0 " " " 15th August, 1948.
£100 0 0 per cent.

An interest payment of 3s. 4d. per £100 Stock will be made on 16th August, 1948.

Cash applications on the prescribed forms will be received at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2, and must be for even amounts of £100 of Stock and be accompanied by a deposit of £10 per cent. on the amount applied for.

In the event of partial allotment, the surplus from the amount paid as deposit will be returned to the applicant. In the case of default in the payment of any instalment at its due date the amount previously paid will be liable to forfeiture, and the relative allotment to cancellation.

Payment in full may be made on or after allotment, but no discount will be allowed.

Script Certificates to Bearer in respect of Cash Allotments will be issued in denominations of £1,000, £500 and £100, in exchange for Allotment Letters. These Certificates must be surrendered at the time the final instalment is paid, for exchange into Registered Stock Certificates, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2. Interest Coupons for 3s. 4d. per £100 Stock, payable 16th August, 1948, will be attached to the Script Certificates.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto.—40 and 41 Vict. cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stock-brokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from Commonwealth Bank of Australia, 8, Old Jewry, London, E.C.2.; Bank of England, Chief Accountant's Office, Threadneedle Street, London, E.C.2.; Westminster Bank Limited, Stock Transfer Office, 41, Lothbury, London, E.C.2.; from Messrs. R. Nisbitt & Co., 6, Threadneedle Street, London, E.C.2.; at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.; from the Agent-General for Victoria, Victoria House, Melbourne Place, Strand, London, W.C.2.; the Agent-General for Queensland, 409 and 410, Strand, London, W.C.2.; the Agent-General for South Australia, South Australia House, Oxford Street, London, W.1.; and the Agent-General for Tasmania, Golden Cross House, Charing Cross, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,
8, OLD JEWRY, LONDON, E.C.2.
The List for Cash Applications will open on Tuesday, 14th May, 1948, and will be closed at 3 p.m. on that date.
The List for Conversion Applications will be closed not later than 3 p.m. on Friday, 28th May, 1948.

THIS FORM MAY BE USED.
Application Sheet No. Allotment No.

APPLICATION FOR

Government of the Commonwealth of Australia

3 per cent. Registered Stock 1964-66

To: COMMONWEALTH BANK OF AUSTRALIA,
8, OLD JEWRY, LONDON, E.C.2.

I/We hereby apply for £..... (pounds)

(say.....) of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1964-1966, according to the Prospectus of 14th May, 1948, and undertake to pay £100 for every £100 of Stock, and to accept the same or any less amount that may be allotted to me/us, and to pay for the same in conformity with the terms of the said Prospectus.

I/We enclose the required deposit of £..... being £10 per cent. on the amount applied for.

I/We declare that I am not/none one of us is resident outside the Scheduled Territories within the meaning of the Exchange Control Act, 1947, and that I/we shall not be acquiring the Stock on behalf of or as the nominee(s) of any person(s) resident outside those Territories.

If this declaration cannot be made it should be deleted and a Form D (obtainable from a Banker or Stockbroker) completed as to Declaration 2A and the appended Certificate, should accompany this application.

Ordinary Signature.....
Full Name.....
(IN BLOCK LETTERS.) (State if Mr., Mrs., Miss or Title.)
Address.....

† The Scheduled Territories: The British Empire (except Canada and Newfoundland), British Mandated Territories of Cameroons, Nauru, New Guinea, South West Africa, Tanganyika, Togoland and Western Samoa, British Protectorates and Protected States, Burma, Iraq, Iceland and the Faroe Islands.

The definition of "nominee" is given in the Bank of England's Notice E.C. (Securities) 1.

N.B.—Applications must be for amounts of not less than £100 and in multiples of £100.

Cheques should be made payable to BEARER and should be crossed thus:

COMMONWEALTH BANK OF AUSTRALIA,
a/o Australian Loan (22).

SPILLERS LIMITED

INCREASE IN TRADING SUPPLIES

DIVIDEND MAINTAINED

FLOUR PRODUCTION AT HIGH LEVEL

PROFIT MARGIN FROZEN

MR ARTHUR WHITTAKER'S STATEMENT

The sixty-first annual ordinary general meeting of Spillers Limited will be held at the Abercorn Rooms, Great Eastern Hotel, London, E.C., on the 21st instant, and will be followed by the adjourned 60th annual ordinary general meeting.

The following is the statement of the chairman, Mr Arthur Whittaker, which has been circulated with the report and accounts as at January 31, 1947:—

This being the first annual general meeting of the company since I assumed the chairmanship, I should like to express to the stockholders my high appreciation of the importance of the office and the honour done me by my colleagues in electing me to it. You may be assured that I shall continue to use my best endeavours to further the interests of the company.

TRIBUTE TO SIR MALCOLM ROBERTSON

The occasion also enables me to pay tribute to the great services rendered to the company by my predecessor, Sir Malcolm Robertson. During his period of office the business of the company was consolidated and expanded in a manner which I think must have commended itself to the stockholders. Sir Malcolm carries with him our deep gratitude for his outstanding contribution to the success of the company and our best wishes for many happy years to come.

We welcome Mr H. B. Vernon, M.C., who was co-opted to the board during the year and a resolution asking you to confirm his appointment will be submitted at the meeting. Mr Wilfred Vernon became President of the National Association of British and Irish Millers in June, 1947, and thus received the highest honour which the industry can confer on any member. It was most gratifying to his colleagues, and I am sure equally so to the stockholders, that he should have been chosen to lead the industry in these critical times. Sir Norman Vernon is on the point of completing his second term as chairman of the Baltic Mercantile & Shipping Exchange, and we congratulate him upon the distinction of presiding over one of the great market organisations of this country.

The following are the salient features of the accounts now presented to you for the year ended January 31, 1947:—

The approximate nature of the figures and the reason thereof has been indicated in the directors' report. I am able to say, however, that provisional agreement has now been reached with the Ministry of Food in respect of the results of the controlled side of the undertaking up to August 31, 1946.

VALUE OF FIXED ASSETS

The reduction in the book value of the fixed assets is almost entirely attributable to

the provision for depreciation and obsolescence less such limited capital expenditure on essential replacements as it has been possible to carry out during the year. I must emphasise that the real value of the fixed operating assets is very substantially in excess of replacement and their effective life. Capital costs continue to rise, and the directors have maintained the provision for depreciation and obsolescence at the increased level referred to last year, and which they consider to be the minimum necessary under current conditions.

Stocks at January 31, 1947, showed a substantial reduction as against the previous year, which was accounted for by the carrying of smaller wheat stocks. The increase in debtors is mainly attributable to amounts owing by the Ministry of Food under the control arrangements. The net surplus of current assets over current liabilities and provisions amounted to £4,223,000 in the case of the parent company (an increase of £260,000, as compared with the previous year) and £5,814,000 for the group (an increase of £464,000 as compared with last year).

On the basis of book values (which reflect the conservative policy of writing down in the past), the total capital employed in the group is over £10,000,000. If account is taken of the real value of the fixed assets the capital employed is very much greater.

RESULT OF YEAR'S OPERATIONS

The trading surplus of the parent company shows a small reduction as compared with the previous year, which arises from a falling off in the profit of the animal foods section. The net available balance for the year of the parent company, including dividends from subsidiary companies and income from investments and after providing for depreciation, obsolescence and income tax, is £385,000. After providing for the dividends for the year as approved by the stockholders, it is proposed that £50,000 shall be appropriated to general reserve, leaving the amount to be carried forward at £277,000, as compared with the amount brought in of £267,000.

The trading surplus of the group after providing for depreciation and obsolescence is £996,000, as compared with £913,000 for the previous year. The increase is in part due to the inclusion of the results of a new subsidiary company for a portion of the period. After providing for income tax, the available balance is £493,000. Dividends and transfer to reserve absorb £391,000, and the consolidated balance carried forward is increased from £389,000 to £491,000.

Production of flour during the year ended January 31, 1948, has been maintained at a high level. Output of other commodities while maintained at about the same volume as in the previous year is still seriously hampered by shortage of raw materials and but for this could be considerably expanded.

The directors, although unable to estimate with any precision the results for the year ended January 31, 1948, feel justified, having regard to the general position of the company, in recommending to the stockholders a distribution at the same rate as for the previous year.

I think it important to state that under the control arrangements applying to the Milling Industry the profit margin on flour is frozen at the same average rate per unit of output as operated over a number of years before the war and furthermore that this applies only to output up to the prewar level, any output in excess thereof earning a much lower margin of profit. This is a matter of grave concern to us as it makes no allowance for the considerable fall in value of money which has occurred since 1939 and the necessity to make substantially greater provision for the increased cost of replacement of fixed assets. This apart, and while recognising that conditions may still necessitate control by Government of supplies of imported raw materials and prices of finished products, your directors would welcome some modification of the present basis of the financial arrangements designed to afford the maximum incentive to initiative and efficiency.

The Government's decision that capital investment should be further restricted has set back even more the date when we can make any substantial progress with the replacement of capacity destroyed during the war. While appreciating the general economic difficulties giving rise to this situation I cannot refrain from issuing an emphatic warning of the dangers of further delay in restoring adequate and efficient milling capacity in this country.

It is with great pleasure that I record the excellent services given by the management, staff and workpeople throughout the group and express our gratitude to them all.

LACRINOID PRODUCTS, LIMITED

IMPROVED TURNOVER

The eleventh annual general meeting of Lacinoid Products, Limited, was held, on the tenth instant, at 82, King William Street, London, E.C., Mr T. L. Horabin, M.P. (chairman of the company), presiding.

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

The trading profit for the year amounted to £41,973, as compared with £45,613 for 1946. The turnover for the year 1947 was an improvement on that of the previous year, but the expenses showed an unavoidable increase, partly due to payment in full to our employees during the industrial shut-down at the beginning of the year. Provision for taxation has required £24,500, against £27,500 for 1946 and the amount of £9,300, against nil, has been written off the investment in the Canadian subsidiary company.

We have made considerable progress in extending our own mould and tool department; this work was substantially completed at the end of 1947 and the benefit of the increased facilities is already being felt.

EXPORT DEVELOPMENT

Reference was made last year to the difficulties in developing the export business, which we hoped to overcome through the medium of our Canadian subsidiary company. In the circular to shareholders of October 3, 1947, mention was made that it was inevitable that the subsidiary would suffer a loss in its first year because of the world shortage of dollars, whereby our overseas customers were unable to place orders in Canada. The directors are giving their constant attention to the steps to be taken to deal with the present conditions.

The purchase of Insulation Equipments, Limited, gives your company entry into a new market in the plastics industry, as that company is mainly engaged in the production of technical components for all types of industries and decorative products for the furnishing and building trades.

Your board look forward with confidence to the progress of your company and to the maintenance of its profits.

The report was adopted.

HAMBROS BANK LIMITED

DEMAND FOR STERLING CREDITS.

The thirty-sixth annual ordinary general meeting of Hambros Bank Limited will be held in London on the 27th instant.

The following is an extract from the statement by the chairman, Mr R. Olaf Hambro, circulated with the report and accounts for the year to March 31, 1948:

The year under review has been a difficult one from many aspects which concern our bank. The increasing difficulties of the exchange position as a result of shortages of both dollars and sterling in many countries, especially in the case of the Scandinavian countries with which we are so closely associated, has had some adverse effect on the deposits of the bank. On the other hand, the demand for sterling credits has shown a gratifying increase and despite the initial difficulty in securing in certain cases the necessary currency guarantees, we have been able to provide to an increasing extent the credit demands of our friends abroad, as evidenced by the addition of £4,000,000 to the amount of bills under acceptance which are steadily approaching the pre-war average figure for this important branch of our activities.

Turning to the home market, the fluctuations in the gilt edged market, which we have experienced during the past year as a result of the apparent disagreement of policy between the two Chancellors of the Exchequer, have contributed in no small measure to the general uneasiness of the present situation and has increased the difficulties of those whose business is inevitably affected by any severe fluctuations in the market for gilt edged securities.

ATTEMPT AT BUDGETARY EQUILIBRIUM

As a counter to this, however, there has been a definite improvement in many branches of industry during the year, and even though there is justifiable criticism of certain of the provisions the present Chancellor has seen fit to introduce into his programme for the current year, the fact remains that a serious attempt has been made to achieve budgetary equilibrium. Given a steady and increasing effort on the part of all members of the working population, there is no doubt that this country will meet and overcome its difficulties in achieving balance of payments, especially in view of the breathing space provided by our great and generous friends across the Atlantic.

With regard to the future, the E.R.P. encourages the belief that Europe, or at any rate that part covered by E.R.P., will now turn the corner and will be strengthened in their efforts to establish economic peace and well-being, which is the only sure guarantee against future wars. We particularly welcome the signs of returning prosperity in Italy, a country with which this bank has had old and pleasant financial relations, which we hope will be renewed in the future.

Turning more particularly to the balance sheet, the situation I have already referred to is the main reason for the reduction in our deposits and the increase in acceptances. It will be noted also by reference to our holdings of cash and bills that the bank continues to maintain a very liquid position and the investment in subsidiary companies remains the same. These companies have continued to achieve satisfactory results. The gross earnings of the bank have been in excess of the previous year, but the increase in the running expenses, a contribution to the staff pension fund, which was inaugurated this year, and the transfer to the contingency fund for reserve against gilt edged holdings have slightly decreased the net figures, which, however, amply cover the same rate of dividend on the increased capital and permit a further substantial transfer to the contingency fund.

THE UNION BANK OF SCOTLAND, LIMITED

POSITION OF GREAT LIQUIDITY

SIR A. STEVEN BILSLAND'S REVIEW

The annual meeting of shareholders of this Bank was held, on the 12th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., Chairman of the Bank, in the chair.

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

The balance sheet presented showed a total of £81,582,000, which compared with £78,598,000 last year, an increase of £2,984,000. Deposits at £69,269,000 showed an increase of £2,769,000, but for a large part of the year under review their deposits had attained substantially higher figures than were shown at the date of the balance sheet. Notes in circulation at £6,456,000 were £220,000 lower.

On the assets side, cash, money at call and short notice, Treasury bills and Treasury deposit receipts amounted in all to £24,154,000, and this figure represented 32 per cent. of the Bank's liability in respect of deposits and notes in circulation. Their holding of Treasury bills had been increased by £445,000, but Treasury deposit receipts had been reduced by £1,500,000 to £5,000,000, the amount at which they stood two years ago. From these figures it would be appreciated that the Bank's position was one of great liquidity.

British Government securities at £38,242,000 were £869,000 higher than last year. These securities had well-spread maturity dates and a considerable proportion was of a short-dated nature. They were glad to report that the market values of the investments were, in the aggregate, substantially in excess of the amounts at which they appeared in the balance sheet.

Loans and advances at £13,512,000 showed a welcome increase of £2,833,000, and they were glad to have had further opportunities of financing trade and industry by granting facilities for business development.

Costs generally, but particularly in respect of administration, continued to rise, and a further burden had been laid upon them by the substantial increase in profits tax. These charges had been nearly offset by the revenue which accrued from the increased funds they had been in a position to employ, and in the result the profit for the year of £336,800, which was arrived at after providing for every known liability or contingency, was only £2,500 lower than that earned in the previous year.

SERIOUSNESS OF NATION'S POSITION

A fundamental fact in our national economy today was that we are far from paying our way in the world. Unfortunately, the simple but serious facts of the situation were not generally understood.

The end of the war had found us an impoverished nation, and without outside aid we would have been reduced to a starvation standard. We had negotiated the American Loan and, thanks to the generosity of the Government of Canada, we had obtained much needed help by way of financial credits to be drawn upon over a period with the object of assisting us to maintain our standard of living and full employment. At that time it was hoped that we should have sufficiently expanded our export trade to cover the costs of what we must import before the loans and credits were exhausted.

Unhappily, our hopes had been far from being realised. Partly on account of the steep rise in the prices of imported goods, partly as the result of our failure, for various causes, to reach our export targets, and partly by reason of the terms of the Convertibility Agreement, the loans had been largely consumed when we were still far from the path towards recovery. As a result, we had been thrown back on our rapidly dwindling reserves. The rate at which these resources had been drawn upon in recent months, representing a rate of not much short of £600,000,000 a year, gave cause for serious anxiety. Without further aid our position would soon be precarious.

The effect of Marshall Aid on the economy of European countries (which were formerly important British markets) would, it was hoped, stimulate international trade, although the unfortunate division of Europe—a large part of which was now enclosed behind the iron curtain—would hamper and reduce our trading activities in these areas.

CRITICISMS OF THE BUDGET

In opening the Budget on April 6th, Sir Stafford Cripps had set a precedent which should be followed in relating the financial returns and proposals of the Budget to the framework of economic policy. In providing for a large surplus this year and in some other respects the Chancellor had shown wisdom and courage. But three features of the Budget deserved the strongest criticism—the maintenance of a rate of expenditure far beyond what the country could afford, the failure to begin the reduction of food subsidies, and the imposition of the special contribution on investment incomes.

The attitude of those who condemned or criticised the making of profits was inimical to the interests of this country. Our progress depended on men of enterprise and ability being willing to take risks. When they succeeded their reward in profits was a measure of their service to the community.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

112TH ANNUAL REPORT

In a statement circulated with the 112th annual report of The Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr P. R. England, underlined the valuable contribution British Insurance makes to Britain's economy through the earnings of its worldwide business. It was one of the country's most precious invisible exports today, making no demands on raw materials or shipping space.

Fire, Accident and Marine premiums in 1947, at £16,967,808, constituted a record for the company, and were £2,464,020 higher than in 1946.

Underwriting profit was £580,571.

General expenses represented 16.80 per cent. of premiums.

Life new business at £4,777,000 was over £700,000 higher, and provided a new record.

Fire premiums advanced to the company's highest yet—£6,728,026 (against £5,912,757).

Accident premiums at £8,927,558—another record—compared with £7,660,017 in 1946.

Marine premiums were higher at £1,312,224.

The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1947.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

A YEAR OF CONTINUED EXPANSION

MR GEORGE F. HENDERSON'S SPEECH

Mr George F. Henderson, M.C., W.S., chairman, presiding at the 123rd annual general meeting of the shareholders of the Scottish Union and National Insurance Company, held at Edinburgh, on the 12th instant, said:—My Lords and Gentlemen, The annual accounts for the past year have been in your possession for some days and with your permission I will take them as read.

The year has been one of continued expansion. All departments have contributed to the general increase in premium income as have our branches and agencies throughout the world. Our total premium income for 1947 was nearly £5,500,000, an increase of 25.47 per cent. over the previous year.

LIFE DEPARTMENT

In 1947 we issued 2,751 policies assuring just over £2,250,000 and 746 immediate or deferred annuities securing £72,816 per annum. The new sums assured showed an increase of over 25 per cent. over 1946 whilst the figure for annuities granted was 100 per cent. greater than in the preceding year. Both the new annual premiums secured and the total premium income constitute record figures for the company.

The considerable increase in our new business is in accordance with the general experience of insurance offices and reflects the inflationary conditions existing today. During the first three months of this year there was every indication that the rate of saving through life insurance would be more than maintained as compared with last year, but caution must be exercised in forecasting a continuance of this trend. It remains to be seen how far the urge to save is affected by the Chancellor's proposition of a special contribution from capital. Although comparatively few people are directly concerned in the payment of the special levy its imposition has an effect on a very wide circle. There is a fear in the minds of some people that the contributions may be repeated—possibly in a different guise—and its scope increased. Unless apprehension on this score can be relieved considerable harm may be caused by discouraging life insurance and other methods of saving.

EXTENSION OF ACTIVITIES

Towards the close of last year the directors decided to extend the company's activities by establishing a special department to undertake staff life assurance and pension schemes on a group basis. The results to date are most encouraging and we shall await the developments of this offshoot of our life organisation with confidence. There is a wide awareness today not only of the moral obligation to grant adequate pensions at retirement but of the practical needs for this course owing to competition for labour. Once the needs for pensions are acknowledged it is obviously desirable to establish a proper scheme under which pensions and life assurance are provided out of funds accumulated during the time of active employment of the employees to be provided for. We are building the new department on lines which I am sure will enable us to give to employers and employees alike an efficient service.

On the expenditure side of the revenue account there is an unavoidable increase in the figures for commission and expenses. The former is due to the increase in business written and the latter is also due in part to this cause. Principally, however, the expenses of management have increased owing to the advance in the cost of goods and services, including staff salaries. The need to restrict our expenses to the lowest figure commensurate with the efficient conduct of our business is kept constantly in mind.

FIRE DEPARTMENT

I am pleased to report that another new record has been achieved by this department. For the first time in the company's history, the annual fire premium income has exceeded £2,000,000. The increase in premiums last year even surpassed the very substantial improvement reported in 1946 and brought the total premium income for the year up to £2,295,937.

The claims experience has, however, been heavier than in the previous year. In the British Isles a large number of claims had to be met for damage caused through storm and burst pipes during the unusually severe weather at the beginning of the year. In addition, there was unfortunately a very marked increase in the total fire wastage in this country, and we have shared the general experience of all companies in the home field in meeting the heavy additional cost of these claims.

The general level of claims in North America still continues to run high. 1947 was a year of many catastrophes in the USA, the most outstanding being the Texas City disaster. It is, however, gratifying to report that, notwithstanding an increase in the volume of losses, our North American results show some improvement over those of the previous year, and compare favourably with other companies operating in that continent.

In the general overseas field the premium income showed an increase in almost every country where we do business and although the results were not as favourable as in 1946 the experience indicates that the selection of business and underwriting have been sound.

The year's trading surplus of this department was £203,399, but the substantial increase in premiums has necessitated the large additional provision of £190,163 being made to the unexpired risk reserve, which as you know is on a 50 per cent. basis, leaving a sum of £13,236 to be transferred to profit and loss account.

ACCIDENT DEPARTMENT

Premium income increased during the year to £707,563, an advance of £154,874 over 1946 and with the outstanding exception of motor business each section of this department produced a profit. Very much has been said and written upon the unprofitable experience of all companies in the motor department due mainly to the greatly increased cost of repairs and the heavy awards for personal injuries. Whilst steps have been taken to revise premium rates to conform with current conditions it is doubtful whether the proposed increases will be adequate to place the business upon a satisfactory footing from an underwriting point of view. As in the fire department we provide 50 per cent. of premiums for unexpired risk reserve and although there was a trad-

ing surplus for the year of over £68,000 the increase in the premium reserve combined with the adverse experience in the motor section necessitated a transfer of £7,101 from the profit and loss account

MARINE DEPARTMENT

Premiums in this department increased by some £276,000 compared with the previous year and indicate continued progress. This increase is due to a variety of causes, chief of which are high values of ships and cargoes, expansion of our export trade, release of tonnage from requisition and a steady flow of ships from the shipyards. Claims and expenses were heavier, the increase in the latter being mainly due to salary increases. The fund at the end of the year was £1,269,926 equivalent to approximately 120 per cent. of the premium income for the year.

INVESTMENTS

In 1947 a general upward movement in interest rates occurred throughout the world. Although less marked elsewhere than in Britain, where the most artificial position had been created, the change is welcome and healthy in conditions when every incentive to save and add to productive capacity is necessary. Market values of our investments have therefore declined, but there is still a large appreciation over book values.

It has been a difficult year for investing. The dangerous position to which Britain's international trade had come gave cause for greater alarm than was apparent amongst the general public. Had it not been for the generous aid from the United States our people would now be facing a painful and protracted reduction in the standard of living. Even with the "Marshall Aid" we have little prospect of keeping the present standard unless we do more to help ourselves.

Whilst the turn in interest rates will ultimately produce better earnings, the restraint now imposed in Britain on distribution of ordinary dividends and the heavy Profits Tax weight the scales against the general investor and are bound to discourage enterprise and the acceptance of normal trading risks.

OVERSEAS VISITS

During the past year a visit was made to the headquarters of our business at Hartford in the United States of America by Mr. Mounsey and Mr. Blair, two members of our board, along with the general manager. Mr. Mounsey afterwards proceeded to San Francisco where a re-organisation of our business on the Pacific Coast has recently been carried out and is already producing good results. Before returning home, Mr. Mounsey also visited our branches and representatives in Canada and brought back much useful information. After leaving Hartford, Mr. Blair, in company with Mr. Cotton representing our associated company, the Maritime Insurance Co., visited South America, visiting our agents and representatives in that continent and making many useful contacts. Later in the year our general manager, Mr. Stevens, accompanied by our London manager, Mr. Johnson, visited our branches and agents in South Africa and Australia. They also looked in on our branch in Bombay and saw our agents in Colombo. From all these visits very useful and interesting reports by Mr. Stevens have been received.

I regard these meetings with our overseas representatives as most important. They enable us at headquarters to understand and appreciate better the many problems which have to be solved in the ordinary course of business and the general development and extension of our business overseas.

TRIBUTE TO EXECUTIVE AND STAFF

The year has been a difficult and trying one in many respects and we owe a great

deal to the loyal and devoted services rendered by our executive and staff both at home and abroad. I wish to take this opportunity of thanking them for their good work and to assure them of our appreciation of their loyal and devoted service. In this connection I wish specially to mention the services of our assistant general manager, Mr James Henderson, during the necessarily prolonged absence of Mr Stevens when in the United States, South Africa and Australia. Mr Henderson never spared himself and carried his additional burden with unflinching courtesy and good humour.

Finally I wish to express our very sincere thanks to all our local directors both at home and abroad and last, but not least, to the directors, officers and staff of the Maritime Insurance Company for their successful work during the past year.

The report and accounts were approved.

ROYAL INSURANCE COMPANY, LIMITED

102ND ANNUAL REPORT

INSURANCE AS "INVISIBLE EXPORT"

In a statement circulated with the 102nd annual report of the Royal Insurance Company, Limited, the chairman, Mr P. R. England, said he was encouraged by the thought that the problems of this country and the world were much more in the open, and peoples knew what they had to face. At home, the domestic situation admitted no misunderstanding: the need, insistent and unrelenting, was for ever-increasing exports. He emphasised the tremendous value to the country of the invisible export represented by the company's overseas operations.

INSURANCE DOLLAR EARNINGS

The vital emphasis was on hard currency earnings, particularly dollars. Since 1940 the "Royal" and its associated companies had contributed remittances of no less than forty million dollars to Great Britain's economy.

In 1947, despite the difficult phase through which underwriting had been passing in the United States, a profit was shown there in all departments—fire, casualty and marine.

In the general foreign field, there were immense difficulties but the company had spared no effort to rebuild and develop its business in territories overseas, and in dollars, kroner, pesos, liras and other currencies, the fruits had been gathered in from all quarters of the earth.

Insurance profits overseas were net profits; no raw materials were required, no shipping space was absorbed.

CONFIDENCE

The company's vast overseas business reflected an act of faith on the part of tens of thousands of policyholders; faith in the foundations on which the business was built at home. It was impossible to exaggerate the importance of maintaining that confidence. Anything said or done to damage the credit or strength of British insurance at home was a blow against a vitally important invisible export. No greater disservice could be done to the British economy at this time. The Government had realistically left with the British market the insurances of food and commodities coming under their control, and the nationalised industries were equally understanding.

INFLATION

The 1947 accounts demonstrated not only the strength of the company but progress in all departments, with combined fire, accident

and marine premiums reaching a record high level. In normal times this would be welcomed as a reflection of economic progress. Insofar as it was still based on real development it was to be welcomed, but the substantial increase in premiums reflected also a world-wide inflationary pressure on money values. Inasmuch as this was symptomatic of deep-seated maladjustments in the world's economy, it was to be viewed with some concern as a sign of economic instability.

1947 RESULTS

The 1947 accounts of the "Royal" showed combined fire, accident and marine premiums at the record high level of £27,082,800, an increase of £5,242,000 over 1946.

Underwriting profits in 1947 amounted to £1,340,592, or 4.95 per cent., a modest ratio of profit but a satisfactory sum.

Expenses, apart from agency commission and overseas taxation, were 15.6 per cent. of the premiums.

Record new life sums assured, at £7,971,000, represented an advance of over £373,000.

In this country, the total annual amount saved through life assurance premiums was estimated to be over £120 million. There could be no more striking evidence of the outstanding value of life assurance to the country's economy at this time as an effective means of absorbing excess spending power.

Net interest in the profit and loss account amounted to £1,150,300—an increase of £93,800; profit on foreign exchange £115,450; profit on realisation of investments £137,590. After providing for the final dividend and other specified outgoings, a balance of £2,534,350 was carried forward, an increase of £762,500.

The directors recommend a final dividend of 3s. 9d. (less tax), making 7s. 6d. per £1 stock for the year, the same as for 1946.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

FURTHER EXPANSION OF BUSINESS

Speaking at the 19th annual general meeting in London, Mr. E. J. Bunbury, M.C., chairman, said: During the past financial year our business has continued to expand, and a further £2,115,162 of new loans have been completed, representing an increase of £369,138 or 21 per cent. over the aggregate of loans granted in the preceding year. In addition, loans totalling £712,390 approved by the directors are in course of completion, an increase of 38 per cent. over last year. Thus, loans completed and in course of completion show substantial increase in current demand for the corporation's credit. The average amount of loan granted this year is £3,948, more than double the average in 1939.

A large proportion of advances made this year has been utilised to repay existing mortgages at rates of interest higher than the 3½ per cent. charged by the corporation, and to pay for improvements to agricultural land. We have also been able to assist a considerable number of purchasers, many of whom were sitting tenants, to acquire their holdings.

In a year of uncertainty and crisis, agricultural holdings continued in great demand. Properties with vacant possession changed hands at high prices. This inflationary aspect requires careful watching to ensure that the proper agricultural basis of our credit is not affected by the "on-value" paid for vacant possession or residential amenities.

1947 will be remembered for the trials and difficulties which beset our farmers. It is a great tribute to the efficiency and ingenuity of our dairy farmers that notwithstanding those difficulties they are today producing some 200 million gallons more milk per year than prewar, though our total of dairy cows has increased by only 150,000.

NORWICH UNION INSURANCE SOCIETIES

RECORD NEW LIFE BUSINESS

The annual meetings of the Norwich Union Insurance Societies were held at Norwich on May 10th and 11th.

Speaking at the Life Society's meeting, the President, Sir Robert Bignold, said that directors and head office officials had paid visits during 1947 to overseas branches and agencies in New Zealand, India and South Africa, whilst the Society had commenced the transaction of Life business in Canada and Kenya.

With new business of more than £32,250,000, the Society had exceeded all past records; 96 per cent. of this total came from Britain and the Empire. The net rate of interest was £3 14s. 10d. per cent., an increase of 2s. 5d. per cent.

The total funds amounted to £67,548,633, including nearly £19,000,000 of mortgages, which had increased by £5,300,000, due mainly to house purchase loans. The Society had also continued its policy of buying first-class properties in this country, and our investments under this heading show a very satisfactory return.

The year 1947 has been very difficult for all who have to deal with the investment of funds. There has been a serious fall in the value of Stock Exchange securities, which was not unexpected by us, as we felt the keeping down of interest rates by artificial means could not last indefinitely. While the depreciation has been considerable, I am able to tell you that the margin between the market value and balance-sheet value of Stock Exchange investments is still very large.

FIRE AND MARINE

Sir Robert Bignold also presided at the Fire Society's annual meeting, and, commenting on the disappointing fire and accident accounts, said that they had been called upon to settle claims on the much enhanced present-day replacement costs without a corresponding increase in premiums, an experience unfortunately common in the business of insurance at the present time. An underwriting loss of £53,913 in the fire account was due to unfavourable loss experience in Britain, Canada and the USA, whilst the loss of £12,107 in the accident account was almost entirely accounted for by adverse results from motor business. The Marine account showed good results and had contributed £150,000 to the credit of profit and loss. The fund at the end of the year represented 170 per cent. of the premium income.

Total premium income at £7,097,946 showed an increase of £992,632, whilst the total assets had increased by £625,745 to £10,184,422.

Our USA affairs, as you will have judged from my previous reference to the general experience in that country, are still causing us anxiety. We are not alone. I would like to assure you, however, that there is the closest contact and keenest possible interest displayed in our affairs in that country.

Canada shows an improvement over 1946. Loss ratios there continue on the high side, but we are reasonably confident that this improvement will continue. Last autumn, South Africa, where our interests are steadily developing, was visited by two of your directors. I am confident that these visits and the interchanges to which I have referred are of inestimable value to the Society in promoting welfare and good will.

South America is also included in our programme of inspections. We have increasingly important commitments in that vast continent and one of our head office officials is proceeding there shortly.

The reports were adopted.

JOHN SUMMERS AND SONS, LIMITED

PROFIT UP BY HALF-A-MILLION

MR RICHARD F. SUMMERS ON STEEL PRODUCTION

The annual general meeting of John Summers and Sons, Limited, will be held, on the 26th instant, at the Iron and Steel Institute, 4, Grosvenor Gardens, London, S.W.

The following is an extract from the statement by the chairman, Mr Richard F. Summers, which has been circulated with the report and accounts for the year ended December 31, 1947:—

Whilst the profit figure of £2,675,000 shows an increase over last year of approximately half-a-million pounds, the amount available for appropriation is only up by some £75,000, a striking example of the enormous burden that taxation now places upon industry. There can be no doubt that the very high rates of taxation to which both companies and individuals are today subjected are, in themselves, a major contributory factor to high prices; if this heavy drain could be substantially reduced a great step forward towards lower prices would be achieved, and it would act as a check to inflation.

From the directors' report you will see that the final dividend proposed on the ordinary stock, together with the interim dividend paid on December 1, 1947, gives a total dividend for the year of 8½ per cent.—the same as last year.

After giving the matter very careful consideration your directors decided to agree not to propose an increased dividend this year, as it was felt that any steps that could be taken to prevent inflation must in the long run be for the benefit of all concerned.

RESERVES AND DEPRECIATION

Reverting for a moment to the accounts, I would say that pursuing our usual practice in regard to reserves we have placed £205,000 to general reserve and £50,000 to contingencies reserve, and the balance at credit of the profit and loss account has been increased from £178,000 to £193,000. These figures taken together are some £2,000 greater than was actually ploughed back in 1946. The provision for depreciation has been increased from £240,000 to £270,000 to cover the additions to the strip mill plant during the year. In addition to this figure savings in taxation granted by initial allowances under the 1945 Finance Act have been charged as depreciation, making the total figure charged in the accounts £328,017.

Following the practice introduced last year, I am again giving figures showing the distribution of the group's income as follows:—

	£	%
Gross proceeds of sales and income from investments, etc.	15,839,643	100.0
Raw materials	4,162,103	26.3
Wages, salaries, fees, pensions, State and Workmen's Compensation Insurance	4,428,449	27.9
Maintenance materials, spares, miscellaneous supplies and expenses	2,011,085	12.7
Coal, fuel oil and electricity	2,361,677	14.9
Carriage	543,682	3.4
Taxation	1,236,175	7.8
Provision for depreciation	444,433	2.8
Transfers to reserve ..	277,906	1.8
Dividends—net	374,133	2.4
	15,839,643	100.0

Where these figures and percentages show substantial variations from the previous year it is in great measure due to the fact that our collieries passed to the National Coal Board on January 1, 1947. In passing, I should mention that while negotiations for the transfer price for the collieries is continuing, I am afraid that the final settlement is still some way off.

PRODUCTION

Many references have been appearing during the last few months to the high level of production which has been achieved by the steel trade. I wonder whether it is really sufficiently appreciated what a magnificent effort this represents. You will remember that the Government set a target for the trade for 1948 of 14,000,000 ingot tons, which at the time looked like being a formidable task, but so far this rate has been substantially exceeded, and we are hopeful that we shall be able to maintain production at a level which will achieve this target figure and finish the year with something in hand, even allowing for the usual holiday shut down in August.

In spite of this achievement, however, there is still a shortage of steel, and in some cases one has seen the suggestion that this is in some degree the fault of the steel industry. This, I think, is unjust, for there are shortages of everything today, and there are not many industries which in spite of innumerable difficulties and uncertainties have stepped up production so materially, and in such a short time after the cessation of hostilities.

RECORDS BROKEN

So far as this company is concerned, last year I was able to announce increased production and delivery figures. This year I am again in a position to tell you that all our previous records have been broken, and this in spite of the fuel crisis and the abnormal weather in the early part of the year. These difficulties cost us 25,000 tons of steel ingots, but owing to the improvements which we were able to make during the year in our steel melting practice, our total output of ingots was in fact far greater than in 1946. This fine achievement, coupled with the fact that we were fortunate in having very large stocks of semi-finished steel at the beginning of the year, enabled our rolling mills to break all their records, and the deliveries from our finishing departments to exceed those of the previous year's record figures by no less than 64,000 tons.

The new wide cold reversing mill, which I told you last year had just commenced production, made a valuable contribution to these highly satisfactory results, and it is gratifying to be able to tell you now that its performance has exceeded all our expectations. Further, during the year we were able to bring into operation various parts of the new annealing and finishing plant which have been in the course of installation, and which in their turn have produced benefits both in efficiency and production costs.

I am glad to say that the improvement which I have mentioned in our steel making practice continues, and we are hopeful that our make of ingots this year will be substantially in excess of last year, and that we shall exceed our share of the 14,000,000 ingot ton target. Whether or not we shall be able to exceed—or even equal—our record delivery figures, must depend to some extent on whether we receive any semi-finished steel from outside sources.

E. POLLARD AND COMPANY, LIMITED

DEMAND EXCEEDS MATERIALS AVAILABLE

The thirty-sixth annual general meeting of E. Pollard and Company, Limited, was held, on the 11th instant, in London.

Mr H. Edward Pollard, the chairman, in the course of his speech, said:—

The net profit for the year is £124,129, and after providing for redemption of debentures and for the estimated liability for taxation on the whole of the profits earned to date, there remains £63,440. Out of this an amount of £34,000 has been transferred to general reserve account, and after providing for the dividend paid on the preference shares and the proposed dividend of 7½ per cent. on the ordinary shares, there remains £6,453 which, with the balance brought forward from the previous year, gives an amount to be carried forward of £55,129.

BALANCE SHEET

The total assets amount to £1,262,366, and these are mainly represented by fixed assets £309,756 and current assets and shares in and debts due from subsidiary companies £913,713. The current liabilities and debenture stock total £385,287, leaving a surplus of assets over liabilities of £877,079. This is an excess, over the issued share capital, of £301,904.

The balance sheet shows, I think you will agree, a strong position. The year 1947 was another one of licences and permits and shortages of materials were persistent with the exception of plate glass, which became more easily obtainable towards the end of the year. This is a most important commodity for our shopfitting business and its supply allowed us to increase our output.

SHOP DISPLAY

In the shop factory we were very busy all the year on export trade, and I hope this will continue as it formed the major portion of our turnover in this section. Home trade was weak because of the difficulty of supplies of raw materials, but we were able to develop with the help of the manufacturers, a good substitute for velvet, which has been and still is almost unobtainable.

On the engineering side of our business we also had a good export turnover. Haskins' steel shutters were sent to all parts of the world and more than compensated for the small home trade. Until commercial building starts in real earnest we cannot expect much improvement in our shutter section, apart from export.

Hammmond and Champness lifts, on the other hand, had a very good year. Many large contracts were received for lifts for blocks of flats which included one notable installation of gearless lifts for a building in Piccadilly. This is probably the most modern fully automatic set of lifts in the country, and marks the successful end of a long period of experimental and designing work started in 1938.

The Morris Singer Company, our other subsidiary, was busy on several important contracts. The casting of the Roosevelt memorial by Sir William Reid Dick, K.C.V.O., R.A., and the castings of the three memorials in the Abbey cloisters to the Submarine, Commandos, and Airborne troops by Gilbert Ledward, R.A., were done at our Clapham foundry. This company also completed and fixed the large memorial window in Vienna for the 8th Army.

Generally, the demand for all our products was in excess of the raw materials available for their manufacture. We are told that building work may increase in 1948, and this should be a great help, but we are so dependent on licences and permits that it is almost impossible to forecast the future, except to say that it appears that we may look forward to some improvement.

The report was adopted.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

FURTHER EXPANSION

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held, on the 31st instant, in London.

The following is an extract from the statement by the chairman, Mr John F. G. Gilliat, on the accounts for 1947:—

Fire Department.—The premium income at £13,170,669 showed an increase of £3,704,645 over that of 1946. The ratio of claims paid and outstanding was 48.25 per cent., commission absorbed 19.71 per cent. and expenses 20.10 per cent. After adjustment of the reserve for unexpired risks, £450,000 has been transferred to profit and loss account and the fire fund now amounts to £11,039,974 or 83.82 per cent. of the premium income.

At home the premium income has shown further expansion, but it has been accompanied by a sharp rise in the ratio of claim payments. Fire wastage in this country reached a new high level during 1947, and the severe weather experienced in the early part of the year accounted for many thousands of additional claims for damage to property.

The restoration and replacement of buildings and machinery after damage by fire are greatly handicapped by the shortage of labour and materials, with the result that the period of interruption of business is prolonged and the financial burden correspondingly increased. Appreciation of this situation has brought about a marked improvement in the demand for insurance against consequential loss following fire, and the importance of the protection afforded by policies of this kind cannot be over-stressed. We continue to draw the attention of policyholders to this form of cover.

In the United States our premium income was substantially increased, but losses from fire, explosion and tempest were extremely heavy and there was only a small margin of profit. In part the increase in these figures is due to the conversion this year of American currency into sterling at the new par rate of exchange.

In the Dominions, the Colonies and elsewhere overseas the results of our operations have been satisfactory. The expansion of our business in many areas has been particularly encouraging and due in no small measure to the activities and devotion to our interests of our representatives and local officials.

LIFE DEPARTMENT

During 1947, 11,973 new life assurance policies for sums assured of £12,306,990 set up a new high record in the company's history for the second year in succession. The life fund increased by £1,652,100 to £36,258,563, and at £2,824,391 the life assurance premium income was £279,178 in excess of the 1946 figure. 1947 being the last year of the quinquennium, a valuation of the assets and liabilities was undertaken. Assets exceeded liabilities by £2,434,031.

The directors have decided to distribute £2,041,581 of the surplus, of which £1,837,423 is the share of the policyholders.

This will provide a compound reversionary bonus of 32s. 6d. per cent. per annum for new series participating policies, and, in respect of policies under the old series (which was closed to new entrants on December 31st, 1939), a reversionary bonus corresponding to a minimum cash bonus of 26 per cent. of the premiums, all bonuses being calculated in respect of years' or part-time premiums due and paid during the five years ending December 31, 1947. Interim bonuses will continue to be paid in respect of death or maturity claims which occur before the next quinquennial valuation, but in view of the uncertain outlook the directors consider it prudent to pay such interim bonuses, until further notice, at a rate slightly lower than that of the bonus now allotted, viz., 30s. per cent. compound reversionary bonus for the new series and a minimum 24 per cent. cash bonus for the old series.

Marine Department.—Net premiums amounted to £1,855,614, an increase of £694,290. Claims paid and outstanding amounted to £918,447 and £450,000 has been transferred to profit and loss account. The marine fund now stands at £2,347,773 or 126.52 per cent. of the premium income. The expansion in premium income is due to the increased activity of our world-wide organisation, coupled with the delivery of new vessels and the substantial rise in shipping values. It has been a year in which underwriters have had to meet an increasing number of total losses, including one for £1,865,800 caused through the destruction by fire of the *Monarch of Bermuda* whilst at a shipbuilders' yard for reconversion—the largest single hull loss since that of the French liner *L'Atlantique*, also by fire, in 1933. This loss emphasises the importance of adequate fire patrols and fire-fighting equipment on this type of risk; and it is to be hoped that complete precautionary measures may be the means of preventing such serious losses in the future. The services of the Institute of London Underwriters in keeping under constant review the many problems that arise, as well as the co-operation of Company and Lloyd's Underwriters on many committees, give us cause for satisfaction.

ACCIDENT DEPARTMENT

Premium income amounted to £14,545,200, an increase of £3,411,438. The ratio of claims paid and outstanding was 58.25 per cent.; commission accounted for 16.47 per cent. and expenses 18 per cent. The revenue surplus was £1,106,769. The large increase in income necessitated additional provision for unexpired risks amounting to £1,036,659 and with this adjustment there remained an underwriting profit of £70,110 or 0.48 per cent. of the premium income. The accident fund now amounts to £9,405,947, which is

54.67 per cent. of the premium income. This department is passing through very difficult times by reason of abnormal conditions and increased costs. The crime wave has not abated and losses by burglary and shop-breaking have again been heavy. Third party claims for compensation for personal injury and damage to property are still higher as is the cost of repairing damage to insured motor vehicles. The effect of these conditions and the hazards of travel has been to increase the demand for insurance, but it takes time to adjust premium rates to the higher claims cost, consequently our accident account for 1947 shows only a slight improvement on that for 1946, in which we had to report an underwriting loss.

In the United States results were not profitable, due to much the same conditions as those facing us in this country. Over the years our Casualty business in America has been successful and we are taking all possible steps to improve upon last year's results.

The transfer to the appropriation account is £780,638, which, after writing £25,000 off freehold premises, leaves sufficient to provide the interim dividend of 3s. per £1 stock paid in November last and the final dividend of 4s. 6d. per £1 stock recommended by the directors and an increase of £25,513 in the amount carried forward at £603,317.

THE LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

YEAR OF EXPANSION

The fifty-eighth ordinary general meeting of the Licenses and General Insurance Co., Limited, was held in London on the 12th instant.

Mr Ronald Gilbey (the vice-chairman), who presided in the absence of the chairman, Mr Stanley Christopherson, through illness, made the following points:—

My first mention would be to point out the growth of the funds in a further increase this year of £363,049 to a total of £2,686,224. Likewise an upward movement of some importance is to be seen in the total premium income which has risen from £1,053,816 to £1,378,162 during the year under review.

Progress is also the keynote of the Life department, where the total funds come within measurable distance of the half million mark. A small profit emerges from the Personal Accident account.

The operation of "Social Insurance" will affect the future of our Employers' Liability business and bring about changes. 1947 figures are perfectly satisfactory. There is an increase of income, and this factor together with adjustment of the reserve for outstanding claims, requires the sum of £14,294 to be added to the fund, which will then amount to 143 per cent. of the written premiums. Thereafter the sum of £4,450 is transferred as a profit.

1947 has been a year of expansion, and the growth and general wellbeing of your company is a matter of real satisfaction. We see no reason to face the future with any other thought than the utmost confidence.

The report was adopted, and a final dividend of 22½ per cent., making 32½ per cent. for the year, was approved.

YOUNG qualified Secretary/Accountant required by Transatlantic Pictures Corporation, Ltd., for progressive position. Experience of film production industry desirable, but not essential. Applicants should apply in writing, giving particulars in the following order: age, education, married or single, qualification, experience and salary required, to Personnel Manager, c/o Granada Theatres, Ltd., 36, Golden Square, London, W.1.

PUBLICITY Manager required for important group of paint manufacturers. Administrative ability and experience, initiative and capacity to absorb and reflect in his work the policy and ambition of the company rather than technical advertising knowledge is required, although a publicity background is desirable. Details of education and experience to—Box 719.

INSURANCE ENGINEERS, LIMITED.—Mr. J. A. Miller, D.S.O., has been appointed Chairman and Mr. E. B. Ferguson, F.C.I., Deputy Chairman.

GOVERNMENT RETURNS

For the week ended May 8, 1948, total ordinary revenue was £89,178,000 against ordinary expenditure of £32,764,000 and issues to sinking funds £320,000. Thus, including sinking fund allocations of £774,000 the surplus accrued since April 1st is £120,787,729 against £160,836,049 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to May 10, 1947	April 1 to May 8, 1948	Week ended May 10, 1947	Week ended May 8, 1948
ORDINARY REVENUE					
Income Tax	1,309,150	106,850	115,828	14,173	9,575
Sur-tax	90,000	6,820	11,700	750	1,300
Estate, etc., Duties	160,000	16,170	19,750	850	3,900
Stamps	55,000	4,670	6,600	600	1,250
Profits Tax	250,000	2,965	10,400	500	1,100
E.P.T.	250,000	24,210	22,500	3,600	4,250
Other Inland Rev.	1,000	55	50	...	5
Special Contributions	50,000	...	...	...	...
Total Inland Rev.	1,915,150	161,740	186,828	20,473	21,380
Customs	820,600	84,736	88,374	28,055	24,319
Excise	726,550	71,800	100,800	8,143	38,001
Total Customs & Excise	1,547,150	156,536	189,174	36,198	62,320
Motor Duties	50,000	4,589	3,206	1,246	1,304
Surplus War Stores	102,000	8,503	1,128	...	128
Surplus Receipts from Trading	57,000	1,100	2,760	600	2,000
P.O. Net Receipts	11,000	800	800	...	...
Wireless Licences	1,000	160	160	...	...
Crown Lands	...	...	...	...	...
Receipts from Sundry Loans	14,000	44	1,636	...	1,530
Miscellaneous Receipts	68,000	116,119	10,737	112,084	518
Total Ord. Rev.	3,765,500	449,592	396,429	170,601	89,178
SELF-BALANCING POST OFFICE					
Income Tax on E.P.T. Refunds	150,200	13,800	14,600	3,400	2,200
Total	3,915,700	463,392	411,029	174,001	91,378

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to May 10, 1947	April 1 to May 8, 1948	Week ended May 10, 1947	Week ended May 8, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	68,656	65,777	1,832	3,899
Payments to N. Ireland	26,000	1,393	1,529	696	764
Issue to Nat. Land Fund	...	...	...	...	...
Other Cons. Fund Services	8,000	286	293	...	...
Total	534,000	70,335	67,599	2,528	4,664
Supply Services	244,167	217,412	207,268	32,200	28,100
Total Ord. Expend.	297,567	287,746	274,867	34,728	32,764
Sinking Funds	...	...	774	...	320
SELF-BALANCING POST OFFICE					
Income Tax on E.P.T. Refunds	150,200	13,800	14,600	3,400	2,200
Total	314,167	301,542	291,011	38,128	35,564

After increasing Exchequer balances by £284,669 to £3,385,733, the other operations for the week decreased the gross National Debt by £42,990,349 to £25,666 million.

NET ISSUES (£ thousand)		400	
P.O. and Telegraph	...	338	...
E.P.T. Refunds	...	15	...
Overseas Trade Guarantee Act, 1939, sec. 4 (1)	...	...	...
Housing (Scott.) Act, 1944, sec. 4 (2) and Housing (Fin. Prov.) (Scott.) Act, 1946, sec. 13 (2)	...	600	...
Local Authorities Loans Act, 1945, sec. 3 (1)	...	4,000	...
Overseas Resources Development Act, 1948, s. 17 (1)	...	2,500	...
Overseas Food	...	1,500	...
War Damage: Board of Trade	...	3,000	...
War Damage Commission	...	466	...
Finance Acts, 1946 and 1947, Postwar Credits	...	12,819	...

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET RECEIPTS		NET REPAYMENTS	
Nat. Savings	400	Treasury Bills	26,049	3% Def. Bonds	3,216
24% Def. Bonds	416	3% Conv. Loan, 1948-53	50	3% Ter. Annuities	1,271
		Tax Reserve Certs.	508	Other Debt	7
		Internal	...	External	...
		Ways & Means Advances	12,700		...
			816		43,806

* Including £2,697,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Tender	Tap	Public Depts.	Bank of England	
1947				
May 10	2190.0	2629.4	401.3	1463.5
1948				
Jan. 24	2200.0	2426.6	341.1	1330.0
Feb. 7	2190.0	2357.3	371.3	1329.5
Feb. 14	2170.0	2351.5	301.6	1329.5
" 21	2160.0	2307.4	366.4	1274.5
" 28	2160.0	2346.8	447.6	1256.5
" 28	2160.0	2424.4	492.7	1201.0
" 28	2160.0	2667.5	446.3	1259.5
" 13	2160.0	2692.2	416.7	1259.5
" 20	2160.0	2712.5	405.8	1249.5
" 31	4910.2	334.8	6.0	1291.0
Apr. 10	2160.0	2752.0	328.9	1326.5
" 17	2160.0	2750.0	324.4	1340.5
" 24	2170.0	2716.9	322.5	1349.5
May 1	2180.0	2689.3	322.9	1346.5
" 8	2200.0	2643.2	310.2	1346.5

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1947					
May 9	170.0	296.3	170.0	10 1.38	44
1948					
Feb. 6	150.0	276.5	160.0	9 11.89	42
" 13	160.0	240.2	170.0	10 0.92	67
" 20	170.0	266.0	170.0	10 0.16	52
" 27	170.0	236.8	170.0	10 2.41	68
Mar. 5	170.0	292.7	170.0	10 1.10	40
" 12	170.0	286.3	170.0	10 1.48	45
" 19	170.0	266.5	170.0	10 1.74	54
" 25	170.0	300.5	170.0	10 2.67	30
Apr. 2	170.0	295.1	170.0	10 2.49	42
" 8	170.0	289.2	170.0	10 2.69	44
" 16	170.0	267.8	170.0	10 3.15	55
" 23	170.0	295.1	170.0	10 2.51	42
" 30	170.0	287.9	170.0	10 1.34	45
May 7	170.0	290.3	170.0	10 1.24	43

On May 7th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 43 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for May 14th. For the week ended May 15th the Banks will be asked for Treasury deposits to the amount of £20 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Apr. 1 to May 1, 1948
	May 3, 1947	May 1, 1948	
Savings Certificates:—			
Receipts	16,000	2,000	11,850
Repayments	8,800	2,550	11,000
Net Savings	7,200	Dr 550	850
Defence Bonds:—			
Receipts	1,620	745	4,375
Repayments	739	905	4,249
Net Savings	881	Dr 160	Dr 74
P.O. and Trustee Savings Banks:—			
Receipts	12,764	11,618	56,578
Repayments	9,965	11,388	52,700
Net Savings	2,799	230	3,878
Total Net Savings	10,880	Dr 480	4,654
Interest on certificates repaid	1,760	459	1,886
Interest accrued on savings remaining invested	2,271	2,319	10,147

BANK OF ENGLAND RETURNS

MAY 12, 1948

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	1247,260,750	Other Govt.	...
In Bankg. Department	52,987,083	Securities	1,288,215,062
		Other Secs.	759,262
		Coin (other than gold)	10,576
		Amt. of Fid. Issue	1,300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1,300,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	344,334,291
Res.	3,341,368	Other Secs.	...
Public Depts.	8,642,126	Discounts and Advances	9,307,421
		Securities	23,320,856
Other Depts.	...		32,528,277
Bankers	311,525,768		
Other Accts.	92,431,198		
	403,956,966	Notes	52,987,083
		Coin	643,809
	430,493,460		430,493,460

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

COMPARATIVE ANALYSIS (£ millions)



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CLAIMS PAID EXCEED £181,000,000
(1946 Accounts)

CITY OF BLOEMFONTEIN

FIVE PER CENT INSCRIBED STOCK 1950

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due June 30, 1948, the BALANCES of the several Accounts in the above-mentioned Stock will be STRUCK on the night of May 31st and that on and after June 1st the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stock),
ROWLAND SMITH, Manager.
Circus Place, London Wall, E.C.2. May 4, 1948.

CITY OF BLOEMFONTEIN

FOUR PER CENT INSCRIBED STOCK 1954

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK 1958/59

CITY OF PRETORIA

THREE AND A HALF PER CENT INSCRIBED STOCK 1953/58
NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due July 1st next, the BALANCES of the several Accounts in the above-mentioned Stocks will be STRUCK on the night of June 1st and that on and after June 2nd the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stocks),
ROWLAND SMITH, Manager.
Circus Place, London Wall, E.C.2. May 4, 1948.

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Applications are invited for the appointment of Lecturer in SOCIAL STUDIES. Candidates should be Honours Graduates in History or Economics and should be qualified to teach at least two of the following subjects up to degree standard: History and Principles of Central and Local Government, Social Administration, Social Institutions, History of the Modern Powers.

Salary in accordance with the Burnham (Technical) Scales. The lecturer appointed will be expected to take up his duties on September 1st or at the earliest possible date thereafter.

Application forms and further particulars may be obtained from the undersigned and should be returned direct to the Principal, Brighton Technical College, Brighton, 7, within 14 days of the appearance of this advertisement.

Education Office, W. G. STONE,
54 Old Steine, Brighton, 1. Education Officer.

THE Tavistock Institute of Human Relations announces four fellowships of one year's duration, beginning between July 1st and October 1, 1948, for training in industrial applications of social science. Candidates may be either graduates in psychology, sociology, anthropology, economics, or medicine, with a particular interest in human relations, or men and women with wide practical experience of e.g., Trade Union work, Production Engineering, Works Management, etc. Fellowships will vary in value from £600 to £800, depending on previous training and experience, and Fellows will receive supervised training in the Institute's approach to practical industrial problems.

Application forms and enquiries from and to the Secretary, 2, Beaumont Street, W.1.

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(UNIVERSITY OF LONDON)

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The Council of Bedford College invites applications for the post of Research Assistant in the Department of Sociology, Social Studies and Economics, open to men and women equally. Salary £400 per annum. The appointment will date from July 1, 1948, or as soon thereafter as possible. Candidates must hold an Honours degree in Economics or Sociology; Economic or Social Research experience is desirable.—Applications should reach the Secretary by May 29th.

ASSISTANT to Sales Manager required for important firm of paint manufacturers, age 32-38. Applicants must have sound educational background, field and administrative experience, preferably, but not essentially, knowledge of paint trade. A knowledge of modern marketing and distribution theory essential. Details of experience and salary required to—Box 720.

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LECTURER IN COLONIAL ECONOMICS

Applications are invited for the post of Lecturer in Colonial Economics in the University of Oxford. The appointment will begin on 1st October, 1948, and be tenable for three years in the first instance. Salary £540 to £900, according to age and experience, plus children's allowances and membership of the F.S.S.U.

Duties will be to lecture, to give instruction, and to undertake research in the University in Colonial Economics, and especially to assist in the training of Probationers for the Colonial Civil Service.

Applications, giving the names of three referees, must be submitted in quadruplicate before 30th June, 1948, to the Registrar, University Registry. Further particulars can be obtained from Professor S. H. Frankel, 91, Banbury Road, Oxford.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Lecturer (Ungraded) in the Department of Civic Design, at a salary within the range £850-£1,050 per annum.

Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than 12th June, 1948, by the undersigned, from whom further particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

UNIVERSITY OF MELBOURNE

SENIOR LECTURER IN POLITICAL SCIENCE

Applications are invited for the position of SENIOR LECTURER IN POLITICAL SCIENCE.

Salary £650-£850 (Australian) per annum, plus £78 (Australian) per annum cost of living allowance, subject to superannuation contributions. Further particulars which give method of application may be obtained from the Secretary, Universities Bureau of the British Empire, 8 Park Street, London, W.1.

The closing date for the receipt of applications is 30th June, 1948.

DELIGHTFUL Country Holidays at BRYANSTON MUSIC SUMMER SCHOOL.—A Summer School for Music will be held at Bryanston, Blandford, Dorset, from 31st July-28th August this year. There will be lectures each morning and concerts every evening. Two general studies run through all four weeks—a survey of contemporary music (Stravinsky, Schonberg and School, Hindemith, Bartok) and another of English music from the sixteenth century to the present day. Morning full-time music students. Lecturers include Nadia Boulanger, Arthur Schnabel, Alan Bush, J. A. Westrup, Dyneley Hussey, Imogen Holst, and, it is hoped, either Paul Hindemith or Virgil Thomson. Choir under Orchestra under Edric Cundell and Walter Goehr for last two. Performances of COSI FAN TUTTE in Week 3. Programmes also include (Week 2), Purcell (Week 1). Artists include Myra Hess, Paul Baumgartner, Denis Matthews, Wyndham Lewis, E. Canetti, V. S. Pritchett. E. M. Forster will talk—one each week on literature and art. Prospectus from the Secretary, 17, Cavendish Square, London, W.1.

CAMBRIDGE Graduate, ex-officer, Economics degree, wishes visit U.S./Canada June-September. Invites assignments.—Box 726.

OXFORD Undergraduate, 25, ex-Staff Captain, requires interesting work during summer vacation.—Box 717.

BUSINESS man (36) of proved ability to organise and promote Export seeks appointment.—Box 713.

FOR sale, highest offer, unbound complete set of *The Economist*, July, 1932, to December, 1939, inclusive. Wanted, copies of *The Economist* dated 8/6/40, 20/6/43, 2/10/46.—Box 715.

WANTED.—Back numbers *Economist* "Records and Statistics" Supplement, 3rd January/10th April, 1948, inclusive.—Box 714.

OPPORTUNITY for swift promotion to higher executive status for men aged 20-30, holding University degree in Arts or Science. Industrial firm Manchester area. Give full particulars, academic record, subsequent experience, present salary and occupation.—Box 724.

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The Economist

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May 22, 1948

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Labour's Choice

MR HERBERT MORRISON has always been the longest-sighted of the leaders of the Labour Party. This week he has been striving at Scarborough to bring the Party Conference to a sense of realities. He has told the Party such hard truths as that their margin of votes is slender, that they will have the fight of their lives to win the General Election, that they must draw up their programme to please public opinion rather than to satisfy their own desires and that there is more need to make the existing schemes of nationalisation work well than to initiate new ones. To judge by reports from Scarborough, the Lord President had only moderate success with this line of argument. He was not booed, but the cheers were respectful rather than enthusiastic. Perhaps nothing else could be expected. Party conferences are peculiar occasions. The passport to membership is to be a loyal party worker. In such an atmosphere complacency is almost compulsory and any moderation of attachment to the sacred principles of the party is almost equivalent to treason. The delegates are very conscious that they are the party, and from this it is only a step to believing that they are the people who put it into power. It is difficult in such an atmosphere to remember that elections, like values, are determined at the margin and that an unbroken record of party loyalty, though it may make a man important at Scarborough, makes him utterly unimportant at the polls. It is the non-member, the disloyalist, the wavering sceptic, who puts parties into power or removes them from office. The people who really matter to the Labour Party were not represented at Scarborough—except perhaps by Mr Morrison.

Observers report that this is a dull conference. The first exhilaration of power has passed and the excitements of the election are still too far off. The truth is that the Labour Government, in an electoral sense, is not doing too badly and not doing too well either. It has lost no by-elections—but the figures of votes cast, as well as the public opinion polls, suggest that it has lost the essential margin. The Opposition is incoherent; but the Right has often won elections on incoherence. If there were an election this month, it would be touch and go which side would win. Everything therefore depends on which way the trend goes in the two years that probably lie ahead before the election. It is Mr Morrison's instinct to do as little as possible that is new or startling in those two years because he believes that the Labour Government has already done too much, rather than too little, for the taste of the crucial, marginal voter. And there can be little doubt that Mr Morrison's instinct is correct.

There have been some notable converts within the Labour Party of recent months to this view that an effort must be made to please, or at least not to frighten, the unattached middle-class voter who put Labour in in 1945. The country has even been treated to the strange spectacle of the organ of the Socialist intellectuals advocating such things as the restoration of incentives in industry, the removal of controls and the restoration to "the secondary industries" of "the greatest possible freedom"—all this in order to "regain the support of some at least of

the professional and technical classes which have been alienated since 1945." This is refreshing (if also, from its source, more than a little amusing). But it is not yet by any means the view of the Party. That this is so is shown most clearly by the elections to the Party Executive at Scarborough. Of the candidates elected (other than the trade union nominees), the first three in order of votes received were Mr Aneurin Bevan, Mr Dalton and Mr Shinwell. Mr Morrison fell from third place to fourth, and the moderate Mr Noel Baker lost his place to Mr Michael Foot, the Junius of the revolutionaries. These results do not give the impression that the Party is slowing from the gallop of its first three years to a sedate walk. They rather suggest that it has the bit between the teeth.

The crux of these differences of view lies in the blessed word nationalisation. It is not merely the simple issue of whether there shall be more or less of it—though that is indeed a matter for dispute, with Mr Morrison at the one extreme trying to limit the programme to steel, and wishing he could avoid even that, to Mr Mikardo at the other extreme, who recently told a second batch of industries that he'd got them on his list, or to Mr Dalton who characteristically suggested this week that nationalisation should be the fate of any industry that did not behave itself in the matter of dividend limitation. These are more or less mechanical issues. What is of much greater importance is the fact, which has now become painfully clear, that the Labour Party is very far from being of one mind about what the purpose of its nationalisation schemes should be.

The orthodox view of nationalisation—what can, in terms of present personalities, be called the Morrison-Cripps view—is that it is a means of securing a much more efficient, scientifically planned, productive organisation of industry. The justification for schemes of nationalisation, says the latest statement of this view, "is that they are essential for a planned and expanding economy which stimulates true initiative and enterprise." Socialist planning should give "an assurance that, while serving the needs of society, it gives a chance for initiative, scientific research and modern management techniques." These and similar arguments have been deployed for years on thousands of platforms and in thousands of books and pamphlets. They were the arguments with which the nationalisation Bills were commended to Parliament. They were quite certainly the arguments that secured for the Labour Party and its programme enough of the floating vote to put it into office.

In no case was this more true than of coal. A clear majority of the public was convinced, first, that there was an urgent need for a drastic reorganisation of the coal mines, secondly, that this would not happen under private ownership, and thirdly, that nationalisation opened up the way to greater efficiency. If the Coal Act had been submitted to a plebiscite, it would have been given a large majority, and for these reasons. And this is why the resignation of Sir Charles Reid from the National Coal Board is a political event of the first importance. As always when a long series of disagreements between a man and his colleagues finally reaches breaking point, the particular causes of the rupture are obscure and the outsider should hesitate to pronounce judgment upon them. But Sir Charles Reid has for three years been of great symbolic importance. The Reid Report, with its emphasis on the need for, and the possibility of, radical technical reorganisation, was a beacon of hope when it was published three years ago. "At last there is a real report on coal" were the opening words of *The Economist's* leader, and it is safe to say that the decisive element in the public support for the nationalisation of the mines rested on the belief that it was designed to implement the Reid Report. For coal, there existed (as there never has existed for the other nationalisation schemes) an authoritative programme which could be carried out with public ownership and could not be done without it.

Now Sir Charles Reid has resigned and once again the event

has a symbolism that is greater than its actual content warrants. The occasion of the break appears to have been matters of the Board's organisation. But it looks as if the real cause was the resistance of the union to the necessary measures of technical reorganisation—which everybody knew would be unpleasant—and the unwillingness of the Board to stick to its principles. This interpretation is certainly supported by the recent crop of clear indications that a very large and influential section of the Labour Party never accepted the "efficiency" view of the purposes of nationalisation. When Mr Shinwell, in his much-misunderstood speech of a fortnight ago, expressed dissatisfaction with the working of coal nationalisation, he did not mean that the campaign for greater efficiency had been too slow in getting off the mark; he meant almost the exact contrary, that the Board, in the pursuit of technical efficiency, had paid too little attention to the wishes of the miners. Since then, other voices have joined in. Mr Dalton has invited the cotton operatives to write their own ticket. Mr Horner has made it clear that the miners expect to get for themselves the greater part of any benefit that may accrue from the mechanisation of the mines. And on Wednesday Mr Will Lawther, the President of the Mineworkers Union, summed the whole matter up with admirable clarity.

We have a very sincere objection to people who are as far away from the pits as possible . . . telling us how they should be run. We tell you, not you tell us.

It would be difficult to exaggerate the importance of this issue. There are clearly two wholly different conceptions of the purpose for which industries are brought under public ownership, and both conceptions can be found within the Labour Party itself. The one conception of the purpose is that the nationalised industry shall better serve the interests of the nation—that is, that it shall produce more, at lower real cost. The other is that it shall better serve the interests of the men and women who work in it—which does not, in so many words, exclude higher production, but certainly involves more leisure and higher costs. In theory, the two conceptions are perhaps reconcilable, on the lines that it is only when the workers are content that real efficiency can be secured. But in practice they lead in opposite directions. The one school of thought would always give the unions everything they want, in the hope that social loyalty will make them do their duty. Nobody can say that, in the mines, this policy might not work in the end; but enough evidence has accumulated to show that the costs of mining coal by these methods would be—have already been—stupendous. The other school of Socialist thought would restore the proper connection between efforts and rewards, which, when all is said and done, is a simple matter of sequence in time—efforts first and rewards afterwards, as in Russia.

This confusion of purpose is not confined to the Labour Party. On the contrary, it runs all through contemporary British thought, and exactly the same conflict reproduces itself among the capitalists. On the one side there are those whose economic objective is a comfortable featherbed for all, whose only idea of economic policy is to concede to particular interests the right to protect themselves at the community's expense. On the other side there is the belief, which can be seen just as clearly in Socialist doctrine as in the theory of *laissez faire* liberalism, that the interests of the community transcend those of any of its parts.

The Labour Party will have to make its choice between these two doctrines. It can hardly, for much longer, ride both horses at once. Being a free agent, it can make its own choice. To judge by the voices at Scarborough, it will side with Mr Lawther rather than with Sir Charles Reid. That is its own affair. But it ought to be put upon notice that the two million crucial votes that placed it in office will certainly take the other side.

Whose War in Palestine?

THE guns are going in Palestine. Armies under at least six different flags are engaged there. Shells are falling in Jerusalem, where all efforts to preserve a truce or to set up a trusteeship have failed. The State of Israel, which was declared some hours before the British mandate finished, has been attacked and is attacking back. The news is reported to have thrown delegates at Lake Success into consternation. Their surprise is unfounded. All had had plenty of warning that there would be fighting. Their minutes over the last two months have been peppered with warnings that this was "inescapable" from the five Palestine Commissioners, from Mr Creech Jones, from Rabbi Silver, from Jamal Hussein and, most lately, from their own neutral Truce Commission on the spot. Surprise is legitimate only in regard to the one unknown factor, which is the intensity and quality of the campaign.

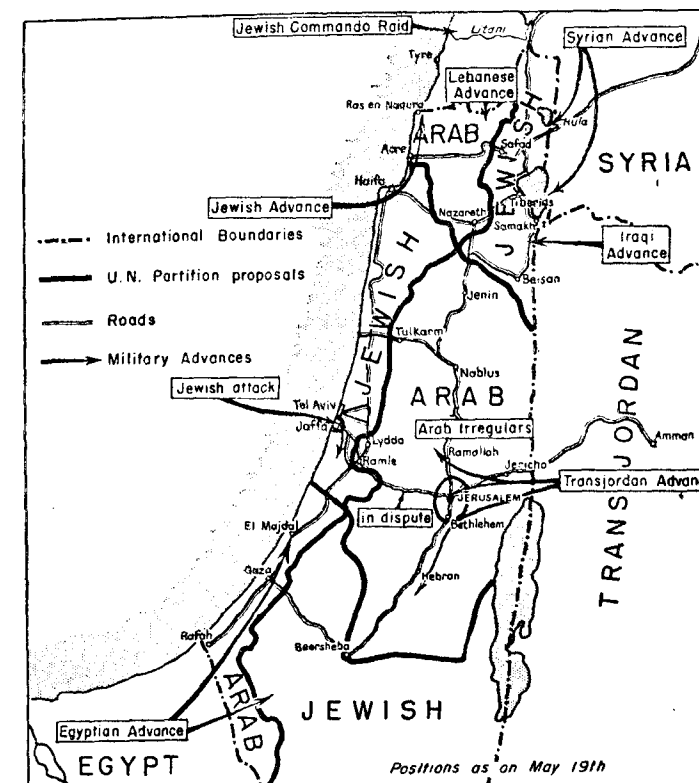
This is still a matter of conjecture. So far, the Arab States have moved in unexpected synchronisation. But the volume of their effort is hard to gauge. Outsiders have little more than their word for what they are doing, since communications with abroad have become scanty, and foreign correspondents on the spot are ill-placed for checking stories and little able to vouch for anything they do not actually see. But it is plain that the main incoming armies have so far used routes on which there is unlikely to be much opposition. All military critics will be confounded if the Arab Governments turn out to be ready to commit their small forces to large-scale operations.

If one communiqué or broadcast is checked off against another, the military position at the time of writing seems to be somewhat as shown on the map on this page. From it three conclusions can be drawn. The first is that the

only acknowledged Arab penetrations in depth are advances into what is, by partition standards, Arab territory. The second is that for a certainty the Syrian and Iraqi armies, and probably also the Egyptian army on the "fairly broad front" that it claims in one of its communiqués, have violated what is by partition standards Jewish territory, whereas the Transjordan and Lebanese forces do not seem to have done so. The Egyptians and Iraqis have also bombed Tel Aviv. The third is that, if partition standards apply, the Jews too are guilty of violating foreign territory. They have done so at Jaffa, at Acre (which has surrendered to them) and northward from there to the Lebanese border. They have in any case violated it by a commando raid on a strategic bridge in the Lebanon.

Outside Palestine the most striking event of the week is, without doubt, the inconsistency once again displayed by President Truman. When, within twenty minutes of the end of the mandate, he recognised the Jewish provisional government as the *de facto* authority of the new state, he added that this act in no way lessened his desire to obtain a truce. Can he not grasp the simple truth that the act negates the wish, since it proves to the Arabs that if they were to cease fighting against partition, they would find partition

foisted upon them by the back door? His act is likely to produce some major results. First, it makes war inevitable. Secondly, announced as it was without a word as to frontiers, it is likely to increase the land hunger of the Jews. Thirdly, following as it did upon his government's "withdrawal of support" for the partition plan and sponsorship of a month's discussion of its proposal for a "temporary trusteeship," it induces a world-wide belief in American opportunism and sharp practice. The only thing to be said for it is that, by getting



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in before the Kremlin, Mr Truman may be able to pose as a better friend of the Jews than Mr Stalin or Mr Wallace, and even so, the experience of the Bronx election suggests that it will lose him as many votes as it wins him. Clumsy is the mildest adjective appropriate to Mr Truman's personal interventions in his government's Palestine policy.

The American recognition of Israel has thrown out of joint several of the events of the week at Lake Success. It fell like a bombshell among Assembly delegates who were, at the moment of impact, engaged on voting for a proposal, made jointly by the US and French Governments, to establish a special temporary trusteeship for Jerusalem. This project, which had been initiated by 46 votes to none, thereupon failed to secure acceptance by 15 votes to 20, with 19 abstentions. The Assembly therefore rises with but one futile act to its credit—the decision, again taken on the proposal of the United States, to send a powerless mediator to the scene of battle. What can he do that has not already been tried by the Security Council's Truce Commission? What can either do now that the Jews have proof, straight from the White House, that they have nothing to gain by showing a spirit of compromise?

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The Security Council, upon which sole charge of the Palestine matter now devolves, is therefore left to face a series of charges and proposals. It is confronted with a Jewish demand to stop Egypt's "open aggression." The Egyptians have informed it that they have entered Palestine "in order to preserve security and order pending a just political settlement." If Arab troops commit aggression by crossing the line (which they have never accepted) into Jewish areas, do not Jewish troops equally commit aggression by crossing the line (which they *did* accept) into Arab territory? If the Egyptians have aggressed by crossing an international frontier, is not the Jewish commando raid upon the Lebanon also aggression? The American Government has proposed that the Council shall act under Article 39 of the Charter, declaring that a breach of the peace exists and calling upon the warring parties to cease fire within thirty-six hours. The appeal would, of course, be futile: even if the Jews were to comply with it, in the hopes of securing a raising of the American arms embargo as their reward, what have the Arabs to gain by doing so? What would the Americans propose to do then? In the Charter, Article 39 leads straight to Article 41, which is the article covering economic sanctions, and Article 42, covering the taking by the United Nations of "such action by air, sea or land as may be necessary." But the Council seems doomed to a fresh display of impotence before it reaches either of these further stages. For no action can be taken until facts are established, and the chances of establishing facts that would be interpreted alike by all delegations seem somewhat slender. The Americans have proposed that any future action be based on the answers to three questions: one, addressed to the Arab States, asking what they are doing in Palestine; another, addressed to the Palestinian Arabs, asking whether they have solicited help; a third, addressed to the Jewish authorities, asking whether their forces are operating outside the area proposed for the Jewish state. But these questions, which seem suitable enough to Americans and Russians who recognise the partition line, seem unsuitably phrased to Britons and Chinese, who have never yet done so, and who still say they regard "Arab areas" and "Jewish areas" simply as areas chiefly inhabited by one and the other community. If the meaning of the questions is open to doubt, how much more so will be the meaning of the answers?

Given this peculiar and uninviting set of circumstances, what ought British policy to be? The Government is confronted with two issues upon which decisions are called for. One is

whether it shall recognise the Jewish State or not; the other is whether it shall save its conscience by casting a vote in favour of a concerted effort to stop the fighting, even though nobody has yet offered to do anything, beyond casting votes, to bring about that result. On the first of these issues, that of recognition, the British Government's mind seems to be made up, and rightly so. It holds that a new state cannot be recognised unless it fulfils certain conditions. These are, at the minimum, that it shall have established frontiers, that it shall exert administrative control within those frontiers, and that it shall be able to undertake international obligations covering the area. The whole question of frontiers and sovereignty within Palestine today is in a state of flux. No legality flows from the Assembly's original partition resolution; this was conditional upon the acceptance by both parties of certain undertakings that are not being fulfilled. Further, the case against recognition has more to it than a purely legal basis. It has a foundation in equity. For what is the major issue that is at stake in Palestine? It is not whether Mr Ben Gurion's government is or is not the right one for Israel. It is not whether Israel should have this or that frontier. The major issue is whether or not Israel—that is, a sovereign Jewish state—should exist at all. To confer recognition now would be to decide that issue in favour of the Zionists and against the Arabs—in fact, to do what the British Government has, for a generation, consistently refused to do. If the British attitude has been right hitherto, there can be no recognition; if there is recognition, it is a stultification of everything that the Government has stuck to all through these weary months.

To the second question—whether Britain should support the American proposal to call on both sides to stop fighting—there is no such obvious answer. But it should surely be clear that an affirmative answer can only be given if two prior conditions are met: first, if it can be shown that the proposal is just; and secondly, if it appears to have a chance of working. As for the justice of the matter, a mere standstill could be just only by accident, and to agree to it on the basis of each side keeping whatever it happens to hold at the moment would be, once again, to settle the major issue in favour of the Zionists and against the Arabs. If the British Government is willing to do this, it could have said so many months ago and saved many British lives. And as for the effectiveness of a summons to cease fire, it obviously has none at all so long as it is backed by nothing more than the despatch of a mediator. There ought to be no voting for futile proposals of this type. On the other hand, it is impossible to vote against anything so virtuous as a proposal that killing should stop. Abstention is the only course remaining, but to abstain in silence is not enough. Such is the rueful lesson of last autumn's Assembly when the British Government, seemingly out of fear of Zionist allegations that it was "sabotaging partition," let too many impracticable plans roll by uncriticised. For the time being every British abstention should be accompanied by the comment that an affirmative vote can only be given to propositions which specify the terms upon which the fighting is to stop, and the means by which those terms will be enforced.

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These conclusions are wholly negative. It would be useless to try to blink that fact. But what other course makes sense? The situation that has arisen in Palestine has long been foreseen. The British attitude has been very clearly stated many times: it is that this country is not prepared to enforce a solution on either party. It is always a mistake to modify, under the pressure of sudden emotion, a policy that has been coolly adopted beforehand. And why should there even be any sudden emotion in this country, since the only new fact is that it is now somebody other than the British Army that is being fired

upon? The Palestine problem remains exactly what it has been for at least a year. No agreed solution is possible. Mistakes in British policy have doubtless contributed to producing this *impasse*. But other villains are, first, Hitler for creating such a pressure of Jewish immigration as to add new ground for old Arab fears of being outnumbered; and secondly, the policy of the United States, for so encouraging the wilder ambitions of the Zionists that the least they will accept is immensely more than the most the Arabs will concede. There

Long-Term Economic Problems—II

The Supply of Savings

THE preceding article stated the thesis that a high rate of capital creation is the essential attribute of a progressive economy. Whether it be wholly given over to free private enterprise or wholly planned at the centre, an economy that wishes to increase its total production decade by decade at a more-than-average rate must so arrange matters that a more-than-average proportion of its present output takes the form of productive capital. In the past, there have been countries that have trod the capital way to higher production by borrowing from others richer than themselves. This was the way in which the United States, the British Dominions and several South American countries got their start; it may still be a method that is appropriate to, and possible for, other undeveloped countries; but it can hardly be held out as a hope for Britain. If borrowing is not possible, the only other source of capital creation is from the community's own savings.

It is now painfully obvious that the rate of saving, and of capital creation, in Great Britain in the inter-war decades was inadequate. Yet there cannot be any question that the lasting effect of public policy in the past ten years will prove to have been strongly to the disadvantage of saving. The immediate effect, it is true, has been more favourable. Private saving rose from 6.3 per cent of total private incomes (before tax) in 1938 to 7.7 per cent in 1947. But this is partly the effect of over-full employment and partly the effect of continued shortages of the things on which private persons, and particularly business firms, spend their incomes. When times become more normal, it is hardly possible to believe that either persons or companies will save as much of their incomes after paying the present crushing load of taxation as they did before the war. Moreover, so far as personal savings are concerned, there has been in the second war, to an even greater extent than in the first, a massive redistribution of income from the rich to the poor. In 1938 the average surtax payer had £3,120 left after paying tax, in 1946 only £1,980. Opinions will differ on the social justice of the changes that wartime taxation has wrought. But there cannot be two opinions about the effect that they have had on private savings, and the weekly figures of the National Savings Movement make it quite clear that the savings of the rich that have been lost have not been made good, on any permanent basis, by increased savings by the less well to do. It would, indeed, be ridiculous to expect anything of the sort. Moreover, on top of the actual effect of high taxation on the margin of income available for savings, an atmosphere progressively less favourable to thrift is being built up among the middle and upper classes, the effects of which are likely to be much greater than any produced lower down the income scale by the propaganda of the Savings Movement. The old Victorian belief that to draw on capital for current expenses was a shocking, a shameful, thing to do has largely vanished. It is common observation that many of the professional and other "prosperous" classes are drawing on their savings in order to continue such deeply rooted social habits as the education of their children in expensive boarding schools

being no present possibility of an agreed settlement, there are only two remaining courses that can be followed. The first is for some outside body—whether it be the United Nations, the Arab League, the United States or Soviet Russia—to occupy Palestine in considerable force for a long time. The other is to let the Jews and the Arabs fight it out. To say this is cold-blooded. But for those who will not face the first alternative to hold up their hands in horror at the second is merely pious hypocrisy.

and the maintenance of houses that cannot be staffed out of income. This new attitude of mind towards the virtues of thrift and the disgrace of improvidence is partly a natural reaction to the very drastic and sudden pruning of real net income that has occurred in the last ten years. Whether or not adjustments would be made in time, they cannot be made so quickly. But since the war ended, there can be no question that thrift has been put at an even lower discount by the Labour Government's fiscal measures, culminating in the Special Contribution of this year's Budget. Even if this particular impost is "once for all" (and few people believe that), leaders of the Labour Party have made it clear that they reserve their right to impose another sort of capital levy in due course. In these circumstances, there is very little inducement to anybody whose income or capital is above the exemption limit to perform any more saving than is strictly necessary for personal security.

It would be unrealistic to expect any very significant reversal of policy on these matters. The drastic taxation which virtually abolishes the large income was imposed by Conservative Chancellors of the Exchequer because of the fiscal needs of the State, and it cannot in any event be removed until those needs have abated. It will certainly not be possible to retrace more than one or two of the steps that were taken during the war, and if Labour remains in power, even those few steps will not be taken. The large net income has gone for good. If the nation needs to do more saving than it did in the inter-war years, it cannot expect to do it through the medium of personal incomes.

The second big channel of saving is through the undistributed profits of business. This flow of savings is a large one, and if it is taken in conjunction with the funds set aside by business for the depreciation of existing capital it is still larger. The gross savings of the community in 1938 (including depreciation) were £774 million, and of this total £620 million was under the control of business firms. Clearly, if these two flows—of depreciation funds and of undistributed profits—could be expanded, they might help to offset the decline in personal savings.

So far as depreciation is concerned, considerable improvements were made by the Income Tax Act of 1945. Generally speaking, the businessman who scraps his plant and replaces it is much more generously treated now than he used to be. What has not been made very much easier, on balance, is the accumulation of depreciation funds in advance of the physical act of replacement. What this means—or, more accurately, what it will mean when replacement once again becomes possible—is that the fiscal obstacles to a more rapid rate of replacement will have been reduced—which will be a considerable gain—but that there is not likely to be a larger flow of depreciation moneys available to finance capital creation outside the businesses that give rise to them.

The "ploughing back" of profits, on the other hand, has

been made more difficult. Not only have profits had to bear the full weight of the increase in the standard rate of income tax, but they have also suffered the imposition of the Profits Tax. Any profits that are put to reserve now pay taxation at the rate of 50½ per cent. It is true that business men are discouraged by the still heavier tax on dividends from distributing their profits. But even so, the real value of the profits that are now available for "ploughing back" is undoubtedly lower than it was before the war.

Even if the general level of taxation cannot be reduced, there is a strong case for reducing the rate of taxation on "ploughing back." The argument does not rest entirely on the merits of this particular form of saving—though those merits are considerable, since company reserves are, on balance, invested far more skilfully and productively than individual savings. The case rests on the fact that, of the various channels through which savings pass into capital creation, the "ploughing back" channel now bears much heavier taxation than any other. There is a general belief that because undistributed profits pay income tax at the "standard rate," they are paying only what all other forms of saving have to pay. But this is not so. The "standard rate" is a mere arithmetical convenience; no individual pays tax on his income at the standard rate save by the coincidence that his surtax liability exactly equals the effect of his personal and other allowances; and he has to have quite a large gross income for this coincidence to occur. The saving that is done *via* undistributed profits bears taxation at a rate that may be as much as two shillings in the pound heavier than the average saving that is done *via* individual incomes or life assurance companies. The case for removing this discrepancy is overwhelming. Indeed, a community that recognised a crying need for a higher rate of productive capital creation might well decide that the merits of "ploughing back" were great enough to justify a burden of taxation actually smaller than that borne by other forms of saving.

There is, of course, little hope of persuading the Labour Party to this way of thinking. But a Conservative Government might possibly be induced to move in this direction. But even so, it would be very optimistic to hope that the real value of the saving that is done by this route can be raised to much more than it was before the war, in the spacious days of four-and-sixpenny income tax. The utmost limits of permissible optimism would seem to be that, by sound policy, company savings could be increased so as just to offset the inevitable decline in personal savings, so that the total of non-governmental savings would be left unchanged.

If, then, the total of the community's savings is to be larger, in proportion to the national income, than it was before the war, the whole of the increase will have to be found from the only remaining source—that is, out of savings imposed by the Government through the medium of a budget surplus. This would not necessarily be undemocratic; but it would certainly be very distasteful and difficult. It is as well to bear the dimensions of the problem in mind. In 1938, gross capital creation, all of it financed by private saving, amounted to

14 per cent of gross national product. A possible target for the 1950s would be 20 per cent—which might indeed be considered to be moderate in view of the volume of arrears to be overtaken. If private savings can only with some optimism be put at the prewar figure, it follows that, to attain the moderate rate of 20 per cent, the State would have to impose forced savings amounting to 6 per cent of the gross national income. In 1947, 6 per cent of the national income would have amounted to £575 million. It does not follow that there would have to be a budget surplus of this amount, since this sum would presumably be spent on capital projects, either directly or by being lent to the Boards of nationalised industries. But it does mean that £575 million would have to be raised by taxation, over and above whatever has to be raised to pay for the current activities of the Government. The budgetary problem will have to be examined in a later article of this series. But it is clearly not making any very hazardous anticipation to say that the superimposition of any such burden upon a tax system that is already groaning is well nigh impossible.

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At what point, then, does the argument arrive? On the one hand there is the manifest urgency of action to increase the rate of capital formation. The Left have been foremost in asserting this necessity, both in their attacks upon the unprogressive character of the British economy in the inter-war years and in the gigantic capital programmes that they have attached to their nationalisation projects. But it is very difficult indeed to see where the necessary savings to finance an enhanced rate of capital creation are to come from. Either horn of the dilemma is equally painful. For example, let us suppose that there is no increase in savings—indeed, that the decline which is the natural result of taxation aimed at profits and at large incomes is allowed to occur without any offset in budget surpluses. The result can only be that the fine dreams of catching up in the race for technological progress must be abandoned, that the housing programme will always compete with industrial development, that hope will have to be abandoned of getting British costs of production down to a competitive level without attacking the workers' standard of living, that the structure of the social services will break down and that Britain will never escape from the grim choice between siege conditions and dependence on other nations' charity.

Those are the consequences of starving capital. But suppose that we shrink from them in horror, what do we find on the other horn of the dilemma? We find an imperative need to increase the rate of saving and, as means of doing so, to face such unpleasant measures as the deliberate re-creation of the rich man, the sharp reduction of taxation on company profits or the imposition of taxes (which, since they could not fall on rich men or on profits, would have to fall on the ordinary man) on a scale even heavier than will in any case be necessary to meet the current expenditure of the Government. Never was there a clearer case for planning, in the sense of a deliberate decision of policy. And never was there a problem that the planners will find it harder to solve. Yet solved it must be if the days of ease and prosperity are ever to return.

NOTES OF THE WEEK

Diplomacy from the Housetops

It has escaped notice that Mr Stalin and Mr Wallace have not been talking about precisely the same things in their recent exchange of messages. From the long programme for Soviet-American negotiation, submitted by Mr Wallace on May 11th, the reply broadcast by Moscow Radio on Monday night omits a number of points, some of major and some of minor importance. Among the former is Mr Wallace's reference to "excessive use of the veto" in Uno and his suggestion that "each nation should state definitively and categorically that it has no design on the territorial integrity of any other nation." Among the latter is the proposal that "citizens, students and newspaper men" should move freely between and within the two countries. Obviously Mr Wallace is not yet the perfect partner and is still liable to lead into the weaker parts of Mr Stalin's hand.

The effect of his initiative on international relations has been negligible. The proposals he put forward did not form "a concrete programme for a peaceful settlement"—although the phrase is Mr Stalin's. It was a statement of objectives on which there has been general agreement for three years. It is, of course, useful to have new assurances that Mr Stalin wants a settlement, but it is difficult to decide whether they are more important than similar statements made to a news agency eighteen months ago.

Without for a moment casting doubt on the Russians' genuine desire for talks with the Americans, it is impossible to treat the Molotov and Stalin broadcasts as anything but political warfare in which Mr Wallace played a deliberate part. By this technique the way to "a century of peace" is made to seem easy for the millions of listeners and readers who are addressed over the heads of their statesmen. In using it the Russians have the advantage of addressing an audience which is free to hear and discuss everything they care to say. Mr Marshall and Mr Bevin enjoy no comparable advantage beyond the iron curtain. But it should be understood in Moscow that these demagogic methods are the negation of diplomacy, the object of which is to establish confidence and exchanges of view between Governments—which means in the first instance between the men representing them.

What confidence can Mr Marshall and Mr Bevin feel when, at any moment, their most carefully phrased hints and reminders may be shouted from the housetops with whatever interpretation it suits Mr Molotov to put on them? They have a right to expect that the Soviet Commissar for Foreign Affairs should show in his exchanges with them the same discretion that he shows in his dealings with Prague, Warsaw and Belgrade.

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Mr Marshall on the Right Tack

Now that Mr Marshall is playing from strength—his predecessor never had comparable cards—he can afford to resume the initiative in relations with the Soviet Union along the two lines he has indicated. He can ask Mr Molotov to show his desire for conciliation by actions at the numerous council tables where representatives of East and West are still arguing about a dozen or more important issues. He can also clear the ground for strictly bilateral talks about such particular matters as the course of Soviet-American trade or about such general matters as the need for an up-to-date general definition of the purposes of Soviet policy. It would be a pity if he were deterred from such talks by taking seriously the peevishness of Mr Bevin and M. Bidault about the Bedell Smith exchanges with Mr Molotov. Indeed, he had reason to believe that Mr Bevin would approve the blend of firmness and good temper which was the American contribution to those exchanges.

Probably for the first time since the war Mr Molotov may feel the need for a little assistance of this kind. Things have been done in the West which he cannot undo without using force—the European Recovery Programme, the Brussels Pact, the decision to revive western Germany and the victory of the Right and Centre in Italy. The strategy of the Cominform, intended to wreck the Marshall Plan and to kill Socialism in Europe has failed. The men in the Kremlin—whether nervous or not—must be taking stock of the new situation in Europe, and considering whether the time has not come for a gradual change of tactics—if not of policy. Already Mr Stalin's assurance to Mr Wallace that the co-existence of different "economic systems and ideologies" is "not only possible but also doubtless necessary" is the exact

opposite of the policy laid down to the Cominform nine months ago by his younger colleague, Mr Zhdanov.

The questions and recriminations of the last ten days are now dying down. Before continental Europe falls back into the nervous and faint-hearted mood on which Communist propaganda played so skilfully, it is important to recall that American policy has recently been restated by Mr Marshall in masterly fashion. Addressing a rather impatient Foreign Affairs Committee of the House on May 5th, he said:

A fundamental task of the United Nations and of our foreign policy is to dispel the misconceptions of the Soviet leaders and to bring about a more realistic view of what is possible and what is impossible in the relationship of the Soviet Union and the world at large. In this way there can be restored to international society the equilibrium necessary to permit the United Nations to function as contemplated.

It may be that misconceptions are beginning to melt; certainly equilibrium is less remote than it was. It cannot be argued for a moment that there would have been any progress in either direction if Mr Marshall had not followed the policy he has since March, 1947. The risks he ran and the tension that resulted have been enormously exaggerated. He is now just beginning to get results, and there is no reason why that policy—as defined in the speech of May 5th—should not be vigorously continued, with full British support, without prejudice to any conversations and gestures which Mr Molotov may feel inclined to offer.

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Progress of ERP

Mr Harriman's statement last Tuesday that the ERP countries are expected to submit to the Economic Co-operation Administration within a fortnight a specific recovery programme for the period ending on October 1st is an encouraging reminder of the steady progress made since the Organisation for European Economic Co-operation first met on April 23rd. Mr Harriman did not attempt to forecast the general nature of this programme, which can be guessed from previous discussions. Nor, when praising the enthusiasm with which the European nations are attacking their problems, did he draw attention to the excellent start the ECA had made in its task of helping them. The simple list of its activities to date is impressive. Its main members were swiftly appointed: it was announced this week that Mr Thomas Finletter, formerly chairman of the Air Policy Board, is to be its liaison officer in London. The advance guard lost little time in arriving in Paris; and Mr Harriman soon followed. A week ago Mr Hoffman announced the tentative allocation of \$1,186 million for the first three months of the Recovery Programme. Of this sum \$278 million is in the form of loans at a rate of interest not yet determined; and Britain gets \$400 million, of which \$100 million is as a loan.

The prospect is thus becoming clearer—a process aided by Sir Stafford Cripps's statement of May 6th on precisely what commitments Britain had undertaken by participating in ERP. Similarly the role of the International Monetary Fund as described by the Economic Secretary to the Treasury added a few more clarifying strokes—dollars are to be bought from the Fund only in exceptional circumstances for at least the first year that ERP is in operation. From the American side further important details have been added more recently. The attempt to uphold one of the Paris Report's original assumptions—that there would be an increase in trade between western and eastern Europe—is being maintained. Polish coal is being bought for Austria with ERP funds. And the purchase in eastern Europe of other goods which are scarce in the United States is foreshadowed. But these matters are not the immediate concern of the OEEC, which is adding the finishing touches to its programmes. When June 5th comes—the anniversary of the Harvard speech in which he made his offer of aid to Europe—Mr Marshall and his American colleagues will be able to celebrate a year of solid and remarkably swift achievement.

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The Labour Expulsions

The Labour Party executive's decision to expel from the party Mr Alfred Edwards, MP for Middlesbrough, on the eve of the Party's annual conference will not strengthen its reputation in the

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eyes of the public. Mr Edwards had made himself a nuisance, in the official view, in recent weeks for criticising the proposed nationalisation of iron and steel. He has certainly not minced his words, which have described the Government's policy as "suicide" and "sheer madness." But, when due allowance has been made for the intemperance of a political individualist who enjoys making himself heard, what is the difference between Mr Edwards's public views on iron and steel nationalisation and the private views of a large section of the Cabinet? Mr Edwards approves of nationalisation if it means purchase by the Government of the shares of iron and steel companies. But he thoroughly denounces the suggestion that the industry should be run by the methods adopted for coal and other nationalised industries. As this week's leading article points out, the hierarchy of the Labour Party is divided along these lines—between those who want to go forward with nationalisation and those who want to hold back. How, then, can the Labour executive have been so hypocritical as to expel Mr Edwards for views which some of its own members are known to hold?

The probability is that Mr Edwards was expelled, not so much because of his views on iron and steel as because a head was wanted to placate the Party's left-wing supporters, who were disturbed by the expulsion of Mr Platts-Mills. It would never do, it appears, for the Labour Party to tolerate a right-wing critic and expel one from the left. If Mr Zilliacus has to follow Mr Platts-Mills into the wilderness, who will be the next victim from the right?

It is all rather ridiculous. And perhaps the sorriest part of the whole business is the quiet acceptance of the expulsions by the Labour Party Conference. A motion which would have enabled Mr Platts-Mills to address the conference was defeated. Mr Edwards's case was not even discussed. Labour rank and file, it appears, can suffer its critics no more gladly than can its leaders.

Sterling Devaluation

A report by the National Advisory Council—the organ of the United States Government in supreme charge of American international economic policy—citing the adjustment of currencies as one of the conditions that might be exacted by the United States for Marshall aid, appears to have created a belief, in London and elsewhere, that there is pressure from Washington for an early devaluation of the pound sterling. This appears to be far from the truth. The report did not name the currencies its authors had in mind and its actual effect is to remit the question to the International Monetary Fund. There is reason to believe that the Fund has examined the question of a devaluation of sterling and decided against it.

The belief that a fall in the exchange value of sterling would be helpful, and in any case is inevitable, is nevertheless widespread, particularly in America. It is fed very largely by the very low rates at which pound notes can be bought in New York. This wholly artificial rate, which is created solely by the prohibition on importing pound notes into Great Britain, is frequently—one might almost say usually—misconstrued as a measure of the value that would attach to sterling in a free market.

The real test of whether a devaluation would help matters is severely practical. Britain's overwhelming economic problem is to earn as many dollars as it needs to spend. Devaluation of sterling, in the present conditions of a seller's market, would not alter by a single cent the dollars that have to be spent to purchase food and raw materials on the world market. As for British exports, it does not yet seem to be the case that sales are restricted—save perhaps in one or two lines—by high prices. Generally speaking, the limit on exports is still set by the availability of the goods. It is certainly true that a devaluation by, say, 20 per cent could not be followed by an increase of 20 per cent in the volume of British exports. If this is so, a reduction in the dollar prices of British goods would merely result in a smaller earning of dollars. Since the adverse terms of trade are one of the most serious handicaps from which the country is suffering, it would obviously be foolish to make them still more adverse. Devaluation would thus in no way reduce the need for dollars and might reduce the number of dollars earned. Moreover, by putting up the sterling prices of imported foods and raw materials, devaluation would make it necessary either to raise wages or to increase the subsidies. In short, there is nothing to be said in its favour.

Some day, of course, the seller's market will give way to a buyer's market, and many of these arguments will be reversed. If, at that time, the world's biggest buyer lowers its bid, it may be able to affect the world market (i.e. dollar) price for the things it buys. And a reduction in the dollar prices of British exports might then be the means of selling more of them. When that

time comes, devaluation may be a means, as it would not be today, of reducing Britain's dollar requirements and increasing its dollar earnings. But this is speculation. For the present, two things are clear. The first is that the world is still very much more of a seller's than of a buyer's market and that nobody can tell when the change will come. The second is that nobody now can possibly know whether, when it does come, the pound sterling will prove to be overvalued or not.

Russian Grain and British Coal

Mr Bevin is now beginning to get a little of the coal for export with which he said last year he could wield such power in Europe. Only luck and American aid have averted another case of "too little and too late." During the first three months of this year—when Britain produced over 49 million tons—the two countries most politically vulnerable, Italy and Finland, have received 12,737 and 208 tons of coal respectively, although they are to receive under the latest trade agreements 400,000 and 500,000 tons respectively. France, another important victim of European coal shortage and consequent dollar difficulties, has imported in the same period only 69,890 tons, against over one million tons delivered in a similar period of 1938. Spain, on the other hand, is to receive 750,000 tons over the next 12 months.

Progress towards this year's target of eight million tons for export, promised by Mr Gaitskell, seems curiously slow and to receive none of the priority which is given by the Russians to their no less potent grain exports. A comparison in this respect is illuminating. The series of trade agreements concluded recently by the Russians seems now complete for the season 1947-48. They have promised grain supplies for delivery during the current season as follows:

	(In 1,000 Metric Tons)		
	Wheat and Rye	Coarse Grain Barley, Oats, Maize	Total Grain
<i>Western Europe:—</i>			
United Kingdom.....	...	750	750
Belgium.....	...	400	400
Sweden.....	65	...	65
Norway.....	170	20	190
Denmark.....	60	40	100
Total Western Europe..	295	1,210	1,505
<i>Eastern Europe:—</i>			
Czechoslovakia.....	400	200	600
Finland.....	170	85	255
Poland.....	260	40	300
Rumania.....	60	20	80
Bulgaria.....	5	20	25
Total Eastern Europe..	895	365	1,260
GRAND TOTAL.....	1,190	1,575	2,765

During the five pre-war years average Russian total grain exports were as follows:—Wheat and rye, 748,000 tons; coarse grain, etc., 407,000 tons; total, 1,155,000 tons.

Exports for Barter

Compared with these prewar figures, the commitments for 1947-48 are impressive, although the Soviet Union's territory and grain-growing area has been enlarged by the Baltic States, large parts of Eastern Poland, Bessarabia and Bukovina, and two-thirds of German East Prussia. It is generally agreed that Russia's cereal harvest from this area for 1947 amounted to at least three-quarters of the 1934-38 annual average, or from 65 to 73 million tons. Whereas the average annual export during 1934-38 amounted to about 1.2 per cent of total production, exports are now intended to take between 3.7 per cent and 4.2 per cent of the estimated harvest for 1947.

It is reasonable to suppose that this emphasis on exports has a political as well as a commercial reason behind it. It is therefore interesting to note that, in the East, Czechoslovakia will receive the largest share and in the West the lion's share goes to Britain. Poland, Rumania and Bulgaria have been hitherto partly dependent on Russian grain, although in the years before the war they, with Hungary and Yugoslavia, exported each year an average of two million tons of bread grain and 3.7 million tons of coarse grain to Western Europe. In short, to assist its *bloc* of neighbours, Russia is exporting more grain in spite of reduced production, whereas Britain appears to be making no comparable effort with its coal exports.

Franco's Poor Cards

Nothing has occurred during the last few months to invalidate the moral arguments for treating General Franco's regime as it is being treated by the British Government. Even in the recent lengthy correspondence in *The Times* few new points have emerged. What has in fact happened lately is that the strategic importance of Spain has become more sharply defined. In the struggle for power between East and West, Spain has seemed to assume a new military and economic importance. Expediency is putting pressure on men of principle. But would they be right to yield to it?

Seen from Spain, many recent events do not make sense. To take the latest, the new Anglo-Spanish Trade Agreement (discussed on p. 856) looks like one more proof of the perfidy of Albion. Why, say the Spaniards, should the British help us with fertilisers and coal through the tradesmen's entrance, when they will hardly speak to us at the front door? Again, why do the reputedly more logical French open their garden gate and come to market with us, when they will not have us to any parties, either at Lake Success, or the Royal Monceau Hotel in Paris, or round the Five-Power table at Brussels?

The result of the Italian elections has been both an inspiration and a disappointment to General Franco; an inspiration because it is reported to have given him the idea of staging elections in Spain, and a disappointment because he had hoped that, if Italy went Communist, Spain might take its place in ERP and in American strategy. The cynicism of this reasoning is quite enough to show why Spain is excluded from the international circle. Democracy is not just a matter of staging elections—no one believes that they could be free or secret in the Spain of today. And ERP, that "most unsordid act," springs from an essentially democratic ideal.

There remains the point of view of anti-Communist strategy, much exaggerated by the Spanish press. Geographically, of course, the Iberian peninsula has a certain significance, but in the realm of ideas it has none at all. However friendly the feelings of the West for the Spanish people, to include Franco Spain in its present state in either the Marshall Plan or the Brussels Pact would be to compromise them both seriously. This reasoning may disappoint those who think they prefer Falangists to Communists, but it has so far ruled in the councils of the Western governments. If these should be tempted to falter in their attitude, let them consider what would be Spain's position in an open East-West conflict. Franco is more firmly in power than at any time since his anti-Communist civil war; what chance, then, would there be of finding him in the Russian camp and against the West? The truth is that Franco's cards are still poor, and this is no time for the West to deal him a stronger hand.

The growing tendency to compromise the principles of Western Europe by purely strategic arguments is dangerous, and it is most marked in British and American discussion about Spain. As Mr Marshall said in his remarkable speech to the House Foreign Affairs Committee on May 5th:

The emphasis often placed solely on the military aspects of world affairs does a disservice to the cause of peace. The more that present differences are talked about and treated exclusively as a military problem, the more they become so.

A Matter of Facts

That there is no clear dividing line between facts and propaganda, or between truth and party politics, was clearly demonstrated in the Parliamentary debate on the Central Office of Information last week. While Ministers declare, for example, that "Something Done"—a handsome illustrated brochure issued by the Stationery Office—is a straightforward story of the work and achievements of the British people between 1945 and 1947, the Opposition consider it an unwarranted piece of party propaganda carried out at the taxpayer's expense. This cleavage of opinion was apparent right through the debate, although both sides subscribed to the necessity for having information services of some sort to help the ordinary citizen to disentangle himself from the web of orders and controls in which he is enmeshed.

Opposition speakers were pressing in the direction of the abolition of the COI. Some Labour speakers at the other extreme longed for the old Ministry of Information to return. It is clear that there can never be agreement on this subject, since whatever party is in opposition will always feel that the Government in power has too strong a propaganda instrument in its hand. On the whole, however, that instrument has been used with reasonable fairness. Self-criticism of the Government for its own failures one

could hardly expect to see: that would be straining the duty of self-immolation too far.

At present the Central Office of Information is spending at the rate of £4,134,000 a year (including £586,000 as appropriations in aid), of which about £2,400,000 is for publicity work at home. Its staff consists of 2,000 persons, of which some 400 are receiving over £700 a year. In addition there are in departments outside the COI about 330 press and public relations officers, whose salaries and activities aggregate about £2,200,000 a year. Home publicity is, therefore, now costing about £4,600,000 a year. This is a large sum, of which the best possible use may not yet have been made. At the end of the war there was a general exodus of able men to better-paid and more attractive jobs elsewhere, and many of these are today wanted back. But far more important than personnel or a tidy organisation at the centre is a clearly seen and clearly expressed objective on the part of the Government. The "Work Not Want Not" slogan is fortunately dead. "Who Killed the Inflation?" is much better. But something even better is still wanted.

General Election in South Africa

The first postwar general election in South Africa is to be held on Wednesday. Apart from the small Labour and Dominion parties and a few independents, the main struggle will be between General Smuts's United Party and Dr Malan's Nationalist Party. The present position in the House of Assembly of 153 members (three of whom are European representatives of the natives) is that the United Party holds 90 seats; the Nationalists, 48; Labour, 8; the Dominion Party, 3; and there is one independent.

Election propaganda on both sides has been poor. It reveals in both cases hesitation and confusion about South Africa's chief problem—what to do about the African, Indian and "coloured" (half-caste) peoples. The Nationalists' policy is *apartheid*, which means "separation," but is defined by them as the exclusion of natives from all political rights, the return of as many natives as possible to the Reserves, and the use of the Reserves thereafter as reservoirs of labour for mines, factories and farms.

The Government's policy rejects economic but not residential segregation. It proposes the creation of native townships for the 2,000,000 or so natives now permanently resident in urban areas, and the demolition of the existing "shanty towns." On the other hand, the Government seem to have no effective answer to the growing native demand for a greater share in local government, for the abolition of the pass laws, and for permission to own land. To refute Nationalist charges that their policy leads to equal rights for the natives, some United Party candidates have become faint-hearted even about the moderate proposals in their party's platform. Mr Hofmeyr himself, who is Deputy Prime Minister and the most active South African reformer on the natives' behalf, has for the period of the election disclaimed all intentions to give the natives fuller social, economic or political rights; he merely reiterates his faith in "Christian trusteeship," which is hard to define.

The exceptional feature about the pre-election campaigns is the lack of interest in Commonwealth or international issues. The Nationalists have barely mentioned their traditional demand for a republic outside the British Empire; and though both sides are strongly anti-Communist, neither has drawn any practical conclusions for policy from this emotion. Foreign policy is for the moment largely bi-partisan.

Any estimate of results must be provisional, but it seems probable that, while the Nationalists will gain seats, they will not come anywhere near a majority. The United Party will probably have a working majority on most important issues, and enable General Smuts to continue his wise rule over what is potentially one of the most unsettled Dominions in the Commonwealth.

Target-Work in Steel

It will obviously take more than the best efforts of Sir Ernest Gowers to expunge the word "target" from the official and political vocabulary; or even to define its meaning or relate it to that of such near-alternatives as "objective," "minimum," or "standard." At present the meaning can only be deduced, roughly and on more or less psychological grounds, from the context. A "target" of so many million tons of X may mean the amount which, on present form, one might get with luck; or

the amount which it is pleasant to dream about getting; or the amount which had better be got, or else—the amount which has been selected more or less at random because otherwise there would be a blank space in the plan—which, of course, would be intolerable. The most common meaning, perhaps, is “ten per cent more than is likely.” And it is this meaning which makes most sense when one considers last week’s decision to “raise the target” of steel production for the current year from the once impossible-seeming but now visibly attainable 14½ million tons to a round 15 million. (The proceeding seems more appropriate to the bar of a high-jump competition, but consistency in metaphor is no more reasonably to be expected in official language than diplomatic good manners in the Kremlin.)

This kind of target-work demonstrates, if demonstration were necessary, just how flimsy a paper structure is the national plan. Either the rest of that plan depended on an output of 14½ million tons of steel—in which case the “raising of the target” for steel should be the signal for a corresponding “raising of the target” for the steel-using industries—or it depended on the 15 million now called for, in which case the whole plan was obviously unsound and due for a new series of amputations. There is, of course (with apologies to the language purists) a third alternative; that there is so much play or looseness in the articulations of the plan that an extra half million tons of steel is neither here nor there—it can be absorbed in stocks or used to implement marginal schemes, thankfully but without calling for any proportionate readjustment. This is the most probable interpretation of the facts. But, in that case, why pretend that any particular significance attaches to the target figure? Perhaps the whole interrelated complex of targets, advancing, retreating, raised, lowered, enlarged, diminished, gyrating in a stately economic ballet, should most charitably be regarded not as a would-be rational device. It should rather be regarded as a form of sympathetic magic akin to the invocations of crap-shooters, or to the curious bodily contortions with which bowls addicts pursue, and attempt to influence, their woods on the way to the jack.

* * *

Pay at the Chairside

The report of the Spens Committee—the late departmental Committee on the Remuneration of General Dental Practitioners (Cmd. 7402)—follows a line roughly parallel to that of the corresponding Committee on the remuneration of general medical practitioners. It analyses the pre-war spread of net incomes at different ages, shelves the question of adjustment for ensuing increases in the cost of living, considers the prospects necessary in order to attract an adequate new entry to the profession, concludes that those now offered are not nearly enough, and recommends that “arrangements should be made to ensure that between 35 and 54 years of age 75 per cent of those practitioners should receive net annual incomes of over £850, 50 per cent of them should receive incomes of over £1,100, and 25 per cent incomes of over £1,400”—all, as it were, in pre-1939 pounds; with special provision for extra earnings by experienced senior partners, by part-time consultants, and by those supermen who can without detriment to their health or the quality of their work put in more than the 33 hours a week “at the chairside” regarded by the Committee as “full but not excessive employment.”

Such recommendations are, of course, only a first step towards the determination of actual scales of pay and of the earnings of individual members of the profession. They are, however, of considerable interest. They bear out further the widespread opinion that the current remuneration of the professional classes is far below that required in the long run to sustain the necessary flow of professional services. Secondly, they attempt to assess the comparative attractiveness of different professions—in this case the medical and dental—at least to the extent necessary to give a rough first approximation to the proper relation of their earnings; the greater arduousness and concentration, for instance, of the dentist’s work being balanced against his better prospects of genuine free time. In a more abstract sense they are interesting as an example of an attempt to short-circuit, not by the brutal methods of physical control and direction but by intelligent anticipation, the workings of supply and demand in the new circumstances brought about by the National Health Act. A decision based on the best evidence available now can start the whole system off on the right foot, just as a right decision, in the field of foreign currencies, on the official par of exchange, can reduce subsequent pressures and readjustments to a minimum. Trade union susceptibilities prevent the development of a national wage policy, but a national salary policy is visibly, if partially, in the making. This is really sensible planning.

The Colonial Service

Last week’s debate in the House of Lords on the Colonial Service provoked one of those expert discussions which are a chief justification of the upper House, however it be constituted. At the same time, like so many Lords debates it elicited no clear formulation of Government policy, not even any apparent line of cleavage between Government and Opposition. The purpose of Lord Tweedsmuir’s motion was to discover, first, whether in view of the enhanced importance of the colonies in world affairs, the colonial servant was being trained, in the middle as well as at the beginning of his service, to play his part; and, secondly, whether, in view of the inevitable shrinkage of the service as territories continue to pass from the colonial to the self-governing stage, adequate material inducements exist to attract the right men. The Government’s answer was that training was magnificent, the material inducements were constantly under review, and that all was for the best.

A more fruitful line of discussion was followed by Lord Harlech and Lord Rennell, who emphasised a problem that may well prove more urgent than the actual conditions within the service. The District Officer, and the administrative side of the Service as a whole, stand in real danger of losing authority to various high pressure representatives of special interests, governmental and private—for instance to the authorities of the East African ground nuts scheme. There is a possibility of endless friction unless a clear division of authority is established. At the same time, since all administration is everywhere becoming more bureaucratic, the District Officer is more and more tightly chained to his desk; and men of the type whom the Colonial Office needs for native administration do not take kindly to that kind of work, and will not remain in a service which lets it get the upper hand.

The problems of selection for entry and promotion in the Colonial Service are not easy. As Lord Listowel pointed out, it is only a generic name for the staffs of thirty-four separate governments, many of whose problems—for example in Bermuda, Aden and St. Helena—are not comparable. It will be greatly simplified by the disappearance of Palestine, and it is probable that, as the other fields of endeavour in India, Burma, Ceylon and so on close up, the quality of entrants for the Colonial Service will rise rather than fall. But it will do so on no mathematical computation, and only if the Colonial Service offers three things: first, a genuine decentralisation whereby the good man can leave his mark upon the territory which he administers; secondly, a scale of pay, pensions and family allowances which reflects the confidence which the Government is supposed to have in its Colonial Servants; and thirdly, a genuine *carrière ouverte aux talents* whereby the intelligent Colonial Servant is given a chance to train himself for the highest positions without being left in an up-country district for twenty years, and then being told that he lacks the necessary breadth and experience to be given a governorship.

* * *

South Korean Elections

The long-awaited general election in the American zone of Korea has now been held, and a high percentage of the registered voters went to the polls in spite of the efforts of the Communists to prevent the election being held. Conditions during the few days before the polling were quieter than might have been expected; the roll of recorded deaths did not exceed 93. American troops were held in readiness to reinforce the police in the event of open insurrection.

The Korean Communists’ objection to the elections was because they were being held before the withdrawal of foreign troops. Their demand, supported by Russia, was that both American and Russian troops should be first withdrawn from their respective zones. This, it is generally considered by those acquainted with the Korean situation, would enable the Communists, with the powerful army which has been trained and equipped in the Russian zone, to seize power in the south as well as in the north—where they already have it—and then rig nation-wide elections in the standard Communist manner. The Russians and the Korean Communists, therefore, refused to admit to the Russian zone the Uno Commission, sent out on a vote of the “Little Assembly” to arrange for free elections, as a preliminary to setting up in Korea a representative national government to which the occupying armies could hand over authority on their departure.

The Russian refusal to co-operate did not, however, deter the Americans from going ahead with preparations to hold elections in their zone and thus provide a basis for a government there. Recently a conference was held in the Russian zone, attended by Communist and pro-Communist delegates from the American

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MIDDLE EAST • INDIA

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In his 1947 FAO report to the United Nations, Sir John Boyd Orr warned the world that “during the coming year, many in Europe and Asia will die from the direct or indirect effects of food shortage.” Despite the fact that two-thirds of the people of the world are engaged in producing food, production methods of the majority of the world’s farmers today are substantially as they were hundreds of years ago. They have not kept pace with the mechanisation of industry. Trying to cultivate the land to maximum productivity with implements that trail behind animals or vehicles is like sending a boy to do a man’s work.

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amounts of money. Under these conditions, future traffic losses will tend to produce a vicious circle because, as a result of a relatively high proportion of fixed costs, which cannot be reduced in step with a reduction in traffic, their unit costs of rendering service will rise. This, in turn, may well result in a demand for still further rate increases—and these will divert still more traffic to the railroads' competitors. The ability to make capital improvements would be further curtailed. The rules changes demanded by the unions, many of a "make-work" or "make-pay" variety, would introduce additional elements of inflexibility at a time when the emphasis should be upon increasing flexibility and improving operating efficiency.

But even if every possible means of securing greater efficiency was adopted, many believe that the railroads of the country cannot be placed permanently on a paying basis. Government seizure has been freely used to solve their labour problems. At one time, government ownership was advocated to break the alleged transportation monopoly of the railroads. Now, it may be argued that government ownership is the only way to secure the efficient operation of the country's basic transportation system, which is essential to the transportation of its basic commodities and particularly important in time of war.

Housing Under Full Employment

[FROM OUR US EDITORIAL STAFF]

ON April 2nd the Taft-Ellender-Wagner Housing Bill was approved by the Senate, but the odds are that the Bill will founder in the House and thus conclude another skirmish in the battle of the housing Bills which began over three years ago. Since it was introduced in August, 1945, this particular bill has undergone changes both in content and title. It started as the Wagner-Ellender-Taft Bill, but today the name of its Republican, rather than its Democratic, sponsors takes precedence.

The TEW Bill was originally designed as a comprehensive approach to long-range housing problems. This approach has, however, been overshadowed by the general hysteria over the more immediate housing shortage, an hysteria which has been sustained at ever mounting fever pitch for an unusually long period of time. The Bill has, therefore, been espoused by many groups as a cure for present evils. But far from being the answer sought, many believe its provisions would be so ill-timed as to increase present difficulties. Even viewed in long-term perspective some critics question whether it reaches the real heart of the housing problem.

The long-run housing problem in the United States has many facets. Perhaps the most vital is the need to reduce the cost of housing to provide decent shelter for the lower middle income and lower income groups; another is the question of who will do the job—government or private enterprise. Successive studies by private agencies and those of the government in the last ten years have reached fair unanimity on the proposition that high costs are due chiefly to inefficient small-scale units in the building industry, to antiquated methods, obsolete local building codes, restrictionist practices by industry and labour, and poor utilisation of land. Financing charges, now far lower than they were 20 years ago, have been shown to play a less important part. And yet, with the exception of some relatively weak provisions to encourage technical research, the TEW Bill, like its predecessors, generally stresses the "insurance" (i.e., government contingent guarantee) of mortgages with increas-

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ingly liberal financing terms such as smaller down payments, and longer periods of amortization.

Not only does this emphasis neglect the areas of real significance, it is argued, but such provisions tend to rob federal housing agencies of the one effective club they possess to persuade local authorities, builders, and trade unions to mend their ways. The high standards of valuation and eligibility imposed by the Federal Housing Administration for insurance between 1934 and the outbreak of war brought revolutionary improvements in home design and land utilisation. Now such gains threaten to be washed away in a permanent flood of easy credit, in continuation of trends clearly evident in the last several years. The attempts to strengthen appraisal standards in the present Bill pay only lip service to the ideal from this point of view.

Nor is the real problem going to be solved by the hotly contested provisions for further assistance to families in the lowest income groups through enlarged loans and grants for public housing. The basic cost of housing will not, thereby, be reduced one iota; it will only be redistributed so that more will be borne by the general taxpayer. The Bill's provisions for similar grants to enable cities to acquire land in blighted areas, and write it down to current use value, are good in themselves. But again, they obscure the basic issue, the more so since urban redevelopment is not solely a housing problem but one of re-creating jobs and economic opportunities in the high-cost central areas of cities.

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These objections are accentuated when the critic considers the short-run problem of finding houses at reasonable prices for the extraordinarily large number of new families formed in the past three years. This demand has been greatly enhanced by relatively high incomes which have enabled people in all walks of life to demand more and better housing. On the supply side, the limiting factor on the total volume of new homes constructed has been the restricted supply of labour and materials for which all contenders in this inflation-swollen economy are bidding. Under full employment housing measures emphasising liberal credit cannot increase the current rate of housing investment except at the expense of other lines of consumption and investment. At their worst, they will add liberal fuel to the inflationary fires; at their best they will divert some of the supply to groups needing it most. The measures of the last several years have accomplished a little of both, although the inflationary effects have tended to defeat the desired routing of supply. The costs of construction have risen so drastically that they have outstripped the purse of the average veteran, even though his purchasing power is supplemented by the cornucopia of veterans' guaranteed loans.

The problem thus tends to be self-generating and self-amplifying. Paradoxically, Americans, on the average, have more and better housing than they had before the war, yet the "doubling up" of families is more pronounced. The explanation lies in high incomes and relatively low controlled rents, which have encouraged tenants in particular to spread out and to maintain their favoured position. The young veterans, as late comers to the fray, have been squeezed in a kind of puss-in-the-corner game, with their demands focused largely on the supply of new, high-cost housing coming on the market. There is some reason to believe that the high construction rate of 1947 made a sizeable dent in the backlog of their unsatisfied demands. The net increase in families in 1947 probably did not exceed 600,000—700,000, as against a probable 920,000 in 1946. Against this net increase in demand, 835,000 new dwelling units were completed. In addition, 150,000 temporary family units were made available through authorisations for the relocation and use of war housing, dormitories, and barracks. Over and above these known additions to the housing supply, an unknown number of dwellings have been converted into multiple units.

The plain truth of the matter is, however, that any measures designed to increase the supply of materials and manpower going into housing are unwise at this juncture. But only Mr Eccles of the Federal Reserve Board has had the political courage to grasp this nettle in an election year, although Senator Taft has fumbled tentatively in its direction. Mr Eccles has highlighted the obvious inconsistency of deliberately taking measures

leading to the restriction of private credit, and then breaching the dike with public credit. But the defeat of the Housing Bill alone would not plug up the hole in the dike. Title VI of the emergency housing Act is the present fountain head of mortgage credit. Congress may extend these insurance powers even if the House turns down the Taft Bill. The American people have the opportunity to make a decision, unless they want ever higher prices to make it for them. The housing problem may well put the question: Which shall it be—more goods and services, more housing—or the European recovery plan and more adequate defence?

American Notes

Firmness without Frenzy

The Kremlin's dove of peace homed into Mr Wallace's arms this week after an inhospitable reception in Washington. Mr Wallace, who has always advocated a deal with the Russians to carve up the world into two great spheres of influence, will make some electoral capital out of Mr Stalin's response, as final proof that his Third Party has a monopoly of peaceful intentions in the United States. How much this talking-point will be offset by the further proof provided that a vote for Wallace is a vote for Stalin is uncertain; in the case both of Mr Wallace's supporters and his critics it may be largely a question of preaching to the converted.

The State Department has been severely criticised for having been caught unprepared by the whole episode. But at least Mr Marshall has made it quite clear that he is not prepared to buy peace with Russia on the black market and at the expense of other countries. American policy still follows the outline Mr Marshall presented to the House a fortnight ago when he was defending the United Nations: firmness to Russia without frenzy at home, and the rebuilding of the economic and military resources of Western Europe.

The important resolution put before the Senate by Mr Vandenberg is a practical expression of both these aspects of official policy. It has the approval of the State Department and has been passed,

by 13 votes to nil, by the Senate Foreign Relations Committee. In part, it seeks to stem the tide running strongly in the House toward revision of the United Nations Charter "with Russia if possible, without Russia if necessary." The revisionists are an ill-assorted, but not therefore negligible, alliance of the idealists who yearn for an instalment of world government and of the disillusioned who are resigned to a showdown with Russia. Their programme includes the elimination of the veto on matters of enforcement; giving teeth to the United Nations through troops drawn from the smaller nations; and a determination to secure international control of arms, particularly the atomic bomb. Indeed, it appears to have been the final breakdown of the talks on control of atomic energy which precipitated the hearings in the House. By urging the President to continue to seek, within the framework of the United Nations, a voluntary agreement eliminating the veto, except in matters of enforcement, and an agreement on a police force for Uno and on the reduction of armaments, the Vandenberg resolution attempts to preserve the shell of the United Nations until the time when the revival of Western Europe induces the Russians to abandon their intransigence.

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Formula for Military Aid

The more striking and constructive passages of the resolution advise the President to explore the possibilities afforded by the Charter for buttressing economic recovery by American participation in the regional defence arrangements permitted under Article 51 of the Charter. It was Senator Vandenberg, one of the authors of the United Nations, who insisted over a year ago that the Truman Doctrine must pay at least lip service to the United Nations and he is convinced that, if properly exploited, the Charter can be made to serve the need of the democracies for common defence as well as to provide a sounding-board for Soviet polemics.

The critical passages in the Senator's "working paper" advise the President to seek the "progressive development of regional arrangements for self-defence in accordance with the Charter" and recommend the "association of the United States," under constitutional processes, with such regional arrangements as are



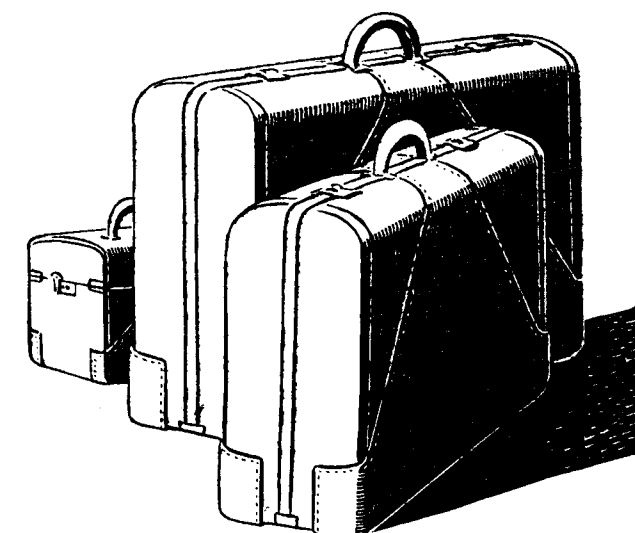
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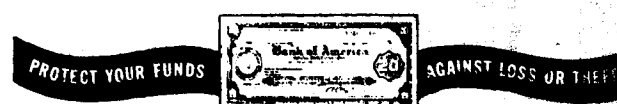
and many other places grant days of exciting adventures. The whole region is opened up by boldly constructed railways and various motor roads crossing the Alps.

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based on self-help and mutual aid and "affect American national security." The pattern is consciously that of the European Recovery plan; the United States may, if it feels its own security is endangered, fill any gap which remains after the countries of Western Europe have pooled their resources for defence.

This is much less than a military guarantee, but it may be more than the Senate will approve without modification. Already some members of the Foreign Relations Committee have sought assurances that the resolution involves no military commitments and will not pledge the United States to large expenditures for foreign military assistance. Even in its preliminary form, the resolution is no more than a formula through which aid may be channelled in the event of another crisis, a green light for future action. But it puts the Truman Doctrine upon a firmer footing, and opens the door, shut for so many generations, to an American partnership, in times of peace, with like-minded countries outside the Western Hemisphere.

* * *

Spring Strikes

It is becoming a tradition that the pattern for wage negotiations is set by the steel industry, and at first it looked as if this year would be no exception. The meat packers, the automobile manufacturers and the telephone companies all followed the example of the steel producers in refusing to offer any increase (or only a very modest one) to their workers. But the steel workers were bound by contract not to strike, while those in the other industries suffered under no such prohibition. As a result, the demand for a third round of wage increases has led to a number of work stoppages, which it had been hoped to avoid this year. Some 225,000 workers are already out, including the meat packing employees, who struck two months ago. A strike of shipping workers is possible in June and so is another coal stoppage at the end of that month. The procedure of the Taft-Hartley Act has been used to postpone the strike of long-distance telephone operators.

More important is the action of the United Automobile Workers against the Chrysler Corporation, where the strike is now over a week old, against the General Motors Corporation, where the strike is due to begin on May 28th, and against the Ford Company, where wage negotiations can be reopened on July 15th. There has been no major strike in the automobile industry for over two years, and it will probably be here that this year's pattern for wage increases is established. In this industry, as in many of the others where strikes are in existence or threatening, the demand is for an increase of 25 or 30 cents an hour, based on the rise in the cost of living. All three companies have rejected the union's demands. The Chrysler workers, in a last-minute effort to avoid the strike, offered to accept 17 cents, but the company's best offer was 6 cents. The Ford Company has gone so far as to suggest that the union should accept an actual reduction, since its average wage of \$1.46 an hour is higher than the average of the other automobile companies. The union naturally finds this ridiculous, but is prepared to withdraw its demands if the Ford Company can exert its influence successfully to roll back the cost of living and can prove that wage increases would force it to raise its prices.

In most of these cases the question of pension and welfare funds, first brought into the limelight by Mr Lewis, is also in-

involved, and future negotiations are likely to concentrate on these issues if employers maintain their new and unyielding attitude towards straight wage increases. The steel workers have given their usual lead in this matter. They propose in the future to ask for \$150 a month for retired employees; health and welfare funds, which would cost about 9½ cents an hour per worker, are already under discussion with the employers. United States Steel has replied with a much less liberal plan, under which the costs would be shared between industry and labour.

* * *

First Line of Defence

Congress, by approving the 70-group Air Force with only five dissentients, has in effect decided that the Air Force will be the first line of defence of the United States in the next war. This defeat of the traditional Services by the force which has had an independent existence for only ten months is largely due to the conviction that Russia is the "only possible foe" and that a war with Russia will inevitably begin, even if it does not end, in the air. The full amount authorised by Congress for aircraft and guided missiles in the fiscal year 1949, beginning in July next, is \$3,198,100,000, of which nearly \$100,000,000 is for naval aviation. Some of the money has already been made available, so that procurement of aircraft can start at once. Deliveries are expected to begin next January and the full programme will take at least three years to complete.

The 1949 appropriation for the 70-group Air Force is only the first instalment of what will eventually become an annual expenditure of \$7½ billion and perhaps more, since the composition of an air force group is constantly changing, and Congress is determined that its new favourite shall be up to date at all times. The 70-group Air Force was actually recommended to both Houses not by their Armed Services Committees, but by their Appropriations Committees, which are less well qualified to appreciate the implications of the programme. Nor did Congress get much guidance from the conflicting and indecisive advice it received from Government spokesmen. Many Congressmen are fully aware, and much concerned, that the voyage upon which they have embarked so enthusiastically has not been fully charted, although only Senator Cain showed his disquiet at this lack by voting against it (the other four dissentients were all supporters of Mr Wallace and opposed the appropriation on principle). Senator Lodge pointed out that "if we increase our appropriations every time we get angry, we can bleed ourselves to death," and called for a full investigation of the point at which the national economy will be threatened by military expenditures.

The Administration has insisted that the 70-group Air Force itself is such a threat under present conditions, unless it is accompanied by inflation controls which Congress is no more ready to impose now than it has been in the past. These are the grounds on which the Administration opposes the larger Air Force, adding that it will involve substantial additions to the other Services, for defending and supplying bases and so on, if the defence programme of the country is to remain in balance. Congress has still to consider the remaining appropriations for the original 1949 defence programme, amounting to some \$11 billion, and it may hope to find there some means of compensating for its extravagance in the air.

THE WORLD OVERSEAS

Pakistan's Prospects

(By a Correspondent)

EIGHT months is a short time in the life of a nation, but it is long enough to show that Pakistan has come to stay. In little more than a decade the idea of separate statehood for the predominantly Muslim portions of India (old-style) grew from an almost casual suggestion to be the passionately held ideal of the vast majority of Muslims in the country; and led irresistibly to the partition of the country last August. The realisation of this ideal needed energies and talents other than those required to play the game of Indian power politics. The surprising thing to most observers is that these were available.

It would have been task enough for Pakistan to have organised itself with every other factor favourable. But it had to cope straightway with a succession of appalling problems—mass migrations, the complete dislocation of economic life over large areas of north-western Pakistan, a serious dispute with India over Kashmir. Yet Pakistan survived, and is today firmly established.

The first reason for this is the Governor-General. Mr Jinnah does not pretend to be a constitutional Governor-General in the sense understood in the older Dominions. He plays an important part in the formation of policy and sometimes in the minutiae of administration. His tours to the provinces, in particular his recent visit to the North-West Frontier Province, have been outstandingly successful in assisting the cohesion of the various parts of the state. Few would have believed it possible that such practical statesmanship would have been shown by this elderly, ascetic and aloof politician, who now finds himself in power for the first time in his life.

Next in importance in keeping Pakistan united, and making its leaders determined to succeed, has been the attitude of India, as seen from Karachi. From that angle there has been a series of acts—the massacre of Muslims in Delhi in early September, the sufferings of Muslims in the East Punjab, the aggression against Junagadh, followed at once for contrary reasons by the occupation of Kashmir, an unofficial trade embargo on exports from Bombay to Karachi, and so on. No doubt Delhi had good reasons for doing all this and could produce a lengthy charge-sheet against Pakistan. But the important point is that Pakistan did not think so; and this proof of what a Hindu-dominated government meant in practice in its relations with the new Muslim state, as well as India's treatment of Muslims left in India, had a marked effect in maintaining the authority of the Pakistan Government.

Growing Self-Confidence

This was most evident in the Kashmir issue. It was obvious that once the principle of partition had been accepted as the solution of the Indian problem, and had been rightly applied to provinces like Bengal and the Punjab, it should also be applied to a large state like Kashmir, where there is an even more clearly defined line of demarcation between majority and minority community. The lamentably prolonged deliberations of Uno over this issue gave Pakistan its first chance to appear on the world's stage. Its debut was reassuringly successful; and the realisation of its international position was fostered by the steady expansion of the *corps diplomatique* at Karachi.

Pakistan's appreciation of its own strength grew visibly and was soon made evident to its northern neighbour. Afghanistan had for months been playing up the "Pathanistan" idea, with thinly concealed ambitions of dominating the tribal areas of the north-west frontier, and possibly some of the Indus valley as well. With the New Year, however, and Pakistan's growing self-confidence, a rougher note became evident in its dealings with Afghanistan; and it is safe to say that the "Pathanistan" issue is now dead, and that Afghanistan will have to adopt, in its future

dealings with Pakistan, a policy which recognises clearly the relative strength and stability of the two states.

The final and probably conclusive reason why Pakistan has come to stay is the fact that it now consists, in the north-west, entirely of Muslims. Where formerly there were millions of Hindus, there are now only a few thousand. Eastern Bengal, though over twice as populous, has never been associated with the creation of Pakistan in the same way as the north-west, nor have any real links yet been forged between these two widely separated halves of Pakistan. But the will to do so is abundant, and the leaders of the state have fertile brains. In any case, Pakistan is essentially a Muslim state, and reunion with India is out of the question. Yet Pakistan's greatest interest in the field of foreign affairs is that it should be on good terms with India. There is, however, no apparent willingness in the capital of either dominion to act on the principle that its good relations with the other are indeed the most important part of its foreign policy. The mistrust and ill-feeling born of recent events and the personal rivalries of the leaders of both dominions are too great.

A New Type of Dominion?

What of Pakistan's relations with the Commonwealth? Is it likely to stay inside? The answer again is Yes, but with the important proviso that Great Britain and the other members of the Commonwealth must show themselves understanding and helpful. It will be no good treating Pakistan as a daughter nation, or expecting the same automatic responses to matters concerning Great Britain's welfare, or the position of the Crown, and so on, as we have come to rely on from the older Dominions. Pakistan is at present called a Dominion, but the name obscures what is in fact a new and different relation. Precedents applicable to the older Dominions should never be automatically applied to Pakistan. We should not repeat our performance of last autumn, when Pakistan appealed to us in its hour of desperate need, and we did not even send anyone to speak words of comfort, let alone assist in solving its grievous disputes with India—except by distant words of advice. That was not the way to recommend membership of the Commonwealth; and it caused bitter comment in Karachi. There is in Pakistan a great fund of goodwill towards Great Britain and the British. The two countries have a variety of interests in common and a background of the same political ideas. Here then is a great opportunity for the Commonwealth to evolve a new type of relation so that, even if Pakistan should choose to stop calling itself a Dominion, the links which can be developed from common interests would still enable us to go forward together. That might mean a change in the nature of the Commonwealth; but the ability to change our political institutions has always been our strength.

Beyond its immediate neighbours and the Commonwealth, Pakistan has not had time to consider its foreign policy. It might seem fitted for the rôle of leader of a Middle East bloc of Muslim states; as the fifth most populous state in the world it is far bigger and more powerful than any of the others. But it has so far shown no disposition to think along these lines. Indeed, after an early abortive effort at making contact with certain of these states, it is being most circumspect in its further approaches; and there is no indication as yet how the intrusion of this new power into their affairs would be welcomed by the Middle East countries. Pakistan has joined with them, it is true, in opposing partition in Palestine, but is unlikely to do anything very active about it.

Field for British Business

And, finally, what of Pakistan's economic prospects? Much was made, in the conclusions reached by the Cabinet Mission to



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India in 1946, of the non-viability of Pakistan, and this was the general view up to the time of partition. It is true that Pakistan has no big industries comparable with India's iron and steel, coal or sugar. But Pakistan has a surplus of valuable raw materials, in particular jute, cotton and certain grains. So long as world raw material prices remain anywhere near their present levels that spells prosperity, on one condition: that condition is that it should be possible to move the crops. But lack of transport facilities is at present Pakistan's main economic problem. Until coal for the railways, vehicles and petrol for the roads, and improved port facilities in East Bengal are all available to an extent not yet in sight, Pakistan will be unable to derive full advantage from its resources. Their development offers a fruitful field for the co-operation of British business. The Pakistan Government has already laid down the conditions on which the investment of foreign capital will be welcomed. As in the political sphere so in the economic, there is an enormous field for the development of friendly and mutually profitable co-operation between Britain and Pakistan. Pakistan has no intention of remaining entirely a primary producer and it is to Great Britain that it first looks for help in its development towards a more balanced economy.

Church and State in France

[FROM OUR PARIS CORRESPONDENT]

"Celui qui croyait au ciel, celui qui n'y croyait pas. . . ." This rhythmic refrain is repeated at the end of each verse of one of the best known resistance poems, written during the occupation by the Communist, Louis Aragon. The poem was first printed by the underground press, and has been made into the text of a brief, but very moving film which is now being shown as a "short" before a sentimental melodrama at a cinema on the Champs Elysées. The theme is simple: the Catholic and free thinker sink their differences, fight side by side, and die together for the same cause of human dignity and freedom.

The delay in producing the film, which was planned in the halcyon days after the liberation, was the result of material difficulties, but its appearance today has given it a curious twist of dramatic irony. It has, in fact, coincided with the revival of the old feud between Catholic and anti-clerical all over western Europe which was dormant during the war years—the very feud over which M. Aragon pronounced a premature obituary. Its vigour has recently been shown in the crisis which left Belgium for many days without a government, and last week it almost brought the precarious French coalition to an ignominious tumble.

The incident which precipitated the crisis in France was of quite Lilliputian proportions: the practical issue was the direction of exactly 28 elementary schools in the Catholic province of Lorraine. The sequence of events was as follows. Before the debate the Prime Minister, M. Robert Schuman (of the Catholic MRP) had prevailed upon his anti-clerical colleagues to accept a compromise between claims of Church and state.

In this project the 28 schools, which had belonged to the collieries of Lorraine before these were nationalised, were to be taken over by the state, but leased out to Catholic institutions wherever the parents preferred to have their children educated by priests and by nuns rather than by lay school-teachers: in Lorraine this preference is, in fact, very marked. The Assembly in its preliminary resolution (*motion préalable*) seemed favourable to this compromise, but trouble began when it was rejected by the anti-clerical majority in the parliamentary commission on education. The acute feelings and strong language exchanged in the commission induced the Socialist ministers to withdraw their approval from the Schuman project. So when it was put to the House, the Cabinet publicly split and the Prime Minister was defeated.

Crisis in the Cabinet

The crisis lasted all through Friday night, and two feverish Cabinet meetings were held between midnight and four a.m. The Prime Minister, who is cautious, conciliatory and anti-doctrinaire by nature, gave up his project and obtained from his party colleagues in the Cabinet the sacrifice of the 28 elementary schools—which will now be turned over to lay school-masters. Though there was intense excitement in the lobbies of the Chamber and quite serious doubts about the Government's survival, the fact that the trouble was settled before most Parisians

awoke (the Assembly voted the anti-clerical motion at 6.46 a.m.) and that the attention of the press was almost entirely monopolised that day by the future Queen of England, enabled the unedifying incident to escape the usual and undesirable publicity.

The relative insignificance of the particular issue on which the simmering French political pot all but boiled over, provides two important clues to the present situation. Firstly it shows the intensity of feeling aroused on the Catholic issue and its immense political importance (overshadowed but by no means eliminated by the war). Secondly it shows the fragile and precarious nature of the coalition now governing France.

The Catholic revival, measured in church attendance, was marked during the war. The revulsion against Communism in western Europe, caused by recent manifestations of its aggressiveness, has confirmed that revival. In France the church has been particularly well placed to strengthen its hold on the younger generation through the deplorable decline in the standard of public education. This decline is the result of crippling economies which have made the proportions of the national budget spent on education smaller in France than in almost any other European country. French experts agree that the standard of teaching and the proportion of teachers to pupils is falling and ambitious parents have therefore every motive to set aside the money necessary to obtain private-school (which in France almost always means Catholic) education for their children.

Catholics and de Gaulle

While the Church has been consolidating its hold over French minds, its direct intervention in politics since the liberation has been discreet. During the occupation most of the higher clergy were heavily compromised with Vichy, and indirectly with the Nazis, although many village *curés* formed rallying points for resistance. Since then the Vatican has played its hand cautiously, obstructing the purge of collaborationists, but otherwise largely abstaining from participating in the current political fights. At last October's municipal elections the faithful in different parishes received varying advice from their spiritual guides when called upon to make their choice between independent, conservative, Gaullist and MRP lists. Potentially, however, the Church can, at its present strength, play a decisive part in turning the balance among the anti-Communist forces battling with each other for power. As that potential force becomes increasingly apparent its counterpart—anti-clericalism—inevitably revives as a fighting force on the other side.

The revival of the old feud is nothing less than a disaster for the present Coalition Government and for the "Third Force," already so deeply divided on economic, financial and social policy. The Church-versus-state quarrel, which was patched up last week, can break out again at any moment. There has still been nothing more than a provisional solution for the general problem of financing church schools, and this issue is rich with possibilities of friction and discord. Both Communists and Gaullists stand to gain obvious and immediate advantages, in exploiting these possibilities; and the two middle parties principally concerned (the progressive Catholics and the Socialists—MRP and SFIO) will require wisdom and long sight if they are to avoid collision. The MRP will be unwilling to make further concessions for fear of throwing the Vatican decisively on the Gaullist side, the Socialists will be encouraged to stand firm for fear of losing anti-clerical voters to the Communists.

M. Schuman as Prime Minister has set a good example of forbearance and restraint, but his team will have to prove itself capable of following it, if the Government is to realise its declared object: political and economic stabilisation, so ridiculously incompatible with these recurrent crises.

Holland's Dollars

[FROM OUR CORRESPONDENT AT THE HAGUE]

THE annual report of the Netherlands Bank, combined with a new memorandum from the Minister of Finance to Parliament on the foreign exchange situation, gives more favourable figures than previous estimates, and shifts the emphasis from pious exhortations to clear and hard thinking.

Dutch production now appears to be making excellent progress. In 1947 it was 26 per cent higher than in 1946, and in the first three months of this year it was even 5 per cent higher than the average for 1938. Only coal lags far behind.

Accordingly, in 1947 exports increased from 23 per cent in 1946

to 49 per cent of the prewar volume. They amounted to Fl. 1,752 million,* but the cost of imports had in the meantime been raised to Fl. 4,066 million. As a result, total exports covered 46 per cent of imports against 35 per cent in 1946.

Although exports increased considerably, trade relations with several countries remained unsatisfactory. Like nearly all European countries, Holland was unable to export as many goods to hard currency countries as it would have liked. The dollar shortage is quite as urgent as anywhere else. But, apart from that, exports to Great Britain and Germany, too, were bad. The balance of payments with Britain was largely made up by British payments of about Fl. 100 million for Dutch ships used during and after the war and Fl. 50 million in gold transferred to Holland. Real exports remained very low, however, and the situation with Bizonia was quite as bad. Complaints about the indifference of the British and American authorities about Benelux and French participation in German trade are persistent—Western Union may improve this commerce.

The great internal disillusion about Benelux is the unsatisfactory development of Dutch-Belgian trade: exports from Holland to Belgium are much less than imports from Belgium, and only the extension of larger credit facilities by the Belgian authorities may save the balance of payments of the Dutch with their Belgian Benelux partners.

Foreign Exchange Plans

The main problem is, of course, dollars. In order to stimulate exports to dollar countries, the Dutch Government has "under consideration" (two years after the proposal was made), allowing exporters some 10 or 15 per cent of their earned dollars. But all the same the outlook, even with ERP, is sombre.

The Finance Minister's memorandum speaks about three "plans" for the use of foreign exchange: plan A, plan B and plan C. Plan A—which is impossible—is the continuation of Dutch imports at the 1947 level. The dollar shortage, and particularly the slower flow of American credits, make it imperative to restrict imports. Until April 1st nobody knew for certain how much Marshall Aid—if any—would be received, and so a plan C was drawn up just in case Holland would have to continue during 1948 without any further American facilities. It is fairly clear that plan C did not exist in concrete, elaborated form; it was clearly impossible for Holland, as it was for nearly all European nations, to forego further American help without (a) first cutting imports to a level gravely prejudicial to health and productivity, and (b) crippling industry by reducing the import of machinery and raw materials. Even in the first quarter of 1948, whilst waiting for the Marshall Plan, the Dutch Government licensed more imports than were compatible with a "Plan C" scheme, in order not to cause irreparable damage later. A bad harvest, the end of sterling convertibility, insufficient exports to Belgium, and technical difficulties with World Bank loans together created a most unpleasant situation.

Even with Marshall Aid, a return to plan A, the former level, is quite unwarranted. An intermediate plan B has, therefore, been worked out, and the Minister of Finance emphasised once more that, although ERP aims at making Europe viable by 1951, an immediate increase in the standard of living was improbable.

The first estimate for 1948 reckons with an export of Fl. 2,150 million (Fl. 300 million more than in 1947); imports will remain at Fl. 3,930 million, however, only Fl. 100 million less than last year. Gold transfers (Fl. 100 million), further use of foreign balances (Fl. 60 million), and the free sale of foreign securities (Fl. 135 million)—no figure is quoted for the forced sale that has now begun—make up part of the balance; but if the very restricted plan C had had to be executed, and if no Marshall Aid had been available, an adverse balance of Fl. 911 million would have had to be met.

Economic Recovery in Eastern Indonesia

[BY A CORRESPONDENT]

BEFORE the war, in 1938, Indonesia as a whole contributed 80 per cent of the world's supply of copra, 90 per cent of the cinchona bark (for quinine), 38 per cent of the rubber, and 22 per cent of

* Fl. 10 = £1.

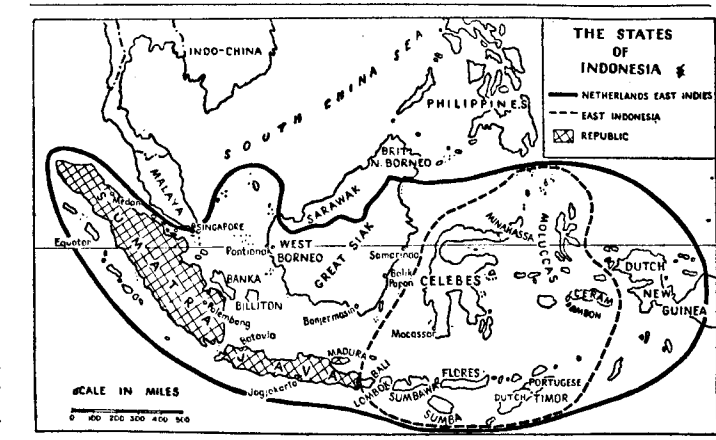
the world's supply of palm oil products. Since the war, reconstruction has been hampered by the unsettled political situation. The lack of goods from Indonesia, particularly raw materials, has aggravated the general delay of world recovery. But, as a result of the settlement which was reached at the beginning of this year, there has been a marked improvement throughout the islands. As the fear of political unrest decreased, so has production increased, and Indonesia is once more beginning to take up its proper place as one of the world's largest primary producers.

The recovery of Indonesia as a whole owes much of its success to the example set by the eastern group of islands. The state of East Indonesia—comprising all the islands to the east of Java from Bali to the Moluccas, but excluding New Guinea—was created on December 24, 1946, at the conference held at Denpasar in Bali, with Mr Soekawati as its first President.

Since its inception the keynote in the management of affairs in this new autonomous state—which will eventually be one of the equal partners in the proposed United States of Indonesia—has been development and progress under a Government plan drawn up on the spot and approved by its own Parliament. In accordance with the terms on which the state was set up, civil administration, the police, justice, public health, lower and secondary education, etc., are now all carried out by the Government of East Indonesia, whereas they had previously been under the control of the Central (Dutch) Government in Batavia.

Co-operation with the Dutch

Although the running of these affairs is now entirely in the hands of the East Indonesian Government, these officials decided that they could not as yet run such a vast enterprise without certain outside assistance. They have therefore requested the Dutch—with their 350 years' administrative experience in the



Indies—to give them such aid as they may require. They preferred to co-operate with the Dutch rather than to follow the hostile policy adopted by their neighbours in the republic. The natural result was that East Indonesia forged ahead in both the political and economic fields.

The Indonesian Premier offered the post of Finance Minister in the first Cabinet to a Dutchman. This offer was accepted, and though there have since been three Cabinet reshuffles, no change has ever been made in this particular office—the only one to be held by a European. Furthermore, the Dutch members of the former civil service in East Indonesia have been placed at the disposal of the state by the Central (Dutch) Government, and they are rendering invaluable service to the new administration.

The 1948 Budget at some 205 million guilders, can still be only a provisional one. However, the various Ministries have drawn up provisional estimates for their own requirements, arriving at a total of 176 million guilders (£17.6 million). The main items of expenditure are Home Affairs and Police (36 million guilders), Education (27 million), Public Works (37 million), Economic Affairs (18 million) and Health (18 million).

This figure of 176 million guilders is about eight times as large as the prewar expenditure, partly because of such matters as enhanced prices, general rehabilitation and increased wages and partly because of the costs of setting up the new Home Government.

Economically, the State of East Indonesia is mainly dependent on agricultural produce, and it is estimated that some 74 per cent of the inhabitants are engaged in farming.

This part of the archipelago was fortunately spared most of the postwar upheavals and terrorist activities that so badly re-

tarded progress in Java and Sumatra, with the result that rehabilitation could be taken in hand immediately after the capitulation of the Japanese. Although rice is the staple food of the Indonesian—he consumes about 225 lb. per head per year in this area—between 20 and 25 per cent of the rice fields had been left unplanted during the Japanese occupation. Now, however, the farmers were able to work in their fields again without being terrorised. They knew that they would be allowed to retain their crops for themselves, and not have to hand them over without payment either to the Japanese invader or to bands of roving gangsters who claimed to be “liberating” them from the Dutch. As a result, production capacity is practically back to the prewar level, though adverse weather conditions in 1946 caused a considerable loss of rice and maize. Nevertheless, the estimated rice-surplus in South Celebes for 1947 was 20,000 tons, and a maize surplus of 50,000 tons was also expected. The island of Lombok (lying to the East of Bali) was expected to produce a rice surplus of 10,000 tons in 1947, though part of these surplus tonnages will be required for other districts in East Indonesia where there is insufficient rice or maize available. There is also considerable work being projected on irrigation schemes in the state, and it is estimated that, with these coming into operation, East Indonesia will be able to produce within ten years a rice surplus of 100,000 tons annually.

By far the most important prewar export from East Indonesia was that of copra, which in 1939 accounted for 80 per cent of the volume and 60 per cent of the value of all exports from Macassar. East Indonesia exported three-fifths of all the copra shipped from the Netherlands Indies, the bulk being produced by the Indonesians themselves and not on large European-controlled estates.

Dependence on Copra

Being so largely dependent on copra exports, the economic position of East Indonesia, as it stands at present, is somewhat vulnerable. Copra prices are subject to violent fluctuations; for instance in 1923 copra fetched 30 guilders per picul (136 lb.) but in 1930-31 the price had dropped to fl.1.50/fl.2 per picul. After the Japanese capitulation a top-price of fl.68 per picul was recorded, but by the beginning of 1947 this figure had been

halved, and in the second half of that year another drop of about 50 per cent was recorded. Before the war, the bulk of the Netherlands Indies copra had been shipped to Europe, but when this market ceased to exist in 1940 the NEI Government erected a body known as the Copra Fund, whose task it was to find other markets for the home-grown copra and to take such measures as were necessary to assist the producers.

After the Japanese capitulation it became apparent that the only way to bring improvement into chaos was by Government intervention, which meant the resumption of activities by the Copra Fund, and the assistance of the Government Import and Export Organisation. The Copra Fund immediately started to encourage production, and to this end issued—in collaboration with the Import and Export Organisation—such essential articles as textiles, tobacco, bags, dried fish, etc. It also aimed to protect the producer from the worst effects of world market fluctuations by a regulated purchase policy and the issue of cash advances where necessary. As a result of these activities, the sharp drop in price in April, 1946, was originally absorbed by the Copra Fund, and it was not until half-way through May that it became necessary to lower the price it was paying for copra. Even after a further drop in June, 1946, the Copra Fund was still able to pay a higher price to the producer than world markets would normally have warranted.

The Copra Fund operates as little as possible in the field of trade, so as not to cut out the dealers and remove their livelihood. It does, however, exercise sufficient control to prevent the small producer from being paid too little for his copra. As the Fund now buys minimum lots of 5 tons, the middle-man acts as collector from the small producers, and it is estimated that 80 to 90 per cent of the copra bought by the Copra Fund comes from Chinese dealers.

Although economically East Indonesia is at the moment too largely dependent on copra, plans to improve the economic outlook of the state as a whole are being worked on vigorously. In this respect fisheries, industries and cattle-raising are all being given careful attention, so that it is not too much to expect a great improvement in the position as time goes on; and this all the more so as the state has elected to work together with the Dutch and will greatly benefit from this collaboration.

THE BUSINESS WORLD

The Coal Board's Quandary

LIKE Sir Charles Reid, *The Economist* was among those who believed that public ownership of coal mining was wise and right. It had several reasons for this belief, but the chief one was that nationalisation alone held out any hope of providing the capital and the technical opportunity for the improvement in mining methods for which Sir Charles argued so convincingly in the Reid Report. There was no assurance that, even with nationalisation, technical reforms in the industry would in fact be accomplished. But so long as Sir Charles remained a member of the National Coal Board, their eventual accomplishment at least formed a tenable article of faith. His resignation from the Board, after months of internal differences, is much more than the loss of a skilled mining engineer; it is a direct threat to the hope that cheap and plentiful coal, though not forthcoming today, might eventually result from greater efficiency in the pits.

Many complex issues have been brought into the open by Sir Charles Reid's resignation. There is the struggle for mastery between organised labour and technical management, to which reference is made in an earlier article. There is the controversy about the Coal Board's organisation. There is the disappointing lack of progress towards reorganisation in the pits. To decide exactly what is wrong and how to correct mistakes of the past is a task which will certainly tax the powers of the committee which the National Coal Board has set up “to take stock of the position reached in the development of the Board's organisation and advise the Board whether any improvements can be made.” Sir Charles Reid had demanded a “full impartial investigation by competent, independent persons into the entire organisation” as a condition of continuing to serve on the Coal Board. Perhaps a grand inquest would have added to the present confusion, without providing any immediate remedies. But it implies no disrespect to the committee which the Board has set up (of which the chairman, Sir Robert Burrows, became a part-time member of the Board at the beginning of this month, having ceased to be chairman of the LMS Railway on December 31st) to suggest that it is unlikely to find solutions for difficulties which the Board itself has so far failed to solve.

The Board is commonly criticised for excessive “functionalism.” There is, indeed, good ground for the criticism, though it is a reflection not so much on the Board itself as upon the Minister who appointed it. Certain attempts have recently been made to meet the criticism. On the Coal Board itself, a policy-making section has been created, free of functional duties; this consists of the chairman, the deputy chairman, Sir Charles Reid (until his resignation), and Sir Robert Burrows. But the other members of the Board are still functional specialists in charge of labour and welfare, finance and production. At the area level also, a significant change has been made. The area general manager, who is in each case a mining engineer, was previously only *primus inter pares* among the specialist officers of the area in charge of labour, production, sales, etc. Since the beginning of the year, these specialists have been put under the control of the general manager, who is thus clearly responsible for all that happens in his area. But on the divisional boards, which stand between the National Board and the areas, functional and non-functional members, production men and labour men, are still on an equal footing.

These arrangements are not perfect; nor are they necessarily final. But experience during the last sixteen months suggests that too much has been attempted in too short a time. The coal industry—unlike, say, the railways—had no regional structure on vesting day. The divisions and their subordinate areas are all new; at the best, they can only slowly build up a corporate sense. A limited parochial outlook is common in coal mining because miners (much more than factory workers) see only a small part of the problem of production. That is a fact which no amount of reorganisation can change very quickly. It may be that the Coal Board and the divisional boards have largely failed even to begin to inspire a corporate sense of responsibility in the industry. It is unfortunately true that indiscipline is far too common; that the most self-evident schemes for technical reorganisation (as at Waleswood) meet with unthinking resistance; that absenteeism, though lower than it was, is still far too high. But what, in present circumstances, is the substitute for discipline? Sir Charles Reid has asked for “sound business principles” and “the fullest possible personal responsibility for management at every level and the authority which this demands.” Those are the views of a technical expert, and they are entitled to respect. Whatever their merit may be, however, they stood no chance of being accepted, either by the Coal Board or by the men. For at this moment they would involve a head-on collision and strikes. The views may be right, but the cost of enforcing them under present circumstances would certainly be too great. But because they have been turned down, the consumers' doubts about getting good and cheaper coal some day have undoubtedly increased.

Yet the fact remains that this problem of technical reorganisation in the pits cannot be solved without a sound organisation. It might have seemed more sensible to build the industry into divisions, and then to integrate the divisions at a later stage. But fully independent divisions would not have worked, for one prime reason—they could not have been given independent access to the capital which the State is providing for the industry. The greater, then, is the responsibility of the Coal Board for giving more urgent consideration to development schemes which the divisions are preparing. The Act only provides for £150 million of new money, of which part is for working capital. Choices have to be made between developing one pit instead of its neighbour, or favouring one division more than another. This work has not really begun. It was only recently that the Board appointed an additional chief mining engineer at headquarters, to take charge of reconstruction and planning. The scale of the work is immense. It is not, as some commentators often suppose, a mere matter of installing a coal cutter here and a new conveyor there. It is a more fundamental and more costly problem of opening new haulage roads and improving underground transport in order to take full advantage of mechanisation at the coal face.

An example may make this point clearer. In the Northern Division of the Coal Board, a large amount of machinery has been installed at the coalfaces since the beginning of the war; last year, £1,564,000 was so spent, and the results have been negligible compared with the capital outlay. Thus experience in this division confirms Sir Charles Reid's recent criticisms



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of the inadequate return for "great masses of machinery" put into the pits. But as collieries grow older and workings are pushed further away from the shafts, the effects of inadequate haulage on working costs become considerable. Maintenance of long mileages of arterial roads, the limited capacity of rope haulages, lack of underground riding facilities for men and the increasing problem of ventilation—all these factors reduce the amount of coal that can be taken through any underground haulage. Delays occur, loading has to be suspended during the working shift, and compensation has to be paid to piece workers. Gradually, the standard of output per shift at the face falls. Even with the most modern arrangements at the face, no improvement in average output per manshift is possible if underground haulage is inefficient.

One pit in the Northern division, where the underground transport system is described as "relatively good," employs nearly 25 per cent of its total labour force on underground transport; this costs 6s. 7d. per ton of saleable coal. New roads, driven more or less level through unproductive strata, would enable locomotive haulage to be used, with a far greater capacity than the rope haulage; ventilation would be improved; the number of underground transport workers could be reduced from 1,576 to 571, and the cost of underground haulage per ton of saleable coal from 6s. 7d. to 1s. 11d. By working this pit and its neighbour as one undertaking, surface workers could be reduced from 1,237 to 660, and output per manshift for all workers could be raised from 20 cwt. to 40 cwt. The estimated cost of this scheme, and its ancillary items, like a new coal preparation plant, is put at £2,582,000, of which £1,300,000 would be spent underground. The full task would take at least six years, and perhaps as long as nine years, but an appreciable improvement in output per manshift would be noticeable within two years.

There is nothing exceptional in this scheme. It could undoubtedly be matched by many others which are being drafted by other divisions. But someone, somewhere, has to make up his mind about them all, choosing some and rejecting others; and undoubtedly mining engineers responsible for production in the divisions feel that decisions on new development schemes are being too long delayed. Certainly, the Coal Board has nothing in the shape of a master development plan by reference to which each separate scheme might be judged. It ought to allocate its capital—which is small enough for the job—by a strict test of improvement in output per manshift, so that the

greatest expansion of output can be obtained for the total expenditure. But it is doubtful if the Coal Board has even dimly formulated the criteria on which long-term development is to be planned. It has to make guesses about future markets for particular coals, and future costs of wages and materials; and given the Government's views about the Development Areas, it may not feel wholly free to apportion new capital among the divisions to the best economic advantage. The consequences of these delays are already appearing—in frustration among mining engineers in the divisions, and the resignation of good technicians who can hold their patience no longer.

The focus of the problem is the taking of decisions, and the exercise of personal responsibility for which Sir Charles has argued. The Coal Board must try, at any rate, to keep control of the purse, to hold some balance between the worker and the consumer, and between one division and another. It is now tackling the immense task of rationalising the present artificial structure of coal prices, within the limiting proviso—or hope—that on the average they will not be increased. To suppose that this most gigantic of monopolies will stumble by the light of nature on the "right" prices for different grades of coal may indeed be optimistic. But the attempt has to be made, and it is bound to cause more heartburning in the divisions.

Thus Sir Charles Reid's resignation has come at a critical stage in the early history of the Coal Board. It is a source of disappointment to those who have believed that good technique, given time, might solve the worst of Britain's coal problems. And evidently it is a source of satisfaction to those union leaders who believe that they should wield more, and not less, power than the technicians. The struggle for supremacy between the two sides is now open, and it has to be confessed that mining engineers, at the moment, are not in a position to make their fullest contribution to the rehabilitation of British coal mining. Great changes are required; little is being done towards making those changes; and the power of persuasion, much less of enforcement, over the miners is not strong. The Coal Board is in a quandary. It may allow itself to be forced into a supine acceptance of the doctrine that the miners are the final arbiters of how much they will produce and of technical reorganisation of the pits. Or it may somehow contrive to learn to exert not indeed ruthless authority, but certainly effective leadership. The Coal Board cannot escape choosing between the two alternatives.

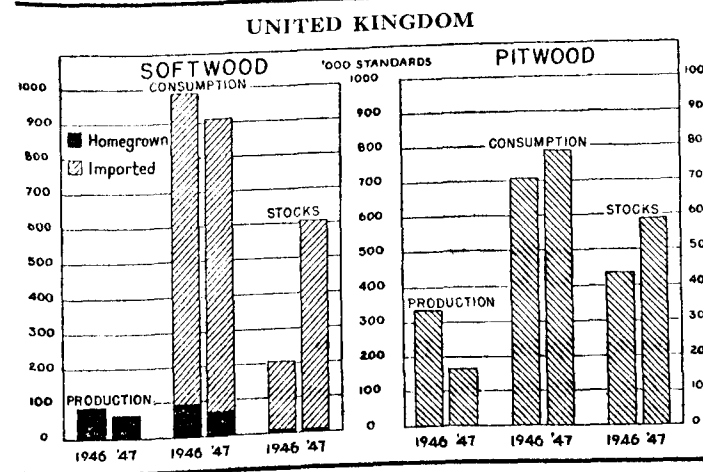
Timber for Houses

THE cuts in the capital programme which the Government made last autumn are beginning to have their effect on the building trade. Unemployment is increasing in certain localities, though most of it is in industrial building; employment in housing has been less affected, particularly in the finishing trades. Last year the housing programme aimed at the provision of 240,000 permanent and 60,000 temporary houses. In fact only 127,100 permanent and 45,400 temporary houses were completed and 12,650 war-damaged houses rebuilt. Immediate housing projects were not curtailed by the capital cuts. Those schemes which had begun or were approved were allowed to continue but new plans were only to be passed as the supply of raw materials warranted them. A full review of the housing position has been promised for July. Mr Bevan said recently that he hoped 180,000 permanent houses would be completed this year, and he has since put his estimate up to 200,000; the Economic Survey has set a target of 140,000 houses to be started in 1949, and Mr Bevan has lately put in an advance claim that this figure should be raised on the ground that labour and materials will be available.

The critical material for housing is softwood. Production of other building materials has expanded strikingly during the past year, although for most of them, including bricks, cement and slates, it has not yet reached prewar level. Under current specifications, not more than 1.6 standards* of softwood may be used in any one house. Thus to produce 180,000 permanent houses, about 290,000 standards of timber are needed. Total imports in 1948 are put at 900,000 standards, of which housing might absorb as much as one-third. Before the war, when Britain's annual import of softwood averaged over 2,000,000 standards, it is estimated that between 20 and 25 per cent was used by the building trade. As in the case of steel, the Government refuses to disclose the allocations of timber to various uses, but a large amount of softwood must still be used for packing cases, despite the increased use of fibreboard and other materials. And consumption of timber by the packing industry is expected to increase as the volume of exports increases this year.

* A standard equals 165 cubic feet.

Britain's softwood imports last year totalled 1,550,000 standards—a great improvement over the 1946 figure of 870,000 standards, but nevertheless still considerably below the 1938 level. Canada, Sweden, and the United States alone supplied over 900,000 standards in 1947—60 per cent of the total—and each of them required payment in hard currencies. The other main suppliers were Germany and Finland. But Germany is now for practical purposes a dollar source, and Finnish timber can only be bought by exporting steel and coal. Consumption of softwood in Britain last year amounted to 980,000 standards, and the relatively large imports enabled stocks to be built up from the dangerously low level of 215,000 standards at the beginning of 1947 to 615,000 standards at the end of December. Britain's prewar supplies came mainly (as Table I shows) from Canada, Finland, Sweden, Russia and Poland. But then there was no dollar shortage to contend with. Much



of Finland's forest area has been handed to Russia, and no exports from Poland are yet forthcoming. Canada, Germany and the United States are the only three sources which can now ship more than they shipped before the war.

Imports of 900,000 standards this year will not allow any material increase in British consumption compared with last year—unless another gamble in reduced stocks is risked. Supplies are tight, and for some time to come they are likely to remain tight. For Britain's timber problem is merely a reflection of Europe's problem. The war has brought in its train a striking change in the pattern of the world's timber trade. Canada's share in world timber exports rose from 15 per cent before the war to 35 per cent in 1947; Europe's share fell over the same period from 75 per cent to 45 per cent of a much smaller total trade. Demand, in the same interval, was transformed by the interruption of building and by the devastation of war. Europe's needs are the greatest, but a pent-up demand for housing exists in all countries, even in the United States. Moreover, Russia (including the incorporated Baltic States), which before the war supplied 40 per cent of Europe's timber exports, became a net importer for the first time in 1947, although it has acquired well-forested territories from its neighbours.

The European timber position is indeed serious, but it is further aggravated by foreign exchange difficulties. Europe's needs in 1948 have been estimated by the Timber Subcommittee of the Economic Commission for Europe at 4,275,000 standards, compared with maximum supplies available to Europe (including timber from the Western Hemisphere) of 2,911,000 standards. In 1947, world supplies amounted to 2,362,000 standards, compared with 4,542,000 standards in 1937. These figures reveal the drop in output caused by the war and the extent of the recovery which is needed. Yet shortage of foreign exchange is likely to reduce Europe's effective demand to only 2,593,000 standards—with the odd result of a prospective "surplus" of over 300,000 standards at a time of acute shortage.

Less than twelve months ago a European timber conference obtained agreement from the timber exporting countries to increase their output by 10 per cent during the 1947-48 felling season, despite the shortage of labour, logging and cutting equipment. Importing countries were requested to economise in timber. But within six months effective demand was greatly reduced through the general shortage of foreign exchange by the demand for payment in hard currencies by certain timber exporters, and by rising timber prices.

If foreign exchange is made available either from Marshall Aid or some other source, demand could easily outstrip available supplies and cause a sharper rise in timber prices than occurred last year. As a safeguard against this possibility, importing countries have agreed to limit their purchases up to July 1, 1948 to a total of 2,700,000 standards of sawn softwood, including boxboards and sleepers. Under this agreement, Britain will not buy more than one million standards. The prospective import of 900,000 standards is within this agreed limit.

Freer supplies of foreign exchange—particularly of hard currencies—would give immediate relief to the timber trade; but the basic problem remains, to increase supplies so that the reduction in exports from Scandinavia, Eastern Europe and

TABLE I—UNITED KINGDOM IMPORTS OF SOFTWOOD ('000 Standards)

	1938	1946	1947
Softwood:—			
Canada	430	380	543
Germany	(a)	61	333
Russia	344	110	7
Finland	431	110	185
Latvia	67	—	—
Sweden	369	220	206
Norway	20	(a)	(a)
Poland	109	—	—
USA	34	37	167
Others	402	47	105
Total	2,206	867	1,546
Pitwood:—			
Canada	9	285	272
Newfoundland	42	11	12
Russia	124	6	14
Finland	363	204	333
Sweden	54	35	51
Norway	3	16	21
Germany	1	26	97
France	117	16	45
Portugal	59	—	—
Others	124	2	1
Total	896	601	846

(a) Less than 500 standards.

TABLE II—EUROPEAN IMPORTS AND EXPORTS OF SOFTWOOD* ('000 Standards)

	1937	1946	1947	1948	
				Essential Needs	Effective Demand
Imports:—					
UK	2,366	814	1,410	1,650	1,000
France	190	142	144	250	145
Belgium	190	53	110	295	210
Netherlands	374	66	190	325	250
Denmark	171	121	109	350	130
Hungary	192	10	56	130	90
Italy	312	14	57	355	80
Others	780	505	699	920	688
Total	4,575	1,725	2,775	4,275	2,593
Exports:—				Normal	Maximum
Norway	51	1	1	36	36
Sweden	820	392	352	430	530
Finland	1,045	324	435	410	410
Poland	334	—	—	—	60
Czechoslovakia	176	35	122	65	120
Yugoslavia	197	—	58	60†	120
Rumania	353	125†	104†	110†	110†
Russia	1,362	42†	50†	50†	200†
Germany	—73†	144	355	365	365
Austria	317	12	31	55	110
Canada†	508	384	624	550	550
USA†	110	106	250	250	250
Others	—	—	—	—	50†
Total	4,542	1,565	2,362	2,381	2,911

* Includes sleepers, boxboards and timber equivalent of saw logs.
† Exports to Europe only.
Source: Timber Subcommittee, Economic Commission for Europe.

opened. The Council has appointed a special sub-committee to deal with the Simon Report, and this week it has devoted some time to contesting the findings of the Report in detail. Sir Dudley Pryke, the chairman of the Council, complained that the trade had not been made aware that restrictive practices were under investigation by the Simon Committee, and that the Committee, though it took advice of the Council, did not act on the Council's suggestions as to the firms it should visit. He asked that there should be a further inquiry in which the investigators should take the trade's advice as to where they should look, and, having collected their evidence, should even get the trade's interpretation of it before arriving at their conclusions.

The ratio between the capital and turnover of builders' merchants, which is crucial to the question of whether their profits are unreasonably high, continues to be a point of contention. The Simon Committee stated:—

No figures of capital are available from our last inquiry, but we are informed by the Ministry of Works that the average annual turnover may be fairly taken to be four times the capital employed.

The Council claims that if the Committee had asked for evidence, "it would have been shown that the average turnover is less than 2½ times the capital employed." Mr G. M. A. Miller, of Eastwoods, Limited, who went into the question more closely, stressed the difficulty of giving a firm answer about average turnover. He pointed out that a table appended to the Simon Report (Appendix III) gave the value of stocks carried by 2,000 builders' merchants as £27 million and their aggregate annual sales as £81,000,000—a ratio of 1 to 3. If allowance were made for the surprisingly large proportion of the builders' merchants' capital which is tied up at any one time in credit to builders, the ratio would become 2 to 1. The further capital tied up in installations and vehicles would bring the two figures still closer together.

In its more general aspects the controversy tends to broaden into a discussion either of the nature of trade or of the purpose of committees of inquiry. Price maintenance agreements, states the Council, are fair, logical and a necessary corollary to national wage agreements. They exist in most trades. How are the distributor's services to be paid for unless he is assured of a margin? If Government action fixes the price of one material at a level which the trade considers too low, then the sales of other goods have to pay for the loss. Credit is generous and bad debts are common in the building trade; this burden has to be included in the margins agreed within the trade. Trade associations and the trade control of prices have been fostered in recent years by the Government habit of refusal to deal with industry except through trade associations. They have thus become general. Is it fair, asks the Distributors of Builders' Supplies Joint Council, to use the builders' merchant as a chopping block? Such questions should be dealt with, it feels, generally or not at all. Clearly the Simon Committee could only stick to its subject. If committees point out the facts as they arise in particular instances, it is for the community to draw the general inferences. The builders' merchants and producers of building materials need not fear that they are thought to be sole practitioners of price-fixing. They are not. But they provide an instructive example of some present-day interpretations of private enterprise. And it cannot be said that their reply to the Simon Report is wholly convincing.

* * *

Anglo-American Films

While the probable impact of the American film agreement on the British film industry is still a matter for speculation, an instructive pointer may be seen in the agreement announced this week between London Film Productions (Sir Alexander Korda) and Mr David Selznick. The President of the Board of Trade remarked three weeks ago that American producers had been trying to get British studio space ("trying" was perhaps an understatement):

I have, therefore, informed Mr Johnston that we cannot agree to the alienation of studio space until the Agreement is published, the control committee set up and we can see the American production programme as a whole.

It does not appear that the arrangement now made with Mr Selznick could be fairly described as the "alienation" of studio space. It does, however, present Mr Selznick with what appear to be ample opportunities for investing his non-transmittable sterling in film production in this country, and for earning dollars with the product. Four films are to be made in a year, financed by London Films and Mr Selznick jointly, using Shepperton and Isleworth studios, British producers and predominantly (no doubt)

British technicians. American stars under contract to Mr Selznick will be lent to give the universal box-office appeal which is so highly prized. Most of the remaining actors, it is supposed, will be British. The world market for the finished film will be divided, London Films taking the rights for Great Britain, the sterling area and certain other countries, the Selznick organisation taking the rights for the United States and the dollar area. The two sides will agree on a price for these two groups of rights.

The scheme has advantages for each side. For the American partner there is a good prospect of converting pounds into dollars, of keeping highly paid stars employed, and of avoiding obstacles which might confront American companies entering production in this country on their own account—the expense of taking technicians on tour, the difficulty of getting space and equipment, and, of course, the possible displeasure of the President of the Board of Trade. For the British partner the scheme may solve both the problem of finance and the problem of finding overseas markets. It will employ British producers, technicians, actors, studios, and equipment which might otherwise go short of work. There are drawbacks—inherent, perhaps, in the situation which causes an agreement of this sort to be made. Will the product be British in character, or American, or hybrid? Is the day advanced or retarded when British films can enter the dollar markets under a British trademark? The producers who are to be employed are among those "independent" producers about whose lack of opportunities for production there has been so much discussion. Independence in film production has never been easy to maintain; this arrangement suggests that it will not become much easier.

* * *

Mr Wilson's "Warning"

The President of the Board of Trade may well be annoyed by the rise in raw cotton prices, particularly since he has been hoping for several months that the terms of trade would begin to move in Britain's favour. The export plans have been based on this premise but apart from the temporary break in American prices last February, the hope has been disappointed. But that is no excuse for Mr Wilson's hectoring and naive statement in the House last week:

We must give a quite clear warning to Egypt and other countries which, not to put too fine a point on it, are exploiting the world shortage with the prices charged at present. There will be a day of reckoning; there is bound to be, and I think the sooner it is realised in one or two of these countries in which the price policy has gone on these lines, the better it will be.

It is true that some day raw cotton prices will fall and if that is the "day of reckoning" presumably Britain will exploit the world surplus. Cotton is not the only scarce commodity. Has Mr Wilson heard of British coal for which, in foreign eyes, high prices are being asked?

If the price mechanism is not used as a method of distributing supplies when they are short, a complicated allocation scheme would have to be introduced. And what responsible body would operate such a scheme? Would Britain be satisfied if it were allotted smaller supplies than Lancashire could use? There is, indeed, a world shortage of raw cotton and the demand for Egyptian growths in particular has increased since the end of the war because countries want to manufacture high quality goods for export, because Egypt does not require dollar payment, whereas the United States does and because the use of high quality fibre increases output and helps to reduce labour costs. In Egypt, as in other cotton producing areas, cotton acreage was reduced during the war years in order to grow more food. Even now, if the Egyptian Government were guaranteed an annual import of grain, the cotton acreage could be considerably expanded. Mr Wilson referred in his speech to the fact that Egypt had concentrated during the war on the shorter stapled cottons, but that was a direct consequence of the fixing of prices by the British buying commission in 1940. Even so, by 1946 the surplus of these shorter staple cottons had been transformed into an even greater surplus of long staple.

Nor has Mr Wilson any legitimate complaint about the Egyptian Government feeding its supplies of Karnak into the market "in extremely small quantities." Britain is acting in a similar manner in the disposal of its surplus wool stocks. Is it not also exploiting a world shortage? Again, if all other countries have to pay the same high prices for their Egyptian cotton, how can British exporters be at a competitive disadvantage—unless it is because their manufacturing costs are so high? The Egyptian cotton market is conscious of the shortage of cotton and the demand of buyers, and it is not to be blamed for acting according to its self-interest. Whether that is enlightened or not, time eventually will show—not Mr Wilson's "quite clear warning."

Private Trading in Metals?

Rumour persists that the London Metal Exchange will shortly reopen, despite official pronouncements that no decision has yet been taken. In present circumstances it is unlikely that private trading in metals will be resumed except on a restricted scale, and it might be better for the Metal Exchange not to reopen until it could function efficiently—as it did before the war. This is not to suggest that Government trading should be maintained longer than necessary; but there is a world shortage of non-ferrous metals and the United States is fast becoming a large importer. In these conditions, private trading might have a difficult task to provide adequate supplies to British industry without distorting the price of the same metal in different markets. Such a task is the more difficult for a country bound by foreign exchange restrictions.

Present rumours about the metal exchange appear to originate from American discussion on the European Recovery Programme. It is an open secret that the US Government would welcome a

U.K. NON-FERROUS METAL IMPORTS—ERP FORECAST
('000 TONS)

	April to June, 1948			July 1948—June 1949		
	Copper	Lead	Zinc	Copper	Lead	Zinc
From U.S.A.	2	...	1	10	...	5
From Canada	10	10	10	39	37	39
From other Western Hemispheres	25	15	13	98	59	49
From own dependent areas	37	...	4	148	...	15
Total imports	88	62	57	351	246	226
Total supply*	88	63	57	351	251	226
U.K. consumption in 1947	...	...	...	350	200	220

* Allows for domestic production and exports.

wider scope for private trading in Marshall supplies. It is suggested that countries will purchase goods in the American market through their agents or merchants under a system of export licences—except for commodities held by the Commodity Credit Corporation. But details of the exact working of ERP have yet to be determined. On this point, however, the American Government is unlikely to be too rigid, otherwise the whole basis of



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British food purchases through bulk contracts would have to be altered. Nevertheless, within the limits of the Marshall Plan there is at least scope for some private trading in metals as far as Britain is concerned, although the traders would be more or less acting as the Government's agents.

The plan of British imports of non-ferrous metal under ERP is given in the accompanying table. These figures are by no means firm; they are merely part of the statistical scheme drawn up by the American Government. Except for lead, they allow for little more than last year's consumption, and even the sources of supply show no drastic change in pattern except for the substitution of Chilean for American copper. These figures have no bearing on the argument about the reopening of the London Metal Exchange, but at least they conform to the Ministry of Supply's present buying arrangements. If it is decided to reopen the market, some time would have to elapse between the decision and the actual resumption of trading, particularly since many of the Government purchases are made on the basis of six months' forward contracts.

* * *

Transport Facts and Figures

The British Transport Commission has issued the first of a regular four-weekly series of statistical returns, covering the period to January 25th. The scope of the returns is broadly similar to the monthly statistics issued by the Ministry of Transport before the war, which gave information about traffic and operating results. The Commission intends to include information about other forms of transport as it becomes available, and to issue the returns within the month following the period to which they refer. No estimates of financial results will be included; this is a matter for regret, for the lack of any estimates of net revenue was a serious gap in the prewar figures of the main line companies, and the Commission might have been expected, in due course at least, to fill it.

With that main reservation, the new returns seem adequate and well arranged. They give tangible proof of the intention of the Commission—to quote the chairman's words—"to maintain as fully as possible the apparatus for enabling judgments to be formed of the progress and efficiency of their activities." The

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tables are likely to be expanded by much new information relating to road transport, which will fill an important gap in transport statistics. The new returns when they are brought more up to date will replace the incomplete—and occasionally misleading—statistics about transport which have hitherto appeared in the monthly Statistical Digest.

The appearance of these new figures coincides with the final estimates for the pool accounts of the railways and London Transport for 1947. It was known that last year's net revenue of the pool would wholly fail to cover the rental of £43½ million hitherto paid to the controlled undertakings by the Government. But in fact the White Paper shows a deficit on net revenue account of no less than £16,239,000, despite increases in London Transport fares in February last year and in main line railway charges last October, which together were estimated to yield £21 million in 1947, apart from possible loss of traffic. These higher charges are being currently reflected in the gross traffic receipts of the Commission, which for the first sixteen weeks of this year total £17,222,000 compared with £14,754,000 for the corresponding period of 1947. But it is doubtful, to say the least, whether an increase on this scale comes near to covering the Commission's rising costs.

* * *

Agreement with Ceylon

Financial negotiations with Ceylon have led to a comprehensive agreement concerning Ceylon's sterling assets and monetary co-operation between the two Governments. The agreement involves the immobilisation of the bulk of Ceylon's accumulated sterling balances which amount to approximately £51 million. The machinery through which this immobilisation is being effected is the now familiar device of No. 1 and No. 2 accounts, the latter holding the blocked resources and the former being credited with Ceylon's current sterling earnings, with any funds that may be released from No. 2 accounts and with the earnings on the investments or balances held in No. 2 accounts. The new agreement covers the period to the end of this year. It provides in the first place for an immediate release of £3,500,000. This should be sufficient to cover any foreseeable deficit in Ceylon's balance of payments up to the end of the year. In addition, £4,000,000 will be released from No. 2 to No. 1 accounts to provide a working balance. This may be increased by a further £1,000,000 if prices of essential foodstuffs which must be imported by Ceylon undergo an unforeseen rise. The agreement does not have to provide a specific release of hard currency for Ceylon's needs. Since 1939 Ceylon has been a net earner of dollars and continues to play that enviable and welcome role. In 1948 Ceylon's earnings of US and Canadian dollars are expected to be of the order of Rs 180 million, or slightly over \$50 million, while its gross dollar expenditure will not exceed Rs 100 million, or about \$30 million. The net surplus will, as hitherto, be banked with the sterling area dollar pool, while the sterling counterpart representing current loans will be freely available to Ceylon in its No. 1 accounts.

The agreement provides that the British Government will do what is possible to help Ceylon to develop its natural resources. In order to facilitate the attainment of this general objective the British Government will sponsor Ceylon's application for membership of the International Monetary Fund and Bank for Reconstruction and Development. An interesting clause in the agreement refers to the exchange of information between the two governments regarding movements of capital between Ceylon and the rest of the sterling area. Provision is made to compensate these movements of capital, in so far as they can be estab-

lished, by the appropriate transfers between No. 1 and No. 2 accounts. This means that if, on balance, capital is flowing from other parts of the sterling area to Ceylon the Ceylon Government will be prepared to immobilise its funds by transferring them from No. 1 to No. 2 accounts. Conversely, any net movements of capital from Ceylon to the rest of the sterling area will be offset by the transfers from No. 2 to No. 1 accounts. The agreement foreshadows the establishment of a reserve bank by the Government of Ceylon. Pending this development, the currency affairs of the country will continue to be handled by the Board of Commissioners of Currency. The interest received by the Board on their sterling assets is to be credited to a No. 1 account. This particular arrangement is to operate until October 31 next, after which the interest received by the Board on their sterling assets is to be credited in the first instance to their No. 2 account.

* * *

News on the Gold Drain

The drain on the gold reserves was one of the many subjects raised during the House of Commons debate on the Whitsuntide adjournment. The Economic Secretary to the Treasury, in answering accusations that capital transactions had involved excessive losses of gold, gave some interesting information about the policy which is being followed to curtail drawings on the common gold and dollar reserve and to limit the running down of accumulated sterling balances. The Government has been striving for several months to achieve a co-operative effort among all members of the sterling area to limit their purchases from dollar and other hard currency countries, and they have met with some success. Mr Jay was able to announce that "the outflow of gold and dollars on account of other parts of the sterling area has been very much lower in the last two months than previously."

The results which the Government had hoped to see in January and February have, in fact, appeared in April. Agreements have now been made with practically all sterling area countries limiting their drawings on their accumulated sterling balances. Attempts are also being made to exercise the strictest possible exchange control round the sterling area—but without any attempt to apply compulsory methods "which would threaten to break up the sterling area and, perhaps, the Commonwealth." Mr Jay admitted that the loss of over £1,000 million of gold and dollars last year was excessive, but deprecated undue emphasis on that part of the drain to other members of the sterling area. Out of that £1,000 million, more than £675 million, he said, was spent on account of one member, namely, the United Kingdom, and it behaved critics not to use exaggerated language about the gold and dollars that had been "lost" in supplying other members of the area from the common pool to which they had equal rights with the banker himself.

* * *

Israel's Sterling

The termination of the British mandate in Palestine has been followed by a further tightening up of the payments arrangements with that country. Last February Palestine's sterling balances, amounting to some £100 million, were blocked, but arrangements were made for £7,000,000 to be released to supplement current accruals of sterling and to enable Palestine's sterling needs to be met during the period up to May 15th. Further releases were also agreed upon to finance private imports of food for consumption during the few weeks after the termination of the mandate. No further general releases from accumulated

balances can be allowed since no effective central exchange control authority now exists in Palestine. In order to meet urgent and essential needs the British Government have decided to consider applications for releases from individual banks, submitted through their correspondents in the United Kingdom to the Bank of England. Before approving such applications the authorities in London will have to be satisfied that the funds are required for a proper purpose and that the payment cannot be met out of current sterling earnings. The Bank of England has already agreed to the release of sterling in order to meet commitments under confirmed credits opened before May 15th. The Government will discuss more permanent arrangements with Palestine as soon as circumstances render this practicable.

Monetary arrangements with Palestine remain unchanged for the time being. The Currency Board in London is still prepared to provide currency against payments in sterling from No. 1 accounts. The Currency officers in Palestine are operating under some difficulty, but Palestine banks are taking over all the necessary arrangements and are even prepared to take delivery of currency in London and arrange for its transport to Palestine. The present troubles were clearly anticipated by the local banks, which supplied themselves with ample cash resources.

* * *

Electricity Charges

In the last fortnight the Electricity Boards in the North-West, South-West, London, Eastern, Southern, Yorkshire and East Midland areas have announced higher electricity charges in some districts. In the South-East and North-East areas no general increases are expected, and in South Wales no immediate increase. Under the terms of the Act the areas are not financially autonomous, and their statements of policy merely reflect that made by Lord Citrine on May 6th. Briefly, domestic and non-industrial tariffs are being adjusted upwards in districts where trading losses have been or would be made at the existing charges. In many such districts losses have been going on for some time and have eaten into reserves. Industrial and bulk supply tariffs usually include a "coal clause," under which charges increase when the cost of coal increases; domestic charges were frozen by the Electricity Commission during the war, though some increases have since been made.

So far there has been no general policy of equalising electricity charges between districts, though some of the anomalies are being tidied. Where the flat rate has exceeded 6d. a unit it has been brought down to that figure, and where the unit charge under a two-part tariff was less than 4d. it has been increased.

Lord Citrine has forecast a further revision of tariff policy for the country as a whole. Area boards have been asked to report on their finances, the consideration of which may take some months. Some of the problems which the British Electricity Authority will have to solve are already clear. Is the domestic price of electricity reasonably related to the industrial price? Electricity suppliers should consider not their average but their marginal costs, in particular the cost of installing and operating sufficient capacity to meet the peak load—in which domestic consumption represents a disproportionate share. Should the Authority equalise charges between districts? How will it apportion its capital costs between the different areas? Will it pursue rural electrification in defiance of the economic justification for differences in price between town and country? These are some of the problems. That Lord Citrine envisages an aggregate deficit for 1948-49 is not a reassuring sign that they will all be solved.

* * *

Endurance Test on the Gas Bill

The Gas Bill, which was regarded when it first appeared as among the less controversial of the Government's measures for nationalising industry, has proved a dark horse. It has given the Government a remarkable amount of Parliamentary trouble, and caused Mr Herbert Morrison, at the Labour party conference, to speak of "foolish, old-fashioned, nineteenth-century obstruction." In short, Mr Morrison thought the Tories were filibustering. He went on to utter the threat that if the Tory obstructionists wanted to go on with this kind of "foolery," which was contrary to the working of Parliamentary institutions, they were asking for more reforms of Parliamentary procedure.

The Standing Committee on the Gas Bill concluded its proceedings at the end of last week after thirty-six sittings and, in the closing stages, it sat almost continuously for fifty hours. Clearly the Opposition was being difficult. But if this was "foolery," it was foolery with a purpose; the Opposition wanted modifications in the Bill, and sometimes concessions which cannot

be obtained by persuasive reasoning can be obtained by threatening the Parliamentary timetable. Many of its amendments were accepted, and it claims that the future control of the gas industry will, as a consequence, be more efficient and less political than it promised to be.

In the most controversial aspect of all, however—the compensation clauses—the Bill has not been substantially changed. So far as the gas companies are concerned, the difficulty of getting a fair basis of valuation of their stocks has not been overcome. For stocks which are rarely dealt in, market quotations are very little guide to their true value. Many stocks without a quotation will have to go to arbitration. Local authorities will fare worse than the gas companies; in general, they will merely be relieved of any indebtedness which they may still be carrying in respect of their gas undertakings. A municipality which has been thrifty will, therefore, lose any money which it has devoted to paying off its debt. A city which refused an offer of a million pounds for its gas undertaking before the war may not be very pleased to get £200,000 for it today. The Bill provides for £2,000,000 to be distributed among local authorities as "further compensation in respect of severance," but this will not go very far. What happens if another deserving case comes to light after the £2,000,000 has been apportioned? The clause seems unreasonably rigid.

* * *

Rhodesia's Gold Subsidy

The Southern Rhodesian budget for 1948 includes one highly debatable feature: the payment of a subsidy of £1 7s. 6d. per ounce on all gold produced in the territory. Under the Gold Mining Subsidy Act certain mines are already receiving a subsidy of £2 per ounce. These subsidies will be retained; but in addition, the price paid to the mines will be raised from the official price of £8 12s. 6d. to £10 per ounce. The subsidy will cost £695,000 and will be met by a special 10 per cent surcharge on income tax to be known as the Gold Industry Contribution. The subsidy was justified in the budget speech as necessary "to save the gold industry from disaster" and as the most direct and easiest way of increasing Rhodesia's much needed hard currency earnings. The budget speech explained that the Government had reached the conclusion that the only possible means of stimulating the gold mining industry lay in an increased price of gold, but that this could not be done directly "since our currency is linked with sterling." But, added the Finance Minister with some naivety "the same result can be achieved at the present time by a subsidy on all gold produced."

This is another case for the attention of the International Monetary Fund, whose edicts on the subject of gold subsidies can surely not have escaped the notice of the Southern Rhodesian authorities. The proposed subsidy would be in direct conflict with the ruling of the IMF on the subject, though it would be possible for Southern Rhodesia to conform with orthodoxy, as Canada did last year, by making the subsidy indirect and variable by granting it through a subsidisation of costs. Southern Rhodesia is not a member of the IMF but has a common quota with the United Kingdom. It will, therefore, be on British backs that the notes of protest from Washington will fall. Meanwhile, capital gains are raining on fortunate owners of Rhodesian gold mining shares which this week have provided one of the features on the Stock Exchange.

* * *

Free Sterling in Europe

Although the bulk of business between the United Kingdom and countries outside the "scheduled territories" is financed at the official rate of exchange, a growing volume of trade and financial transactions is taking place at rates below \$4.03 to the £. What is the business and what are the rates?

There are, broadly, four distinct rates for this unofficial business: notes, T.T., inland payments and security sterling. To take the quotation of a pound note in terms of Swiss francs or dollars as a fair measure of the value of sterling is nonsensical. The discount is determined by the degree of illegality attached to exporting and importing notes, and the valuation placed upon the notes in comparison with the local currency. No note can stand at par when, like the pound note, it takes two smuggling operations—apart from any others en route—to complete the circuit. Moreover, as a means of settling trade transactions a note has severely limited usefulness. Sterling notes in Switzerland are quoted at Sw. fcs. 10.55 to the £ against the official rate of Sw. fcs. 17.34. Since the Italian elections, they have risen in value by nearly 10 per cent, but they are still at a heavy discount of 38½ per cent. On the other hand, dollar or escudo notes can be quoted at T.T. rates because

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Switzerland, Portugal and the United States place no restrictions on note movements.

The inland payment rate is not countenanced by the big Swiss banks in any way. Business is transacted on the basis of "If you pay X in London, I will pay Y in Zurich." The rate is about 11 francs to the £—a little higher than the note rate because the smuggling risk is eliminated. Business done with Britain is very small, but with many other countries its volume is believed to be considerable. Fourthly, British Government bearer bonds may be purchased legitimately in Switzerland and New York at a rate of \$1.80 to the pound, against \$2.50 a few months ago. To import securities a Bank of England licence is required—but the uses to which such sterling may be put in this country are restricted in most cases to switching operations, from which South African securities were recently excluded. This rate also reflects a growing disinclination in the United States to invest in British securities. Gilt-edged can be purchased on a 7 per cent yield basis despite the fact that interest and dividends—being currently earned sterling—are convertible at \$4.03 to the £.

Sterling for Exports

The discount on sterling held by foreigners in London in terms of dollars is more significant. This is reflected in T.T. rates for foreign account sterling. The main "market" for such sterling is in Switzerland, unencumbered by exchange control, and well equipped with an excellent banking system, and arbitrageurs whose skill has not become rusty by years of enforced idleness. Sterling held in London on Italian, French, Dutch or Belgian account may be purchased at a cross rate of \$3.35 and sold for \$3.25. The Bank of England will not sanction transfers of such sterling from one foreign account to another foreign account. Nor may the foreign banks hold sterling in their own names. Thus, in order to deal, they have to match buyers and sellers, but the seller of such sterling does not draw directly on his balance to pay for, say, the dollars he is buying. Instead, he merely hands over a sterling cheque to the seller of dollars who can use the proceeds to pay for goods bought in Britain. As far as the Bank of England is concerned, there is no possible means of checking any change in the beneficial ownership of such sterling, and it does not change its nominal owner until it is paid to a British exporter. Sterling thus acquired in sufficient volume could undermine the official rate of \$4.03 to the £ simply because it can be used to purchase exports in Britain. For example, a Dutch or Italian trader may use his American or Swiss connections to obtain sterling cheaply against dollars; he then purchases goods in Britain, ships them to his own country, re-exports the goods to the U.S.A. and thus liquidates his dollar loan. Actually, it is difficult to see how the foreigner operates without contravening his foreign exchange control. But the net

effect is that the Bank of England might have earned these dollars; instead it must be content with the cold comfort that French, Belgian, Dutch or Italian sterling claims have been reduced. It is even conceivable that enterprising British exporters may find dollar guarantors, who have access to foreign account sterling, to sell their wares for them in the American market and thus obtain a higher sterling price for themselves or obtain an entry into the American market, by this devious route, at a competitive dollar price.

Another source of free sterling is the so-called Swiss controlled pound. This is sterling obtained from dividends and interest on British securities payable to Swiss residents. Since it is currently earned sterling, it is available either for purchases of goods in Britain, or is payable in Swiss francs at the official rate. However, for various reasons, transfers of such sterling have quadrupled since the war, and are now running at over Sw. fcs. 175 million. As a result, the Swiss National Bank is now prepared to accept only a limited amount of such sterling in each quarterly period. Accordingly, investors in Switzerland who cannot or do not want to wait can sell their sterling in the free market at a cross rate of \$3.52-3.60.

There is hope—and a lesson—in all these commercial transactions. Free as opposed to black market sterling is acquitting itself well. The discount is 70 cents or 17½ per cent—not an excessive margin in relation to the higher cost of shipping goods to the United States by roundabout routes. If it requires a reduction of only 17½ per cent to enable certain British goods competing in the American market, it should not prove impossible to effect this reduction by means other than devaluation of the pound. It would also indicate that merchants and industrialists are still not making sufficient effort to sell in the American market, perhaps because their sterling earnings are higher and obtained with less effort by selling in "softer" markets.

Shorter Note

Trade negotiations have been concluded with Spain and the proposals submitted to both Governments for approval. The agreement was expected to be signed this week, and it governs the course of trade and payments between the Sterling Area and Spain over the next 12 months. Total trade between the two countries is expected to expand from £25 million in 1947 to £80 million. Spain will provide Britain with potash, pyrites, iron ore, olive oil, fruit and other foodstuffs. Britain will send in return 750,000 tons of coal, machinery, chemicals and electrical goods. Spain has also agreed to grant import licences on "non-essential" British exports to a much wider extent than before. Payments up to March 31, 1949, will be governed by the Monetary Agreement signed in March, 1947. The Supplementary Monetary Agreement of June, 1947, will be abrogated, but Spain will remain inside the transferable account area.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: John Summers and Sons; Associated Portland Cement; Morris Motors.

Prices, Year 1948 (Jan. 1 to May 19)		Name of Security	Price, May 12, 1948	Price, May 19, 1948	Net Yield, May 19, 1948 (s. d.)	Gross Yield, May 19, 1948 (s. d.)	Prices, Year 1948 (Jan. 1 to May 19)		Last Two Dividends (a) (b) (c)	Name of Security	Price, May 12, 1948	Price, May 19, 1948	Yield, May 19, 1948 (s. d.)	
High	Low						High	Low						
British Funds														
101½	101	War Bonds 2½% Aug. 1, 1949-51	101½	101½	101½	101½	101½	101						
101	100½	Exchequer Bonds 1½% Feb. 15, 1950	100½	101	0 5 4	2 8 4	104½	101½	(d)	(d)	Australia 4½% 1965-69	104½	104½	2 18 2
102½	100½	War Bonds 2½% March 1, 1951-53	101½	102½	0 10 3	1 14 2	94½	91½	(d)	(d)	Birmingham 4½% 1965-69	92	92	3 12 3
102½	100	War Bonds 2½% March 1, 1952-54	102½	102½	0 16 0	1 19 7	101½	99	(d)	(d)	Argentine 4½% 1966-71	92	92	3 12 3
104½	101½	War Loan 3½% (after Dec. 1, 1952)	102½	104½	1 3 5	2 14 2	8½	7½	50 c	50 c	Anglo-American Corp. 10s.	101½	101½	3 9 2
102½	99½	War Bonds 2½% Aug. 15, 1954-56	102½	102½	1 0 5	2 3 8	101½	7½	5 a	25 b	Anglo-Iranian Oil ½	7½	7½	3 6 7
103½	100½	Funding 2½% June 15, 1952-57	102½	104½	1 4 2	2 10 2	76½	62½	415 c	415 c	Assoc. Port. Cem. Ord. Stk. ½	74½	73½	4 1 8
105½	100½	National Def. 3% July 15, 1954-58	102½	105½	1 2 10	2 2 8	76½	62½	40 c	40 c	Austin Motor 'A' Ord. Stk. 5s.	35/-	35/-	5 14 3
104½	101½	War Loan 3% Oct. 15, 1955-59	104½	104½	4 2	2 10 11½	72½	72½	7 b	7 b	Barclays Bank Ord. 'B' ½	78/-	78/-	3 11 4
102½	99½	Savings Bonds 3% Aug. 15, 1955-65	101½	102½	1 10 7	2 17 10	104½	8½	120 b	15 a	Parse Rattell Ord. ½	9½	9½	2 13 9
99½	96½	Funding 2½% April 15, 1956-61	99½	99½	1 8 2	2 10 11½	104½	85	12 b	12 b	British Oxygen Ord. ½	5	5	4 0 0
102½	98½	Funding 3% April 15, 1959-69	100½	101½	1 11 9	2 18 9	46½	39½	9½	7½	Cartauids Ord. ½	40½	40½	3 14 7
114½	110½	Funding 4% May 1, 1960-90	112½	113	1 1 0	2 14 9	32½	25½	25 c	7 c	Distillers Co. Ord. 4s.	28½	28½	4 10 6
102½	97½	Savings Bonds 3% Sept. 1, 1960-70	100½	100½	1 12 5	2 19 8	73½	27½	8 c	8 c	Dorman Long Ord. ½	32½	32½	3 19 3
96	92½	Savings Bonds 2½% May 1, 1964-67	94½	95½	1 13 2	2 16 4	47½	68½	12 c	15 c	Dunlop Rubber Ord. ½	73½	73½	4 1 9
115½	112½	Victory Bonds 4% Sept. 1, 1920-76	114½	114½	4 5	2 17 9*	53½	44½	3 a	7 a	Imp. Chem. Ind. Ord. Stk. ½	49½	49½	4 1 9
101½	96½	Savings Bonds 3% Aug. 15, 1965-75	99½	99½	1 13 6	3 0 11½	6½	5	13½	19½	Imperial Tobacco Ord. Stk. ½	51	51	5 12 4
110½	107½	Consols 4% (after Feb. 1, 1957)	110½	110½	1 0 4	2 15 9	96½	40½	10 c	10 c	Lancs. Cotton Ord. Stk. ½	46½	46½	4 11 6
106½	102½	Conversion 3½% (after Apr. 1, 1961)	104½	105½	1 10 2	3 1 2c	48½	48½	5 c	10 c	Lever & Unilever Ord. ½	51½	51½	3 14 5
83½	74½	Treas. Stk. 2½% (after Apr. 1, 1975)	77	77½	1 15 9	3 5 1½	61½	47½	12½ c	10 c	London Brick Ord. Stk. ½	53½	53½	3 18 1
99	91½	Treas. Stk. 3% (after Apr. 5, 1966)	93½	94	1 15 3	3 3 2½	66½	49½	20 b	7½	London 'J'inson Ord. Stk. 10s.	56½	56½	4 14 10
100	93½	Redemp. Stk. 3% Oct. 1, 1986-96	96	96½	1 15 4	3 3 2½	54	39	17½ c	17½ c	Prudential 'A' ½	34½	34½	2 4 6
83½	74½	Consols 4½%	77½	77½	1 15 7	3 4 9½	59½	40½	12½ c	12½ c	Stewarts & Lloyds Def. ½	56½	56½	4 8 6
98½	93	British Electricity 3% Gtd. 1968-73	99½	99½	1 13 8	3 1 0½	85½	73½	15 b	12½ a	"Shell" Transp. Ord. Stk. ½	77½	78½	1 18 0
98½	93	British Transport 3% Gtd. 1978-88	96½	97½	1 15 4	3 3 5	70½	54	12½ b	12½ a	Tube Invest. Ord. Stk. ½	128½	128½	3 19 0
99½	95½	British Transport 3% Gtd. 1968-73	98½	99½	1 13 10	3 1 2½	97½	73½	11½ b	11½ b	Turner & Newall Ord. Stk. ½	78½	76½	3 18 8
							93½	77½	15 a	55 b	Woolworth (F. W.) Ord. 5s.	82½	84½	4 3 4
Redemption yields on stocks optionally or finally redeemable within the next five year														

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 5 per cent will be redeemed at the earliest date (these are marked *), and those paying 5 per cent or less will be repaid at the latest date (marked †). (a) Net yields are calculated after allowing for tax at 9% in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

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

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Chairman of the Royal Insurance Company Ltd.
in connection with the Company's 102nd Annual Report.

The cry, insistent and unrelenting, is for ever increasing exports. I emphasise once again the tremendous value to this Country of the invisible export represented by our overseas operations. The vital emphasis is, of course, on hard currency earnings, particularly dollars, and I record with pride that, since 1940, the "Royal" and its Associated Companies have contributed remittances of no less than forty million dollars to this Country's economy...

The Royal Insurance Company has spared no effort to rebuild and develop its business in territories overseas, and in dollars, kroner, pesos, lire and many other currencies, the fruits are gathered in from all quarters of the earth.

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(Incorporated in the Union of South Africa)

GOLD MINING INDUSTRY'S PROBLEMS

INCREASING COSTS; LABOUR AND MATERIAL SHORTAGES

SERIOUS EFFECT OF STRIKES

MR W. H. A. LAWRENCE'S SURVEY

The annual meeting of Rand Mines, Limited, was held on the 7th instant at Johannesburg.

Mr W. H. A. Lawrence, the chairman, who presided, said that before commenting on operations of the company during the past year he would like to draw the attention of shareholders to certain alterations which had been made in the method of presenting the annual accounts. Reserve accounts were now shown individually, and those accounts formerly grouped under the heading of creditors accrued liabilities and contingency reserves were consequently segregated into the shareholders' contingency reserve, trustees of the Corner House pension fund, creditors and provisions, and contingency reserve. The amount standing to the credit of the latter account at the beginning of the year had now been transferred to the new provision exploration reserve account. To facilitate reference, comparative figures for the previous year were shown in the margins of the accounts.

PROFIT AND DIVIDENDS

The profit earned during 1947 and transferred to the appropriation account had amounted to £573,369, which was £9,798 less than that for the previous year. Two dividends of 35 per cent. and 45 per cent. respectively declared during the year had absorbed £430,199, which together with other appropriations shown in the accounts left £105,079 to be added to the unappropriated balance of £1,011,900 brought forward from the previous year. The amount realised by the sale of investments and freehold property had exceeded their book value, and amounts written off as depreciation by £25,290 and following the usual practice that sum had been added to the investment reserve account. At December 31, 1947, that account had stood at £3,962,124.

Investments in shares and debentures had been brought into the account at a total book value of £4,930,506, being an increase of £216,003 over the figure for the previous year. Investments for which share market quotations were available appeared in the books at or under cost, but in no case above the relative market price at December 31, 1947. Unquoted securities had been entered in accordance with a conservative valuation placed upon them by the board and in no instance at valuation exceeding cost. Where it appeared prudent to do so, the book value of holdings had been written down below cost and below market value. It was evident from the schedule of investments published in the annual accounts that the market value of quoted securities largely exceeded the total book value of all securities mentioned in the balance sheet.

ADVERSE FACTORS

Throughout the year under review the Witwatersrand gold mining industry had continued to be faced by problems arising from the high and increasing costs of production, shortages of labour and materials and the necessity for rectifying the generally depleted ore reserve positions of various mines. In addition, operations had been seriously affected by another strike of European miners which had lasted for a period of about seven weeks from January 27, 1947.

As in the case of the strike which had taken place a year previously, that strike had arisen through internal dissension within the ranks of the Mineworkers' Union and had been in no way directed against mine managements. The effect on profits, which had already been diminished by rising costs, had been none the less grave, and several of the mines had suffered working losses during February and March.

EFFECT ON OPERATIONS

The results of operations of producing companies of the Witwatersrand gold mining industry reflected the adverse effects of those various factors. Tonnage milled had decreased by over three million tons to 53,712,300 tons.

Working revenue had decreased by £6,500,000, but owing to a contraction in the scale of operations, total working costs had been lower by £1,600,000, although the cost per ton milled had increased by a further one shilling to 26s. 7d. per ton. There had consequently been a decrease of £4,900,000 in the total working profit. Those results, however, reflected only a portion of the retrogression which had been taking place over the last five or six years. At the recent annual meeting of the Chamber of Mines, the president had given certain figures showing how severe that retrogression had been since the peak period of 1941-42.

COMPARISON WITH PREWAR POSITION

It was also of interest to examine the postwar position of the industry in 1947 as compared with the prewar position in 1938. There had been little difference between the tonnages milled in each of these two years, and it was therefore possible to compare production figures per ton milled. Working revenue, in spite of an increase of 21 per cent. in the price of gold, had increased by only 11 per cent. from 31s. 1d. per ton to 34s. 7d. per ton, due to the lower grade of ore milled.

Working costs had increased by 38 per cent. from 19s. 3d. to 26s. 7d. per ton. Segregation of costs into customary categories showed that white wages, including cost-of-living allowances, had risen by 66 per cent. (from 5s. to 8s. 4d. per ton); coloured wages, excluding costs of housing and feeding, by 25 per cent. (from 3s. 8d. to 4s. 6d. per ton); cost of stores by 35 per cent. (from 8s. 4d. to 11s. 4d. per ton) and "other costs" had risen by 7 per cent. (from 2s. 3d. to 2s. 5d. per ton). As had been said so often, such increases in costs of production were particularly serious in the case of the gold mining industry, because, unlike other industries, the producer could not compensate for them by raising the price of his product. In most industries the price of the product fluctuated, but was more or less equivalent to the cost of production plus a fixed percentage representing profit.

In other words, a more or less fixed percentage of the selling price of an article was absorbed in costs of production. That was not the case with the gold mines, and the position was that working costs per ounce of gold produced, which excluded such charges as capital expenditure, silicosis, outstanding liabilities and taxation, had risen from 62 per cent. of the price of gold in 1938 to 77 per cent. of the price of gold in 1947.

LABOUR SHORTAGE

The shortage of labour on the mines might be gauged from the fact that the native labour force was now 100,000 less than the peak of 380,000 early in 1942. The European labour force in December, 1947, had been 38,776 compared with 46,243 in December, 1941. The ever-increasing demand for labour by secondary industry and by non-producing mines of the Witwatersrand and Orange Free State was having a very serious effect on the labour force of the producing mines. This was particularly severe in the case of the deep mines of the Central Rand, where mining conditions were least attractive and which were situated in an area where demand for labour by other industries was greatest.

Discussions were at present taking place between the Government, industry and employees regarding the demands of the mining unions' joint committee for increased wages, shorter hours and other benefits. The meeting of those demands might have some favourable effect on the European labour supply but the gold mining industry was unfortunately in the anomalous situation of having to meet a large proportion of the increased wages of secondary industry by paying higher prices for the equipment, stores and materials which it purchased, when it was in no position to increase earnings of its own employees. Mining operations continued to be restricted by shortages of materials, particularly of such basic requirements as steel and cement, and by the slow delivery of plant and equipment on order from overseas.

RESTRICTIONS AND SHORTAGES

As far as the gold-mining industry was concerned, steel was now in shorter supply than at any time during the war, and it would seem that there could be no permanent solution to the problem until the expansion programme of I.S.C.O.R. was completed. The cement position would probably be eased in due course when the various cement companies were able to increase their output, but that would also take time. Meanwhile, those restrictions, coupled with the European and native labour shortages, made it impossible for the gold-mining industry to push ahead at adequate speed with its long overdue development requirements. Although development work had been increased considerably since the war, the total footage accomplished by producing mines during 1947 had still been 13 per cent. less than that driven during 1938. That was not a very encouraging position in view of the urgent necessity to rectify the generally depleted ore reserves of the mines.

Ore milled by the twelve Witwatersrand mines of the group during 1947 had totalled 16,546,690 tons, which was 552,410 tons less than during the previous year. The average yield of gold per ton milled had increased by 0.148 dwt. to 3.902 dwt. Working revenue, including special declarations, had increased by £127,162 to £27,981,968, while working costs had decreased by £326,726 to £21,890,547. Consequently, there had been an increase of £453,888 in the working profit, which had amounted to £6,091,421. The amount distributed in dividends had been £3,595,837, an increase of £377,278 over that for 1946. Taxation had decreased by £448,074 to £1,377,259. Lease consideration had increased by £82,021 to £153,888. Development accomplished had totalled 464,909 feet, a decrease of 4,194 feet.

ORE RESERVES

The available ore reserves of those mines at the close of their respective financial years had amounted to 49,478,500 tons, which was a decrease of 1,196,600 tons compared with the estimates made the year previously. It should be noted, however, that those group figures had been materially affected by the improved results obtained during 1947 at Blyvooruitzicht and East Rand Proprietary Mines, where working

profits had increased by £1,084,121 and £513,394 respectively. The serious effects of the shortages of labour and materials and disruption of operations caused by the strike of European miners were therefore not so apparent as they might have been.

The average number of Europeans employed by Witwatersrand Mines of the group had decreased during the year by 502 to 12,435, while the average number of non-European employees had decreased by 3,460 to 93,077. The health record of native employees had shown that there had been a small increase in the morbidity rate from disease and accident. What was of more importance, however, was that the mortality rate from disease had decreased from 3.15 per thousand in 1946 to 2.99 in 1947, and deaths from mining accidents had fallen to 1.29 per thousand. Shifts lost per native per annum due to disease and accidents had shown a further decrease from 5.73 to 5.57.

SILICOSIS LIABILITIES

The present value of silicosis outstanding liabilities of mines of the group was £5,663,523, a decrease of £116,581 compared with 1946. The eleven mines affected had provided, with accrued interest up to the end of 1947, a total of £4,664,445 towards meeting that liability. Geldenhuis Deep, Limited, had ceased normal mining operations during the year and had met its final assessment of £341,986 in respect of silicosis outstanding liabilities from funds already provided for the purpose. Over and above the amounts provided to meet outstanding liabilities, mines of the group had paid out during 1947 a sum of £104,602 in respect of additional outstanding liabilities and £713,071 in respect of current silicosis costs.

Particulars of interests the company held in a number of Witwatersrand gold mining companies outside the Central Mining-Rand Mines group were contained in the schedule of investments attached to the directors' report.

Results of operations at producing mines of the group in the Pilgrims Rest district of the Transvaal did not call for any lengthy comment. Glynn's Lydenburg, Limited, had declared dividends amounting to £26,250, which was £8,750 less than the previous year's figures. At Transvaal Gold Mining Estates, Limited, profits from mining had increased by £12,359 to £19,493 and from plantations by £4,106 to £113,565. Dividends declared by that company at £76,500 had again shown an increase over the amount distributed during the previous year.

INDUSTRIAL INTERESTS

The various South African industrial concerns in which the company was interested, such as coalmining, lime, pipe and cement manufacturing companies, had all been maintained in a sound position and had distributed satisfactory dividends. The Transvaal Consolidated Land and Exploration Company, Limited, had made good progress under difficult conditions with the opening up of Van Dyk's Drift Colliery. An incline shaft had been completed and equipped to its final depth of 1,513 feet on incline. The station layout was being installed. The station layout was being installed. The main east and west haulages were being advanced in coal of high calorific value and coal derived from that source had been sold during the year.

The erection of the Pretoria Portland Cement Company's new factory at Orkney was well advanced; extensions and improvements were being made at the Slurry factory and plans for expansion of the Pretoria and Johannesburg factories were being pushed ahead. Subsidiary and associated companies with factories at Cape Town, Port Elizabeth and in Rhodesia were also actively pursuing their expansion programmes.

The Hume Pipe Company (South Africa), Limited, and its subsidiary Hume Steel of South Africa (Proprietary), Limited, had also had successful years. The Hume Steel Company's new factory at Wadeville, near

Germiston, was now in production and should be completed shortly.

NEW O.F.S. GOLDFIELD

The task of opening up the new goldfield in the Orange Free State was being resolutely pursued, but the difficulties inevitably associated with an enterprise of such magnitude were being enhanced by lengthy delays in delivery of essential plant and equipment from overseas. Eight mining leases had been applied for and sinking was in progress at nine shafts. The railway line from Whites to Odendaalsrust had been opened to limited traffic. Electricity supply mains were connected to some of the mines, and a pipeline was being constructed by the irrigation department to convey water from the Vaal River.

The principal gold-bearing reefs had not yet been penetrated by any of the shafts and the potential value of the Free State mines remained to be established by reef development. Borehole values had been good in the proved area but problems associated with depth, heat and faulting have yet to be elucidated. The company's holdings in various Free State companies were shown in the balance-sheet. Exploratory work by means of borehole drilling outside the proved area had continued during the year, and the two main centres of interest were now in the Ventersburg area and in the area to the south of the Vaal River, near Klerksdorp. The company had interests in numerous Free State options held by the Central Mining and Investment Corporation, Limited.

Recently some of those options had been abandoned over farms in extent of 26,350 morgen, principally in Brandfort and the Parys-Vredefort area, as preliminary drilling and prospecting had shown that those areas held little or no promise. On the other hand, the Central Mining and Investment Corporation, Limited, had taken up new options over 51,519 morgen, principally in the Winburg and Ventersburg districts. The company had been offered and had accepted interests in those options.

RESIGNATION OF MR J. MARTIN

It was with profound regret that he referred to the resignation at the end of last year of Mr John Martin from the Board of Directors, after being associated with the company since 1926 and having been its chairman since 1930. His retirement from the gold mining industry after such a long and intimate association with the direction of its affairs had been a severe loss, not only to the company and to other companies of the Corner House group, but also to the mining industry as a whole.

His sound judgment and wise counsel would be greatly missed, and the directors wished to record their very high appreciation, endorsed, he knew, by the general body of shareholders, of Mr Martin's outstanding services to the company throughout the many years he had taken a leading part in administering its affairs.

TRIBUTE TO MANAGEMENT AND STAFFS

In conclusion, the chairman said he would like to pay tribute to the valuable and loyal work done by the head office staff of the company and by the managers and staffs of the mining and other companies of the group. He would also like to express appreciation of the services rendered during the past year by their London Secretaries, Messrs. A. Moir and Co.

A report of the proceedings at the meeting would appear in the Press, and copies could be obtained on application to the head office in Johannesburg or to the London Secretaries.

The report and accounts were adopted.

ROYAL EXCHANGE ASSURANCE.—We regret that in a heading in the report of the Chairman's speech, in our issue of May 1st, the dividend was stated to be 30 per cent. This should have read 35 per cent.

CITY DEEP, LIMITED

(Incorporated in the Union of South Africa)

EFFECT OF MINERS' STRIKE

MR G. V. R. RICHDAL'S SPEECH

Mr G. V. R. Richdale, chairman, presided at the annual meeting of City Deep, Limited, in Johannesburg, on the 5th instant.

The chairman said shareholders would have noticed that with the object of giving them a more easily comprehensible picture of the company's financial position some alterations had been made in the method of presenting the accounts. The shareholders' contingency reserve and abnormal costs reserve (previously called renewals and replacements reserve) were now shown separately in the balance sheet while, to facilitate comparison, figures relating to the previous year had been included in the accounts.

LOSS OF TONNAGE AND REVENUE

The strike of European miners which had taken place during the first quarter of the year and the shortage of European and native labour which had continued throughout the period under review, had affected operations at the mine very adversely and had caused a serious loss of tonnage and revenue. The net profit had been £283,840. Dividends had absorbed £224,812, provision for taxation had amounted to £1,517, net expenditure on capital account had been £8,648, provision made in respect of silicosis outstanding liabilities had totalled £9,240 and there had been a transfer to the shareholders' contingency reserve of £900.

Capital expenditure incurred during the year had amounted to £39,438 and had been mainly in connection with winding equipment for No. 5 shaft, where a permanent hoist was now erected and functioning satisfactorily. Against that amount there had been offset sales of property and plant which had realised £30,790.

FOOTAGE DEVELOPED

Footage developed during the year at 33,632 feet had been 2,015 feet more than in the previous year. Work carried out had been mostly on the Main Reef Leader horizon, satisfactory values being disclosed in the western and central areas of the mine. As areas available for development in the western section were becoming limited, increased work had been done to the east between Nos. 1.F. and 1.D. incline shafts but values here had been again disappointing. No payable values had been disclosed in the Main Reef but increased south reef development, mainly in upper levels of the No. 1 shaft area, had opened up a small tonnage of payable ore. Exploratory borehole drilling and development on Pyritic Quartzites east of No. 1 incline shaft had exposed some encouraging values but no payable blocks had yet been proved. Total payable ore developed during the year had amounted to 488,000 tons, valued at 7.1 dwts. per ton. That represented a decrease of 221,900 tons compared with the tonnage developed during 1946, the value being 0.6 dwt. higher.

The available ore reserve had been re-estimated at December 31, 1947, to be 3,125,000 tons of an average value of 6.4 dwts. over a stopping width of 40.3 inches. Available reserve showed a decrease of 193,000 tons compared with the previous year's figure, the value being 0.4 dwt. higher and the stopping width 0.8 inch less.

He had informed shareholders at last year's meeting that the board had applied for undermining rights of an additional area, equal to about 472 mining claims, adjacent to the southern boundary of the present

mining area. That application was still under consideration by the Mining Leases Board who were fully aware of the need for urgency in that matter. It was expected that they would reach a decision in the near future.

PRICE OF GOLD

The price of gold had remained unchanged throughout the year at 172s. 6d. an ounce fine. There had been no alteration in the taxation position in so far as profits earned during the first six months of 1947 were concerned, but with regard to the latter half of the year the Government had not yet disclosed its taxation proposals.

A report of the proceedings at the meeting would be published in the Press and copies could be obtained on application to the head office in Johannesburg or to the London Secretaries.

The report and accounts were adopted.

CROWN MINES, LIMITED

(Incorporated in the Union of South Africa)

IMPROVED DEVELOPMENT FOOTAGE

MR A. J. WALTON'S SPEECH

Mr A. J. Walton, chairman, presided at the annual meeting of Crown Mines, Limited, in Johannesburg, on the 5th instant.

After reviewing operations, the chairman said that total profit for the year had been £627,053. Provisions in respect of silicosis outstanding liabilities had totalled £65,072, provision for taxation had accounted for £12,446, forfeited dividends refunded had amounted to £77,532 and dividends declared during the year had absorbed £518,684.

CHANGED FORM OF BALANCE SHEET

Shareholders would notice that the form of the company's balance sheet had been altered slightly to show as separate amounts certain items which in previous balance sheets had been grouped under one heading. Those items were: Shareholders' contingency reserve pending claims for dividends forfeited since 1939 as a result of conditions brought about by the war, creditors and provisions, and abnormal costs reserve (formerly reserve for renewals and replacements). In addition, comparative figures for the previous year were shown in the margins of the accounts.

Net capital expenditure on equipment during the year had amounted to £135,443. There had been, however, a credit of £301,760 in respect of sales of property, thus leaving a net credit of £166,317 on account of capital expenditure for the year.

At the last annual meeting reference had been made to the strike of European miners which had occurred during the early months of the year. That strike had extended from the end of January until the middle of March and had so affected operations at the mine that for the months of February, March and April the total working profit had amounted to only £299.

SHORTAGE OF LABOUR

The average numbers of European and native employees at work had shown a slight improvement over the period, but had been far below the requirements of the mine. That shortage of labour, which was common to most mines on the Witwatersrand, was responsible in a large measure for the curtailment

of operations at the mine and the consequent reduction in profits.

Development accomplished during the year had totalled 88,074 feet, which was an improvement of 1,398 feet compared with the figure for 1946. On the other hand, at 49,315 feet the footage sampled on the reef had been lower by 855 feet while the payable footage showed a reduction of 9,960 feet, with a slight improvement in the average inch-dwt value. Payable ore developed had amounted to 1,783,000 tons with an average value of 5.9 dwt per ton, which represented a decrease of 334,000 in tonnage and an increase of 0.6 dwt in value in comparison with relative figures for the previous year.

The available ore reserve as re-estimated at December 31, 1947, had been 10,146,000 tons, with an average value of 5.0 dwts over a stopping width of 47.5 inches. That was a decrease of 746,000 tons on the previous year's figure; the average value was greater by 0.1 dwt and the stopping width was 0.3 inch less. The continued decrease in ore reserve might be attributed to several causes, chief of which were the shortage of labour, lack of sufficient development ends and the decrease in payable development footage. The available ore reserve had decreased, by 11,194,000 tons since the end of 1939, and the number of stope faces available for production continued to be inadequate for the most economical working of the mine.

APPLICATION FOR FURTHER RIGHTS

As reported at the last annual meeting, an application had been submitted to the Mining Leases Board for undermining rights of an additional 992 claims, which would extend the southern boundary of the property to a point where it was estimated the vertical depth of the Main Reef Leader was approximately 10,000 feet below the surface. If that additional area was obtained it would enable development footage to be increased, provided there was sufficient improvement in the labour position.

Taxation for the year had amounted to £12,446, being a reduction of £458,767 on the figure for the previous year. That improvement was due to the decrease in profits and increase in the amortisation allowance to 22½ per cent. of the balance of unredeemed capital expenditure at the end of each year. That relief had been most welcome, and in existing circumstances with heavy capital expenditure still required to open up the reef at great depth, it appeared to be unlikely that the company would be subject to high taxation for some time.

Capital expenditure for the current year had been estimated at £360,000 and would be chiefly on account of the air-cooling plant at No. 16 shaft, winding equipment for underground incline shafts, and additional pumping equipment.

RESIGNATION OF MR JOHN MARTIN

At the close of the financial year under review, Mr John Martin, who had been a director of the company since July, 1926, and chairman since November, 1935, had tendered his resignation from the board and that had been accepted with great regret. Mr Martin's services to South Africa and the mining industry were well known and had been outstanding during the difficult times through which the company had passed. His sound judgment had been invaluable in the conduct of the company's business and his advice and guidance would be greatly missed by his colleagues on the board who wished to record their very high appreciation of Mr Martin's services throughout his long association with the company.

A report of the proceedings at the meeting would appear in the press and copies could be obtained by shareholders on application to the head office of the company in Johannesburg or to the London secretaries.

The report and accounts were adopted.

THE EMPLOYERS' ASSURANCE CORPORATION, LIMITED

RECORD FIGURES

The sixty-seventh ordinary general meeting of The Employers' Liability Assurance Corporation, Limited, was held in London, on the 19th instant, The Right Hon. Lord Courtauld-Thomson, K.B.E., C.B., the chairman, presiding.

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

The greater part of the enhanced figures arises from the natural growth of our business, but the balance is the consequence of the establishment of the new par of exchange for United States and Canadian dollars of \$4.03 to the £ in place of \$4.86. Our total premiums, at £12,727,990, showed an increase of £3,890,116 on the figures for 1946 and were the largest we have ever reported, even excluding the adventitious increase of £1,758,096 resulting from the revision in the rate of exchange. The increase comes to us from all parts of the world and from all our principal classes of business and represents to a considerable extent, particularly in the United States, the effect of increased rates on lines whose past results more than justified higher premiums.

The fire account continues to show considerable growth in volume, and the premiums of £863,795 were £194,869 in advance of those for 1946, but the profit of £37,642 did not at 4.4 per cent. reach the standard to which we have become accustomed. Greatly increased damage by fire has been the subject of much concern in many parts of the world.

The bulk of our business is, as usual, in the accident and general account, in which we had for 1947 a premium income of £11,864,195. There has been a distinct improvement in the experience of our casualty business in the United States, with the result that we are once again able to report a profit on the transactions included in this account, although it is a very modest one at £104,608.

THE PIONEERING SPIRIT

In the United Kingdom workmen's compensation assurance in its existing form will under present arrangements cease in July next, and I cannot let this occasion go without a word of regret at its passing. The Employers' Liability Act became law in 1880 and it was to provide an insurance service for the benefit of employers, who were thus faced with new liabilities, that the Corporation was then formed. As other countries in their turn passed similar legislation, so did the Corporation extend its activities and become the pioneer of employers' liability assurance in the United States and other places abroad, as it had been in the United Kingdom.

It is from this modest start, in one particular class of insurance and in an entirely new field, that the Corporation has grown to its present position in the insurance world, transacting, either directly or through its associated companies, every main class of insurance—fire, accident, life, marine and aviation. The pioneering spirit originally shown by our founders is still, we feel, part of our tradition, and we shall, I hope, ever be ready and willing to undertake fresh commitments or to break new ground.

Our associated company, The Clerical, Medical and General Life Assurance Society, has once more produced record results, with total new business of £4,456,923, an advance of £748,954 on the figures for 1946. The operations of The Merchants' Marine Insurance Company, Limited, continued on the more favourable lines evident in recent years, and The Aviation and General Insurance Company, Limited, is showing a similar development and operating on a profitable basis.

The report was adopted.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

DEMAND STILL EXCEEDS SUPPLY

PROFIT AND DIVIDEND

The twenty-first ordinary general meeting of Imperial Chemical Industries, Limited, was held in London on the 20th instant, the Right Hon. Lord McGowan, K.B.E., D.C.L., L.D., the chairman, presiding.

The following is an extract from his circulated statement:—

The year 1947 was a difficult one for production, and it was a tribute to the effective work of your company's employees that we were able, to a considerable extent, to meet the pressing demand for our products in spite of the difficulties of maintaining production at the highest level. The demand for many of our products has exceeded our ability to supply. In a number of cases we have been forced to introduce rationing schemes for the home trade. With the important exception of alkali, production of the company's major products was higher than in the previous year.

We are doing our utmost to maintain the company's direct exports at the maximum level, both for the sake of the balance of payments, and in order to keep in operation the extensive and valuable selling organisations which the company has built up in so many parts of the world. We estimate that, by volume, our direct exports in 1947 showed an increase of 26 per cent. over those for 1938. In spite of shortage of supplies, currency difficulties and related import restrictions, our overseas companies were, in general, able to maintain their trading activities at a satisfactory level, even in such countries as China, India and Palestine.

The construction of new plants proceeded as fast as the difficulties of the economic situation and the shortage of manpower and materials would allow. By prewar standards, however, the rate of progress has been painfully slow. In view of the importance of our products as basic raw materials for home industries, and also as direct exports, it is hoped that our rate of expenditure on new construction and equipment in 1948 will be somewhat higher than in 1947.

RESEARCH AND DEVELOPMENT

Research continued on about the same scale as last year, but the difficulties associated with the erection of new manufacturing units is leading to a change of emphasis. Rather more attention is now being paid to long-term projects, which are unlikely to lead to the construction of new plant for a number of years.

More time, too, is being devoted to the study of fundamental scientific problems, the solution of which can be applied to our chemical and metallurgical manufacturing processes at a later stage. The search for new therapeutic substances for the control of diseases, such as malaria and sleeping sickness, is being actively pursued. Our discovery of the anti-malarial drug "Paludrine" has received very welcome recognition. In the plastics field we are pursuing our development work on plastic optical components. We have increased our facilities for the experimental production and evaluation of new synthetic fibres, and our latest work on the polyester "Terylene," in which world-wide interest has been expressed, confirms its early promise. In the field of dyestuffs, we have made another important discovery in "Alcian" Blue.

During the year the company further developed its schemes for the education and training of all categories of employees. Relations with the trade unions have been maintained on the basis of a frank understanding of our respective problems.

Once again, we have every reason to be proud of the loyalty and zeal of our employees both at home and overseas and on your behalf, I should like to thank them all for their co-operation during the past year.

Total gross income for 1947 is £25,207,846 compared with £22,490,032 for 1946, an increase of £2,717,814, but if the amounts included in the respective year's income which belonged to previous years are adjusted the increase in gross income is nearly £4,000,000. The total consolidated sales turnover has risen from £118,000,000 in 1946 to £137,000,000 in 1947.

Net consolidated income is £8,290,859 for 1947 compared with £7,552,606 for 1946, an increase of £738,253, after providing in full for taxation to be borne by the companies concerned. Net income carried to the company profit and loss account is £7,646,933 for 1947 against £7,171,109 for the previous year.

The final dividend recommended on the ordinary stock of the company is 7 per cent., making with the interim dividend of 3 per cent., a total of 10 per cent. for the year. This is the same total distribution as for 1946 though for that year it was split as between a dividend of 8 per cent. and a bonus of 2 per cent. The board see no need to continue to declare part of the total dividend as bonus. The amount of £1,000,000 is appropriated to revenue reserve (general).

THE OUTLOOK

While I remain an optimist about this country's future I must emphasise the importance of facing squarely the grave difficulties which now confront us. Our Government has shed the easy optimism of its early days. Now I am thankful to say that greater emphasis is being placed upon hard facts, with much wider publicity. In the Economic Survey for 1948 the Government recognise that Britain—and the same is true of Western Europe—cannot by herself alone recover the prosperity of prewar days. Further substantial external aid was essential if we were to maintain our industries and no more than our present austere way of living. That aid has now come, in the enactment by the United States Congress of the European Recovery Programme.

The struggle to sell our goods overseas will become more and not less intense. The paradox of our position is that while our task abroad will be more arduous, at home we have a continuous pressure for higher incomes, more leisure, more amenities and better conditions. Our land and our manpower are limited. Unless we reason from the facts and mend our ways, we shall learn through bitter experience. This is the battle of output—quality output, competitive output. We can only cancel the losses we sustained by war by more and more productive power per man/year.

PRICE REDUCTIONS

It has been our policy throughout the war and since to keep our prices as low as possible. To comply with the wishes of the Chancellor of the Exchequer for a reduction in prices, we are in process of reducing our home prices for selected products with a view to achieving reductions which should amount to more than £1,000,000 over the next twelve months. On the other hand there will be increases in the prices of some of our export products. Despite all the uncertainties, I believe that so far as your company is concerned the coming year will find its productive resources fully occupied. I believe that we shall maintain and in some directions sharpen our competitive powers. There will be no slackening in our efforts to meet the demands that are made upon us.

The report was adopted.

BRITISH ENKA

RECORD PRODUCTION

The twenty-third ordinary general meeting of British Enka, Limited, was held in London on the 13th instant, Mr A. D. Carmichael presiding.

The following are extracts from the chairman's statement circulated with the report and accounts:—

The working profit for the year 1947 amounted to £348,361, and the net profit is £104,986. The board recommends a dividend on the stock of 7½ per cent., less income tax.

In February, 1947, we suffered a severe setback, caused through the fuel crisis. Despite this, we succeeded during the year in producing more yarn than ever before, and the directors consider the results very satisfactory.

EXPORTS

Nearly 40 per cent. of our product is exported either directly as yarn, or in fabric form. The rayon industry has been set one of the highest percentage export targets in the country for 1948, and I believe it will be achieved. It is important to recognise that the amount of imported raw material used in producing rayon yarn is very small, and that therefore exports of rayon goods are of the greatest value in providing foreign exchange. The excise duty was repealed in May, 1947, and the reduction in price was immediately passed on to our clients.

It has been a matter of concern that for a considerable time costs of labour and raw materials—pulp, chemicals, fuel, etc.—have been rising steadily.

If all goes well, the production from the new machinery should commence in the second half of this year. We can only, however, expect to feel the benefit in a limited way during 1948. The directors' proposals for completing the financing of this expansion will be put forward in due course. Demand continues good, both at home and abroad, and our expansion scheme should help us effectively to meet the competition which certainly will face us in the coming years.

INTIMATION FROM A.K.U.

Addressing the meeting, the chairman said: I have only one observation to add to my statement, which was circulated with the annual report. The item in the balance sheet as at December 31, 1946, of £146,445 for patents, secret processes and other rights at cost includes the consideration paid for certain long-term agreements with the Dutch company (A.K.U.) dealing with technical advice and the mutual disclosure of secret processes. Your directors have been advised that, as a result of the occupation of the Netherlands by the German Forces, some of these agreements may have been abrogated by operation of law on the ground that A.K.U. became a "statutory enemy." Pending clarification of this situation, which may involve the negotiation of new agreements, your directors have deemed it prudent to write down the value of these assets to £1, by the transfer of £49,651 from the special capital reserve which was created on the recent reduction of your company's capital, £51,399 from the share premium account and £45,394 from profits.

I have to report that early this week I received from the Dutch company (A.K.U.) an intimation that they had decided to discontinue rendering technical services to your company. My colleagues and I are giving careful consideration to the situation which arises as a result of this intimation and are discussing the matter with the Custodian of Enemy Property. I am sure that shareholders would not wish me to say more on this subject at today's meeting.

The report was adopted.

WILLIAM BEARDMORE AND COMPANY, LIMITED

AMPLE LIQUID RESERVES

Sir James Lithgow, Bt., the chairman of William Beardmore and Company, Limited, presiding at the company's annual meeting in Glasgow, on the 19th instant, stated that during the year under review the demand for all the company's commercial products remained strong. Conditions of uncertainty and frustration still obtain. It may well be that 1948 will be a year of disillusionment. Until the illusion of industrial prosperity by legislative action is dissipated it will be difficult for boards of companies to see clearly how best to conduct their affairs.

The recent Budget shows little signs of financial disillusionment. The transfer of the burden of taxation from the shoulders of those who have been accustomed to spend all they earn, or to earn only what they can spend, to the shoulders of those who by habit and instinct have been accustomed to save is not likely to check inflation. Capital punishment is no substitute for production encouragement.

A company which does its profit and loss account by drafts from reserves of the past and loans from competitors of the future cannot be in a position to maintain much less increase its dividends. That is what capital levy plus Marshall aid add up to.

An increase in our national production in the widest sense is our urgent need. Restrictions on output are an immediate obstacle. He hoped he saw signs of the exposure of a dangerous illusion. The public have been

led to believe that restrictions have been placed upon production as a matter of policy by organised industry. We are now being advised that trade unions are guilty of this practice.

CAUSES OF RESTRICTIONS

The restrictions from which we are suffering today arise from two main causes. In the first place, there is the natural instinct of the human being only to work his hardest when he feels the need to do so. In the second place, there is the organised restriction of output by associations of people who object to the more energetic being allowed to do more than their more easy going fellows, resulting in a dull mediocrity. Restrictions are defended by such people on the false grounds of spreading employment to avoid unemployment and of guarding against exploitation. Fear of unemployment is more likely to stimulate the individual to greater efforts to retain his job than to slacken to spin it out.

It can only be hoped that we do not require to wait until the miserable process of supply exceeding demand exerts the economic pressure associated with the old system which we all felt was capable of improvement in an enlightened and prosperous community.

After commenting upon the figures shown in the accounts and indicating the difficulty of making firm forecasts in regard to the future, the chairman concluded by stating: "Your company is in good shape and with its ample liquid resources is well able to maintain its outstanding position in its own particular trade, in addition to being well placed to take advantage of any opportunities that may arise for further expansion and development."

The report and accounts were adopted.

THE MERCHANTS' MARINE INSURANCE COMPANY, LIMITED

GROWTH OF PREMIUMS

The seventy-seventh ordinary general meeting of The Merchants' Marine Insurance Company Limited, was held on the 19th instant in London, the Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B., the chairman, presiding.

The following is an extract from his circulated statement:—

In reviewing our operations during 1947, it will be observed that the premiums shown in the Marine account amount to £460,470, an increase of £82,736 over 1946. The claims paid in respect of 1947 and previous years amount to £332,340 and, after transferring £10,000 to profit and loss, the Marine Fund is increased to £686,985, which represents 149.2 per cent. of the premium income. The premiums in the Fire and General account amount to £85,768, an increase of £25,288, and the profit of £5,997 has been transferred to profit and loss account. The balance at the credit of the latter amounts to £30,512 and, after making provision for taxation, there is a balance of £25,512, which we carry forward.

The growth of our Marine premiums is not due to any increase in the rates of premium for the risks underwritten but mainly to greater volume of business transacted due to the derequisitioning by the Ministry of Transport of vessels previously uninsured, the general recovery in world trade and the greatly increased income from our agents abroad.

During the past year the Marine insurance market has shared with the rest of industry the difficulties of the world situation but, whatever the problems of the future may be, I am confident that the initiative of the British insurance market will, as it always has done, prove equal to the tasks it is set.

The report was adopted.

GOVERNMENT RETURNS

For the week ended May 15, 1948, total ordinary revenue was £55,705,000 against ordinary expenditure of £29,649,000 and issues to sinking funds £230,000. Thus, including sinking fund allocations of £1,004,000 the surplus accrued since April 1st is £146,613,971 against £167,602,655 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to May 17, 1947	April 1 to May 15, 1948	Week ended May 17, 1947	Week ended May 15, 1948
ORDINARY REVENUE					
Income Tax	130,915	117,270	129,023	10,420	13,195
Sur-tax	90,000	7,870	12,750	1,000	1,050
Estate, etc., Duties	160,000	21,518	23,950	5,348	4,200
Stamps	55,000	5,670	7,900	1,000	1,300
Profits Tax	250,000	3,715	11,400	750	1,000
P.T.	1,000	27,760	25,400	3,550	2,900
Other Inland Rev.	1,000	60	50	5	...
Special Contributions	50,000	...	...	...	...
Total Inland Rev.	191,510	183,815	210,473	22,073	23,645
Customs	820,600	104,122	105,272	19,386	16,898
Excise	726,550	77,500	113,200	5,700	12,400
Total Customs & Excise	1,547,150	181,622	218,472	25,086	29,298
Motor Duties	50,000	4,897	3,306	308	100
Surplus War Stores	102,000	8,503	1,196	...	68
Surplus Receipts from Trading	57,000	...	4,560	2,200	1,800
P.O. Net Receipts	11,000	800	800	...	...
Wireless Licences	1,000	160	160	...	...
Crown Lands	1,000	...	...	...	...
Receipts from Sundry Loans	14,000	109	1,920	64	284
Miscellaneous Receipts	68,000	116,139	11,248	21	511
Total Ord. Rev.	3,765,300	499,343	452,134	49,752	55,705
SELF-BALANCING					
Post Office	150,200	15,700	16,600	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,132	931	386	162
Total	3,931,500	519,175	469,665	52,038	57,867

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to May 17, 1947	April 1 to May 15, 1948	Week ended May 17, 1947	Week ended May 15, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	69,791	67,126	1,135	1,349
Payments to N. Ireland	26,000	1,393	1,529	...	...
Other Cons. Fund Services	8,000	286	293	...	...
Total	534,000	71,470	68,948	1,135	1,349
Supply Services	244,167	259,112	235,568	41,700	28,300
Total Ord. Expd.	297,567	330,581	304,516	42,835	29,649
Sinking Funds	...	...	1,004	...	230
SELF-BALANCING					
Post Office	150,200	15,700	16,600	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,132	931	386	162
Total	3,141,879	350,413	323,051	45,121	32,041

After decreasing Exchequer balances by £297,622 to £3,088,111, the other operations for the week decreased the gross National Debt by £4,572,685 to £25,661 million.

NET RECEIPTS (£ thousand)		
Land Settlement (Facilities) Acts, 1919 and 1921	15	
Housing (Scot.) Act, 1944, sec. 4 (5) and Housing (Fin. Prov.) (Scot.) Act, 1946, sec. 13 (2)	14	
	29	

NET RECEIPTS (£ thousand)		
Land Settlement (Facilities) Acts, 1919 and 1921	15	
Housing (Scot.) Act, 1944, sec. 4 (5) and Housing (Fin. Prov.) (Scot.) Act, 1946, sec. 13 (2)	14	
	29	

What's Your Opinion of the British Press? What would you say to the Royal Commission? All thinking critics should read the background story of newspaper development since appearing only in "The Press, 1898-1948," on sale in newspapers, price 2s. 6d., or post free from "The News" Bouvier House, Fleet Street, London, E.C.4.

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Treasury Bills	Nat. Savings
24% Def. Bonds	3% Def. Bonds
Ways & Means Advances	3% Conv. Loan
	1948-53
	Tax Reserve Certs.
	Other Debt:—
	Internal
	External
	Treasury Deposits
21,955	26,528

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
May 17	2190-0	2627-1	348-0	5-25	1463-5	6633-8
1948						
Jan. 31	2190-0	2357-3	371-3	...	1329-5	6248-1
Feb. 7	2170-0	2351-5	301-6	...	1329-5	6152-6
" 14	2160-0	2307-4	366-4	...	1274-5	6108-3
" 21	2160-0	2346-8	447-6	...	1236-5	6190-9
" 28	2160-0	2342-4	492-7	2-5	1201-0	6198-6
Mar. 6	2160-0	2667-5	446-3	...	1259-5	6533-3
" 13	2160-0	2692-2	416-7	6-0	1239-5	6514-4
" 20	2160-0	2712-5	403-8	20-5	1249-5	6546-3
" 31	4910-2	...	534-8	6-0	1291-0	6542-0
Apr. 10	2160-0	2752-0	328-9	...	1326-5	6567-4
" 17	2160-0	2750-0	324-4	...	1340-0	6574-9
" 24	2170-0	2716-9	322-5	...	1319-5	6558-9
May 1	2180-0	2689-3	322-9	...	1346-5	6538-7
" 8	2200-0	2643-2	310-2	...	1346-5	6499-9
" 15	2210-0	2643-5	301-0	20-3	1326-5	6501-3

TREASURY BILLS

INVESTMENT IN THE YEAR 1947-48					
Rs. in millions					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1947					
May 16	170-0	281-2	170-0	10 1-62	49
1948					
Feb. 13	160-0	240-2	170-0	10 0-92	67
" 20	170-0	266-0	170-0	10 0-16	52
" 27	170-0	236-8	170-0	10 2-41	68
Mar. 5	170-0	292-7	170-0	10 1-10	40
" 12	170-0	286-3	170-0	10 1-48	45
" 19	170-0	266-5	170-0	10 1-74	54
" 25	170-0	300-5	170-0	10 2-87	30
Apr. 2	170-0	295-1	170-0	10 2-49	42
" 9	170-0	291-2	170-0	10 2-62	44
" 16	170-0	267-8	170-0	10 3-15	55
" 23	170-0	289-1	170-0	10 2-51	42
" 30	170-0	287-9	170-0	10 1-34	45
May 7	170-0	290-3	170-0	10 1-24	43
" 14	170-0	290-7	170-0	10 1-36	45

On May 14th applications for bills to be paid on Tuesday, Wednesday, Thursday and Friday were accepted as to about 45 per cent of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. (£170 million (maximum) of Treasury Bills are being offered for May 21st. For the week ended May 22nd the Banks will be asked for Treasury deposits to the amount of £60 million (maximum).

NATIONAL SAVINGS

	Week Ended		Totals Apr. 1 to May 8, 1948
	May 10, 1947	May 8, 1948	
Savings Certificates:—			
Receipts	4,500	2,300	14,150
Repayments	1,950	1,900	12,900
Net Savings	2,550	400	1,250
Defence Bonds:—			
Receipts	2,140	760	4,935
Repayments	1,092	1,042	5,291
Net Savings	1,048	Dr. 282	Dr. 356
P.O. and Trustee Savings Banks:—			
Receipts	14,100	13,746	70,324
Repayments	11,950	11,367	64,067
Net Savings	2,150	2,379	6,257
Total Net Savings	5,748	2,497	7,151
Interest on certificates repaid	390	342	2,228
Interest accrued on savings remaining invested	2,263	2,321	12,468

BANK OF ENGLAND

RETURNS

MAY 19, 1948

ISSUE DEPARTMENT

Notes Issued:—		Govt. Debt	
Circulation	1249,100,229	Govt. Debt	11,015,100
In Bank, Department	51,147,604	Securities	1288,242,125
		Other Secs.	737,711
		Coin (other than gold)	5,064
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1300,247,833

BANKING DEPARTMENT

Capital		Govt. Secs.	
.....	14,553,000	Govt. Secs.	353,019,291
Res.	3,374,331	Other Secs.:-	
Public Depts.	8,484,143	Discounts	9,967,418
		Advances	20,967,812
Other Depts.:		Securities	
Bankers	317,282,477		
Other Accts.	91,922,666		
	409,205,143	Notes	61,147,604
		Coin	514,492
	435,616,617		435,616,617

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

COMPARATIVE ANALYSIS

	(£ million)			
	1947	1948		
	May 21	May 5	May 12	May 19
Issue Dept.:				
Notes in circulation	1390-6	1242-9	1247-3	1249-1
Notes in banking department	59-6	57-3	52-9	51-1
Government debt and securities*	1449-3	1299-2	1299-2	1299-3
Other securities	0-7	0-8	0-8	0-7
Gold	0-2	0-2	0-2	0-2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
Banking Dept.:				
Deposits:				
Public	13-7	20-9	8-6	8-5
Bankers	292-6	299-6	311-5	317-3
Others	95-8	92-0	92-4	91-9
Total	402-1	412-5	412-5	417-7
Securities:				
Government	329-8	321-2	344-3	353-0
Discounts, etc.	11-5	14-8	9-2	10-0
Other	17-8	36-3	23-3	21-0
Total	359-1	372-3	376-8	384-0
Banking dept. res.	60-9	57-9	53-6	51-7
"Proportion"	15-1	14-0	12-9	12-4

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

GOLD AND SILVER

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

	SILVER			GOLD
1948	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
May 13..	d. 45	c. 74½	Rs. 178 6	Rs. 117 10
" 14..	45	74½	178 2	117 11
" 15..	Markets	Closed	175 4	116 12
" 17..	" Closed	74½	172 8	116 5
" 18..	45	74½	173 8	116 15
" 19..	45	74½	171 9	116 2

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

OXFORD University Delegacy for Extra-Mural Studies. Summer School for overseas graduates on "European Civilisation in the 20th Century," in Oxford Colleges, from July 2nd to August 13th. Seminars in Literature, Philosophy, Politics, Economics. Few places available for British graduates. Further particulars from Supervisor of Studies, O.U. Delegacy for Extra-Mural Studies, Rewley House, Wellington Square, Oxford.

UNIVERSITY OF READING

DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited from graduates for the post of Agricultural Economist and Assistant Agricultural Economist. Salaries according to the Ministry of Agriculture's scale for the Provincial Agricultural Economic Service.

Applications to be made not later than the 30th May, 1948, to The Professor of Agricultural Economics, University of Reading, 7 Redlands Road, Reading, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

COLEG PRIFATHROFAOL DEHEUDIR CYMRU A MYNWY.

Applications are invited for a Research Fellowship in Industrial Relations. The holder of the Fellowship will be expected to undertake study and research in Industrial Relations, Organisation, and Administration, and will also be required to undertake limited teaching duties in the Department of Industrial Relations. The Fellowship will be tenable from October 1st, 1948, for one year, but may be renewed for a further two years. The value of the Fellowship will be £400 p.a. Applications should be addressed to the undersigned not later than June 21, 1948.

(Signed) LOUIS S. THOMAS,
 Registrar.

Cathays Park, Cardiff.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

Applications are invited for the post of Assistant Lecturer in Economics (initial salary £450), or Lecturer in Economics, salary on the scale £500-£750 according to qualifications and experience. Applications should be sent to the Registrar, from whom further particulars may be obtained, not later than the 31st May, 1948.

RESEARCH OFFICERS IN SOCIAL AND ECONOMIC PROBLEMS

The Crawley Development Corporation invite applications from persons with suitable practical experience and academic qualifications, which should include a knowledge of statistics, for two posts, one senior and one assistant, which are in the first instance expected to continue for two years. Applications, giving full particulars and salary required, should be addressed to the Chief Executive, Crawley Development Corporation, 13, Grosvenor Square, London, W.1, so as to be received by first post on Monday, May 31st.



New Business Contacts

With its wide network of Branches, The Union Bank of Australia is able to give the fullest assistance to those seeking to establish new business relationships in Australasia. If desired, visitors so interested will be put in touch with importers and exporters of standing.

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THE VICTORIA FALLS AND TRANSVAAL POWER COMPANY, LIMITED

The Directors of the above Company make the following announcement. The negotiations which were mentioned by the Chairman at the last Annual General Meeting for the transfer of the ownership of the Company's undertaking in the Union of South Africa to the Electricity Supply Commission there have progressed to the point at which the terms of transfer may soon be embodied in a formal contract. This is now being drafted and will, when approved by the Electricity Control Board, be executed, provide for the final transfer being effected on June 30, 1948. The Directors anticipate with the information now available that in the winding up which will follow the transfer the Ordinary Stockholders should receive not materially less than the present market price of their holdings.

At the earliest date the Board will forward a communication to all Stockholders.

HEMEL HEMPSTEAD DEVELOPMENT CORPORATION

Applications are invited for the appointment of Senior Assistant (Research) in the Public Relations Department. Applicants should have had practical experience of social and statistical research into problems related to town planning and town development. B.Sc. desirable but not essential. The post will be under the supervision of the Public Relations Officer with considerable freedom of initiative. Commencing salary according to qualifications and experience within the range £550-£750 per annum. Some form of contributory superannuation will be provided. The person appointed will be required to work at the Development Corporation's office at Hemel Hempstead, and to reside in the locality. Applications giving particulars of age, qualifications and experience, together with the names of three persons to whom reference can be made, should be made in writing to the undersigned and endorsed "Research Assistant," to arrive not later than 7th June, 1948.

Westbrook Hay,
 Hemel Hempstead, Herts.

W. O. HART, General Manager.

LANCASHIRE COUNTY COUNCIL

COUNTY PLANNING DEPARTMENT

Applications are invited for the post of Assistant Planning Officer (Research) in the County Planning Department, at a salary of £1,060 rising by annual increments of £50 to £1,310 a year.

Candidates should possess a University Degree to the standard of first-class honours preferably in geography or economics, and should be fully versed in the problems arising from town and country planning. Experience in connection with the preparation of planning schemes or with a Government Department or planning authority will be an advantage.

The officer appointed will be on the headquarters staff at Preston. The appointment will be subject to the terms and conditions of the National Joint Council and to the Local Government Superannuation Act, 1937.

Testimonials are not required, but applicants should give the names of two persons who can testify to their character and ability.

Applications stating age, qualifications and experience should be received by the undersigned not later than Saturday the 29th May, 1948.

R. H. ADCOCK,
 Clerk of the County Council.
 County Offices, Preston.
 May 6, 1948.

OTHER NOTICES APPEAR ON PAGE 862.

THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

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The Economist

May 29, 1948

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War by Proxy?

SUDDENLY, in the last ten days, the coherence and good sense of Western diplomacy, which had increased steadily in the last year, have been shattered. Since Mr Marshall's Harvard speech in June, 1947, a pattern of policy has been emerging in the Western world which carries with it the hope of stability and peace. It has aimed at the close collaboration of the United States with the sixteen nations of Western Europe in European reconstruction. It has aimed at a concerted attitude towards Russia compounded of strength and reasonableness. It has within it the germ of a wider collaboration, the collaboration of the whole non-Communist world, first to achieve balance and equilibrium with the Soviet Union and later, on the basis of the new equilibrium, to seek possibilities of contact and collaboration.

In all this, the fact has emerged more and more clearly that a close Anglo-American partnership is the condition of all the rest. Without it, there could be no genuine co-operation in Western Europe, no hope of a world-wide consolidation of the forces of free men; and it is precisely at this central pillar of stable and successful Western diplomacy that the events of the last two weeks have dealt so violent a blow. Since the outbreak of war in Palestine, a tornado of unreason has unleashed itself on the relations between Britain and the United States. In New York and in Congress strident voices accuse the British of every kind of perfidy for their—supposed—determination to back Arab against Jew. In Britain, the inevitable reaction of anger and obstinacy has set in and, as tempers rise and irrevocable things are threatened, the main purposes of both American and British foreign policy are lost to sight.

For let there be no doubt about the consequences of the present crisis. If it is allowed to develop unchecked, the Americans will raise their arms embargo in order to supply the Jews with weapons; and if Britain continues to fulfil its contracts to the Arabs and to maintain its special relationship with the military forces of King Abdullah, Britain and America will, in effect, be fighting each other by proxy in the Middle East. Such a situation will instantly affect the wider field of foreign policy. If the British and the Americans fight each other in Palestine, they will not collaborate anywhere else. It may be that Zionist opposition can hardly prevent the passage of appropriations under the European Recovery Programme this year. But there are three or four more appropriations to come before the full four years of the Plan are accomplished. Their chances would be slender indeed if last week's anti-British bitterness in New York and Washington were to be fanned month after month by a continuing "Anglo-American" war in Palestine. Under these conditions, the policy of rebuilding Western Europe would, of necessity, peter out. With equal necessity, a failure in Western Europe would end all hopes of collaboration in other continents. The Soviet Union, as *tertius gaudens*, would once again face a Western world impoverished, disorganised and, above all, bitterly and hopelessly divided against itself.

Such an outcome to the present trend of events is at once so possible and so sinister that there can be only one aim in Anglo-American diplomacy—to stop the drift at all costs. This is no time for polemics.

It is obvious that President Truman is irresponsibly playing domestic politics. It is notorious that sections of the Foreign Office are strongly pro-Arab. But it is no use concentrating on these irrational factors if a crisis is to be checked which emotion and unreason have already carried almost beyond cure. The question now is not to decide who is right but how to avoid irreparable damage to Anglo-American relations.

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The first problem is to enter into the closest and most direct consultation that can be achieved with the United States Government. To those who protest that nothing can be achieved with a vacillating White House, the answer must be that there are other elements in the making of American policy, notably the State Department, and that the accident that during this crucial fortnight Britain has been without an Ambassador in the United States has undoubtedly helped to widen the breach between London and Washington. This is the more unfortunate in that many American officials inside and outside the State Department are aware of the dangers of the President's partisan politics. The national interest of the United States demands that the Arab lands, in which lie the world's oil reserves, strategic positions of vital importance, and landing rights of the great airways, should not be driven into implacable hostility. American officials are aware of the fact that, in proposing action under Article 39 of the Charter of the United Nations, their Government has gone much too far and may, if a method of retreat is not worked out, find itself obliged to propose economic sanctions against the Arab States—thus jeopardising Western Europe's oil supplies under ERP—and even to propose military action against the Arabs. There can be no doubt that a section at least of the American Government is seeking to withdraw from its present exposed position. It is with this group that the British Government can make its first efforts to retrieve the Palestine situation.

A second possible point of contact is at Lake Success. Opinion in this country underestimates the hold of the United Nations on the imagination of the American people, and probably the only way in which the volatile President could be constrained to pursue a consistent line would be if that policy had been worked out and agreed within the Security Council, and had on it the official stamp of the United Nations.

But even if there are points at which close consultation between Britain and America can be initiated, the question remains whether there is a single policy upon which both sides can agree. There appear to be only four possible outcomes in

Palestine. The first is that Arab and Jew should negotiate and agree without outside intervention—which is ruled out. The second is that the Great Powers should intervene to impose a settlement—but none of them, with the possible exception of Russia, is prepared for such a direct intervention and there is no agreement on the settlement that should be imposed. The third—the infinitely dangerous situation which exists today—is that the fighting will continue, different Great Powers supporting different sides as they did in Spain. The fourth is an agreed and vigorous attempt to localise the fighting, to prevent all outside intervention in the hope that, in the shortest space of time, a balance of forces will emerge in Palestine itself. Clearly it is only in this fourth alternative that any hope of an agreed Anglo-American policy can be sought.

In this search to localise the struggle by achieving Great Power neutrality, the British might well take the first step. Nominally, the United States is neutral so long as it continues to maintain its arms embargo. Britain is the Power which today, through its Arab contracts and subsidies and its officers and military missions involved in the Arab war effort, at least appears to break the strict letter of neutrality. The only hope of securing a continuance of American neutrality lies in a decision by Britain to suspend its military commitments to the Arab States that are involved in the fighting in Palestine, and thus to make its own total withdrawal from the Palestine conflict clear beyond doubt. If Britain took the initiative in proposing a general arms embargo, a general agreement on non-intervention and a general convention on the status of volunteers serving on either the Jewish or the Arab side in Palestine, it is likely that the Americans would agree to negotiate, and it is possible that the Security Council would snatch at the chance of agreement after the futilities of the last weeks.

It is not easy for the British to take the first step. Their friendship and their treaties with the Arabs are of long standing. The blame for developments in Palestine can legitimately be laid in large part at the Zionist door, and it is the Zionists that are now using every device of insult and vilification to shift the responsibility solely on to Britain. In these circumstances, patience and reason tend to be at a discount. But the first aim of all diplomacy must surely be to see that the lesser interest does not dwarf the greater. To propose general neutrality in the present conflict may involve Britain—and America—in some sacrifice of past relationships and future hopes of oil and bases. Yet can this on balance be set against the supreme objective of maintaining Western solidarity and securing its base in close Anglo-American relations?

Commonwealth and Western Union

EVEN before General Smuts gave his broadcast last Sunday, there were big ideas in the air about the role that the nations of the British Commonwealth and of Western Europe might play if they organised themselves as a third world power. Americans had discussed with Canadians and Belgians the idea of an Atlantic union or community, stretching from the North Cape to the Cape of Good Hope. Mr Bevin had told the Labour Party conference that his policy was to "harness the Commonwealth and those overseas territories for which we are responsible to the skill, ability and productive capacity of the West." Mr St. Laurent had expressed the Canadian hope that a "collective security league of free states might grow out of the plans for Western Union" now maturing. And General Smuts himself had already sketched out his vision of a "super-group" of nations which might hold the balance of power in the global rivalries of the Soviet Union and the United States. There would thus seem to be a powerful reaction away from the hesitations that the proposals for Western Union had earlier

awakened, from the timid idea that the Commonwealth tie might be a leash around Britain's neck in its leadership of Western Europe and from its equally timid counterpart, the fear that British commitments to Western Europe might loosen the bonds of the Commonwealth. To these ideas there is succeeding the bolder and more fruitful conception that an association between the United States, Britain, the Commonwealth and Western Europe can be achieved through new and existing regional arrangements for security, trade and political collaboration.

This horizon-scanning by Commonwealth statesmen can of course be harmful as well as useful. It is good that people in Britain and the Dominions should be made to think—if only for a moment—about the new power relationships of the post-war world, and about the effort that must be made by the British and their allies if America and Russia are not indefinitely to stand face to face in a broken Europe. On the other hand, it is bad that every fresh sweep of the horizon, every speech

on bold and imaginative lines should be allowed to distract officials and ministers from the need to make the practical decisions and plans of which policies are formed. To expatiate on ways of organising power is no substitute for its exercise. It will be bad too if statesmen in Europe and the Commonwealth should think that it is the main purpose of such declarations to *épater les Communistes*, and that it is not necessary for fine phrases to have any practical meaning. Yet on balance it is a good thing that, within the space of six months, Mr Bevin and five Dominion statesmen have either approved, or developed, or analysed, the basic idea of present British foreign policy: that there must be built up between America and Russia—and against neither—a new world power built around Britain's position within Western Europe and within the Commonwealth.

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It would be a mistake, nevertheless, to imagine that all is now plain sailing for the United Kingdom as between the two concepts of Commonwealth and of Western Union. An atmosphere of good will has been created, but the practical problems remain. Those problems are of two kinds, corresponding to the two purposes that Western Union is intended to achieve. In its political and strategic aspects, Western Union involves wider and more explicit commitments by the United Kingdom than have ever been given before, and the Dominions wonder how far they too will be morally and contingently committed, and whether Britain is going further than they would wish to follow. And on the economic side, they ask whether the "integration" of Western Europe is going to cost them the favoured position they have hitherto enjoyed in the British market.

The strategic argument should not be too difficult to resolve. The Dominions' hesitation is natural. Though they would always accept the logic of the argument that Great Britain cannot dissociate itself from what happens in Western Europe, and though they were willing, twice in a generation, to spill their blood in a quarrel that started in Europe, nevertheless, distance alone is sufficient explanation for their tendency, at any one moment, to wish to stand aloof from the problems of Europe. There were no more enthusiastic supporters of the prewar British policy of refusing commitments and appeasing the dictators than the Dominion Governments. It is an attitude which has flourished for centuries in Great Britain itself and is not yet dead—"we know we cannot keep out in the end, but we will make up our minds about it when the time comes." In Australia, this general instinctive feeling is reinforced by another no less natural tendency to require that the Pacific should receive some of the thought and of the resources that are devoted to Europe.

But, though these feelings are natural, they will all give way to the manifest fact that the greatest dangers to the world's

peace, and to the security of the Commonwealth, are in Europe. Nobody can really argue that the Brussels Pact creates a commitment that did not exist before. It formalises the oldest and most permanent commitment in British foreign policy. It does not create new tasks for Britain so much as create means whereby an existing task can be more efficiently discharged. Moreover, if some closer defence association in Western Europe is—as it appears likely to be—a stepping stone to an American underwriting of the commitment, the last hesitations ought to disappear.

There is, in fact, no reason to suppose that the Dominions do not heartily approve of the Brussels Pact. This is not to say for a moment that they would join the Pact, open though it is to them. Written commitments in Europe are as far from their thoughts as ever they were. The development and interweaving of regional security schemes which might involve them in such commitments still lie beyond the range of present debate. Canada has military obligations to the United States under the North American Defence Pact of 1940. Australia and New Zealand are bound together by their Pacific defence agreement of 1944. Otherwise the British Dominions have no military commitments beyond their own immediate spheres of interest. Their defence policies still rest on the tacit assumption that a united Commonwealth would resist aggression against any member of it. The form that assumption takes has somehow to be understood and accepted by those continental peoples with which Western Union is to be achieved, and they should note that it was defended again recently by the Canadian Minister of External Affairs, Mr. St. Laurent, who said:

We should continue to resist, as in the past, efforts to reduce to formal terms or specific commitments this association, which has demonstrated its vitality through the common understanding on which it is based.

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The economic argument is more difficult. The Dominions now enjoy a preferential status in the British market which has been of great value to them in the past and will be so again when markets, rather than sources of supply, once more become a matter of major concern. (It should not be forgotten that the United Kingdom also enjoys preferences in the Dominions and would not like to have to forgo them.) Clearly, the value of any preference is lessened if it is diluted; more than this, in some instances it is precisely against the products of the countries of Western Europe that the imperial preference has hitherto been of greatest value. Nevertheless, it should not be by any means impossible to devise means whereby Great Britain can play a real part in the closer economic association of Western Europe, without doing harm to any of the important economic links of the Commonwealth. There are a number of commodities that no Commonwealth country produces, or would export to Great Britain, where a preference could be given to Europe. A preference on steel, for example, in some

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or all stages of manufacture, might play an important part in European integration, and would injure no Commonwealth interest. Even where there is a direct clash of interests—as in bacon and butter, for example—there may be ways and means of adjustment through the device of bulk purchasing. The Dominions might be content to share their preferential status in the British market if they were promised an assured market either for stated quantities or for stated proportions of total British imports. Observers from the Dominions have been present at the discussions of the customs union study group set up as part of the OEEC organisation and once they have convincingly reported to their governments that there is no thought in London of abandoning the Dominions for new loves across the Channel, these practical measures can be worked out. It may not in every respect be easy for Great Britain to be a member of both clubs without disloyalty to either. But there is no reason why it should be regarded as impossible.

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There is no doubt that misunderstandings and suspicions of this kind can only be cleared up in direct conversations between British and Dominion Ministers. Present methods of consultation in London are no substitute for the kind of personal exchanges which, say, Mr Chifley would wish to have with Sir Stafford Cripps. But the most urgent reason for beginning such direct conversations is that ideas in Whitehall about Western Union—even about the implementation of the Brussels Pact—are far less clear and advanced than Dominion cabinets imagine. And a major reason for this state of affairs is the opinion, so often heard in London, that progress must only be made at the pace of the slowest Dominion.

Mr Attlee has recognised the need of direct consultation, and efforts are now being made to assemble a Commonwealth conference before the year is out. Presumably it will be preceded by bilateral talks and by the most careful preparation: if not, it will raise more difficulties than it will settle. For 1948 is no

ordinary year in Commonwealth history. Ceylon has become and will remain a Dominion. India and Pakistan will decide this year whether they will retain the Dominion status they have enjoyed for ten months. Whatever their decision, the new situation in the Indian Ocean—the last preserve of the *pax Britannica*—would call for a conference of Commonwealth ministers on diplomatic relations, on security, on defence, and on communications. And if India and Pakistan did decide to remain Dominions, their policies and problems alone would test fully the good temper and flexibility of the present Commonwealth relationship. It would seem inadvisable therefore that this particular set of problems and that which concerns Britain's new policy in Europe should be tackled simultaneously in a full Commonwealth meeting. Whereas a start can be made now with the problems of Western Union, nothing can be done about the others until India and Pakistan have made and executed their decisions for the future.

It seems probable that these two tests of Commonwealth statesmanship will in fact be kept separate, and there is no doubt which should have priority. A decision on the Commonwealth attitude and contribution to Western Union and a clarification of Britain's interpretation of these words are both most urgently needed. Critical months lie ahead. It is possible—indeed probable—that Russian policy will cease for a time to provide that impetus of fear which has driven Western governments so hard in the past winter. It is of the utmost importance that British and Commonwealth policy for western Europe should become single-minded, explicit and determined. For there are doubts on the Continent and in the United States about Britain's capacity to play convincingly the dual role which events are thrusting on it. A clear vote of confidence in Western Union from the Ministers of the British Commonwealth would enormously strengthen Mr Bevin's position, remove the main grounds for the diffidence of his advisers, and—most important of all—convince the United States that its money is on a winner.

Long-Term Economic Problems—III

Capital Shyness

THE first article in this series argued the thesis that the British economy, if it is to be solvent and progressive, needs to secure a considerable increase in its rate of capital creation. But the second article pointed to the major difficulty in the way of such an increase—the fact that the rate of savings, already lower before the war than would be necessary to sustain an adequate rate of capital creation, will almost certainly be discovered, when the transition from war to peace is completed, to have been still further reduced.

In this third article, another order of difficulties will have to be examined. Even if the savings were forthcoming, it cannot by any means be taken for granted that they would actually be used to finance the creation of productive capital equipment. Low as the prewar rate of savings was, it still tended to be more than adequate to cover the volume of capital creation that was actually undertaken. Moreover, of the capital investment that was undertaken, an impartial observer from outside would almost certainly say that too high a proportion consisted of forms of capital that are not directly productive. Houses and public buildings, though desirable things to have, contribute very little, or only indirectly, to increasing the material output of the nation. Highways are a little better in this respect; but the really productive investments are those in industrial plant and equipment, and of this kind of capital creation there was lamentably little before the war. Clearly, there would be no point, and much positive harm, in trying to in-

crease the rate of saving unless the willingness to invest the national savings in productive capital increased with it. No amount of demonstration on paper that the national interest requires more capital will achieve anything until there is some change in the circumstances, whatever they were, that kept the willingness to use capital in productive investment down to such low levels in the inter-war years.

Why was there so little productive capital investment before the war? Why were the managers of industry so reluctant to use even the inadequate flow of savings available to them, whether from the thrift of the general public or from their own undistributed profits and depreciation funds? The proximate answer is that they did not find it worth while, and since British industry before the war was almost entirely in private hands, this can only mean that the profits to be derived from capital creation did not sufficiently outweigh the risks. But this does not really make any progress in answering the question; it merely repeats it in another form. Why was British industry so capital-shy? Why was it content to allow its technical standards to decline so badly, as it is now recognised that they did?

In some part, the answer must be found in the attitudes and aptitudes of the managers themselves. Undoubtedly, between the wars, depression and slump-mindedness fed upon each other. The typical British industrialist came to believe that there was no expansibility in his market, that he was living in a static economy. The factor that the academic economists

call the elasticity of demand was almost banished from the calculations of business men. Yet it is the great dynamic factor of any economy and most of the great forward bounds of industrial productivity have been taken when some pioneer was willing to explore the response that the market would make to better products offered more cheaply. Clearly any economic system that is settling down to a static fatalism has very little occasion to discover better ways of making things and very little use for new equipment so long as the old equipment will hang together. Moreover, the progressive banishment of competition from British industry, the gradual spread of cartel-mindedness, powerfully reinforced the same tendency. In a competitive industry, any pioneer who re-equips his plant and explores the expansibility of the market can make all his competitors follow suit—or go out of business. In a cartelised economy, he can be brought to book and compelled to toe the line. Any competent accountant will always be prepared to demonstrate that it cannot possibly pay to instal a new machine, since it would have to bear not only its own capital charges but also the unamortised cost of the machine it replaces. The doctrine that progress does not pay attained an astonishing dominance in the inter-war years; Lord Stamp was particularly fond of expounding it. And where he led, who can blame the ordinary industrialist for following suit? He would read his accountant's memorandum, turn the machinery salesman away without an order, and insist on his trade association fixing prices that would cover the costs of continuing to produce on old machines. There is perhaps an element of caricature in this picture; but not a large one. It is certainly true that if the British economy between the wars had been a competitive one, it could not possibly have afforded to neglect its equipment as it did. Nor perhaps could it have neglected as badly as it did the methods of recruiting and training its industrial managers. Quite a large part of the backwardness of British industry is due to the fact that large sections of it do not know what good management is or what a good manager looks like. How can a firm keep up to date when none of its directors understands its own technology?

The managers of industry carry the major responsibility and it is therefore right that their own defects should be put at the head of the list. But they could very justly retort that, even when a good manager appears in British industry, he is not given a fair chance either by the state or by the trade unions. The tax collector was never willing, throughout the inter-war years, to permit the depreciation of plant at anything like the speed that is technically desirable. And the trade unions have consistently used their power to slow down the rate of technical progress. This they have done in two ways. The first is either to put an absolute veto on labour-saving machinery (and what new processes are not labour-saving in their first impact?) or else to deprive it of all purpose by insisting that just as many men shall be employed with the new machine, even if they have to idle all day long, as were needed with the old. The second is by refusing to allow expensive machinery, new or old, to earn its keep by being worked more than one shift a day. The intensity of these prejudices has varied from industry to industry and from time to time. Patient negotiation can usually soften them; but the process is very slow and difficult, and it imposes a very severe brake on technical progress and productive capital creation.

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Most of the reasons for capital shyness sketched above arise from the mental attitudes of different sets of people. They are a reflection of the general atmosphere of genial indifference to efficiency that pervades British industry; the roots of them are psychological and imponderable. This makes it very difficult to find any purchase for specific acts of public policy designed to correct the situation. Where the difficulty lies in public psychology and industrial atmosphere, there is little that

can be done by Acts of Parliament or administrative orders. This does not mean that nothing can be done. The Income Tax Act of 1945 was only a beginning of the necessary reform of the tax structure, and the next instalment is badly overdue. This year's Monopoly Bill may provide some raw material for the re-education of industry and the public.

But these and other such contributions, though hardly small, will be slow in their action. Can the state do anything else to increase the demand for savings—always supposing an adequate supply to be available? It can, of course, always initiate "public works," and this is likely to be very useful in smoothing out the flow of capital creation from year to year. But "public works" as usually conceived are not the sort of directly productive capital that is most needed and they cannot form more than a small part of a programme of expanded capital creation.

Will the spread of public ownership in industry lead to a greater rate of capital creation? Here again, the state's influence can usefully be exerted in favour of a steadier flow of capital expenditure. But each of the nationalised Boards has been instructed to balance its accounts, "taking one year with another," and they cannot be expected to undertake more capital investment than they think will pay. But the difficulty before the war was precisely that not enough investment offered a promise of paying. Can it be expected to pay a nationalised Board although it did not pay private owners? There are some reasons for thinking so. The Boards will be able to obtain their finance at lower rates of interest, and their monopoly pricing powers can be used to take some of the risk out of capital expenditure. But there are arguments on the other side too. If lack of competition was one of the chief reasons for lack of willingness to venture before the war, nationalisation is clearly more likely to make the position worse than better. And a politically appointed Board will be much more sensitive to the social obstacles to rapid technological progress than private boards of directors. It seems likely, on balance, that the Boards will reflect the prevailing philosophy of industry just about as faithfully as private managers—in fact, they will probably be even more orthodox.

There is thus very little escape from the awkward conclusion that what is needed is no less than a revolution in popular thought. Not much can be accomplished by the more mechanical acts of public policy until the psychological tide can be turned. When the other great issues of economic policy are taken up later in this series of articles, the same conclusion, in greater or less degree, will be found to emerge from each of them. The economic problems of Britain are, in the last analysis, one single moral problem, and it is intended, before the series is concluded, to set down some reflections that arise from this fact.

Meanwhile, it may be as well to insist once again that, however difficult it may be, the subject of capital creation is one that the British community will neglect at its peril. The easiest course, without doubt, would be to jog along with a high-consumption economy, saving very little and creating very little new capital. If Britain were a wholly closed economy, the results of so doing might not be very spectacular. Britain would simply become imperceptibly more and more backward in comparison with other countries and the increase in the standard of living of its people would gradually slow down. But Britain is not a closed economy; there is hardly another that is as open to the winds that blow in the world market. If Britain is not able to make the effort to increase its productive efficiency and its competitive strength, it will never be able to escape from its present dependence on the charity of others and the British standard of living will continue to turn, as it does now, on votes in Congress.

(This is the last of the group of articles dealing with the subject of capital creation. The series of articles on "Long-Term Economic Problems" will be resumed shortly.)

Coupons for Sale

(By a Correspondent)

IT is quite legal and quite simple. Nothing is needed but strength of mind and an empty garage—or a garage occupied by a saleable and dispensable automobile. The car, whether acquired *ad hoc* or already owned, sits in its garage from June 1st until, say, September. It is then licensed, receives its six months' allocation of petrol coupons, and is offered for sale; no mere car, but a car plus the appropriate gallonage of petrol, stored mobility, liquid independence, at a time when most second-hand vehicles will be, after the summer rush, legally dry or semi-dry. A car cum-petrol is obviously worth more than a car ex-petrol; the coming summer will show by how much. The proceeding being perfectly legal, there should emerge a genuine market price—a little difficult to calculate, it is true—per standard gallon; or rather, a market price for the right to buy a standard gallon, which at a guess will prove to be considerably higher than the black market rate (before the Motor Spirit Bill) of two bob a coupon. A little rough consumer research suggests a price of between 10s. and £1 a gallon.

The economics of the Right to Buy are fascinating, but difficult to reduce to rules. The original warranty of a Right to Buy used, of course, to be money, distributed between individuals in proportion to their skill in choosing the right parents, their qualifications and opportunities for rendering valuable services, their judgment in estimating public needs and technical possibilities and impossibilities, their propensity to work hard, their thrift, their charm, their venturesomeness, their reliability, their predaciousness, their ability to play poker, and their sheer blind unqualified luck. This distribution, in short, had certain irrational and ethically unsatisfactory elements, and still has; so that the distribution of real wealth following the exercise of this generalised Right to Buy has always presented a good many obvious discrepancies when compared with that corresponding to physical needs, moral merits, or the ideal assessment of the value of economic conduct. Hence progressive taxation, redistributory social services, death duties, and legislation to protect the consumer and supplement the inadequate conscience of the producer; all of which measures, however, left money unchallenged as the embodiment of the Right to Buy.

Nous avons changé tout cela. Money is still useful stuff; but over a vast field it is only one ingredient in the Right to Buy. This right is now splintered up into separate rights—rights to buy food of various kinds, to buy clothes, to buy chicken-food or steel or coal or new houseroom or petrol or the services of a foreign maid or orange juice or miscellaneous imports; and these rights are distributed, not on the general principles, whether more or less satisfactory, which govern the distribution of money, but on special principles appropriate to each particular right. The Right to Buy ordinary rationed food-stuffs is distributed universally; the Right to Buy orange juice and cheap milk is distributed according to age; the Right to Buy petrol or the services of a DP according to the size of one's car or family and to one's pertinacity, persuasive powers, and knack of wirepulling. The Right to Buy chicken-food depends on the possession of a piece of land on which, before the Flood, someone had elected to raise chickens, and the Right to Buy imported raw materials on the equally antediluvian history of one's previous importing activities. And so on.

The common feature of all these Rights is that they cannot be obtained, as money can be obtained, by the provision of money's worth. They are as essential as money, as desirable as money, but only exceptionally—as when land is bought for the sake of its chicken-food quota, or a derelict tailoring business for its coupon float—are they even indirectly marketable. One

can get a high place on the local council's housing list, and so approach the covered Right to Buy houseroom, by presenting a colourable picture of overcrowded squalor in one's present quarters; one cannot earn it by any amount of useful overtime. One can obtain the right to handle imported dried fruit by presenting proof that one imported dried fruit in 1939; one cannot obtain it by so reducing one's costs, or so improving one's final product, as to be able to outbid other would-be importers.

Occasionally a faint parallel can be discerned between the distribution resulting from control and that which would in the old days have resulted from market forces now rendered ineffective. The Right to Buy steel can be obtained on evidence of the dollar-earning properties of the product for which the steel is to be used; in the days of free trade, free prices, and free exchanges, the superior sucking power of the expanded dollar market and the decline of a deflated home market would probably have produced a not dissimilar effect. But the more general rule is that whatever the standards of distribution may be, they shall have nothing to do with the ability of the recipient to provide, in exchange for his Right to Buy, something freely demanded by the rest of the public. The wheels of history have been reversed; and Status has replaced Contract.

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The result has been the creation of a mass of desirable assets, deriving from status, on which a money value can be more or less accurately set, but for which money cannot legally, or except by a fiction, be offered. Clothing coupons are worth roughly half-a-crown; strictly illegal. Petrol coupons, with car attached, are worth a sum which experience will determine; quite legal. In the first case, the black marketers' risk insurance, the existence of forgeries, and the variations of scrupulousness among consumers make the price an unreliable guide; but in the second, one may conclude that the controlled price of petrol plus the price of the Right to Buy represents a genuine market price, an equilibrium price—in so far as any equilibrium can exist in markets so imperfect.

The point is not merely academic. For the legal marketability of specific Rights to Buy could, in certain cases, be a handy halfway house between the strictly controlled personal allocation of those rights and the complete freedom of the money economy, and so a step on the way to dismantling controls. It allows a general control by the planning authority; conceding that free imports of petrol are impossible in the present state of the balance of payments, the total amount of specific Rights to Buy petrol can be kept down to the necessary limit, as they certainly could not be if they were merged in the general money demand. But it does allow the individual holder of a Right to Buy to set a value on it or dispose of it (at present through the clumsy method of buying or selling the car to which the specific right is attached) with certain limits, in accordance with his own tastes and needs. And simultaneously it sets working again, however jerkily and confusedly, the old and invaluable price indicator; the difference between the controlled price and the total price (including that of the specific Right to Buy) measures, as the controlled price alone has hopelessly ceased to do, the pressure of demand. Thus it indicates the direction in which (on the democratic assumption that the planners' business is to satisfy the consumers) the plan should, so far as possible, be modified in the future.

Obviously there would be administrative difficulties in making

specific Rights to Buy directly marketable. The black market is hard enough to control even when they are not; and the firm attachment of the Right to Buy petrol to a particular car is a precaution essential, in the absence of yet further administrative ingenuity, to prevent a kind of specific inflation (*via* the allocation to essential users) which would upset the whole precariously founded scheme for the restoration of the basic ration. Obviously, too, there are specific Rights to Buy which ought not to be made marketable in any way, direct or indirect. No one acceding to the idea of a national nutrition policy could favour the marketability of the Right to Buy cheap milk for under-fives. But leaving these aside, there remain a mass of Rights to Buy whose present distribution has nothing to do with a collective conviction that certain specific goods should be consumed by certain specific persons, nor yet with enforcement difficulties. The maintenance of Rights to Buy imports, either directly or from the official bulk purchaser, on the basis of a prewar quota which grows year by year more completely unrelated to any real, competitively established ability to serve the public, is a case in point. To make these rights marketable, either by the importers themselves or, through the technique of auction, by the import-licensing authority, would revive the competitive stimulus and do away at a stroke with a mass of feather-bedding; nor has any convincing reason ever been given for the official refusal to entertain such an idea.

Analysed, the official predilection for rigidly personal, rigidly specific, legally unmarketable Rights to Buy arises partly from the preference of badgered and overworked authority for the *status quo*, partly from a psychological phenomenon akin to that which makes a poor rider yank incessantly at the reins and a poor driver grip the steering wheel—an intense conviction that the darn thing will run away if given an inch of play—and partly from the profound and profoundly undemocratic aversion of Labour to “rationing by the purse.” With wearisome reiteration, with a never-failing triumphant air of having produced

an unanswerable argument, spokesmen counter any criticism of the rationing system by announcing that rationing is nothing new; that the system rationed the poor but did not ration the rich.

Of course rationing, in this sense, is nothing new; of course there never was a time of universal plenty; capitalist Britain was not the land of Cockaigne, where little pigs run around ready roasted. And equally, of course, the particular outcome of rationing according to the prewar distribution of incomes produced injustice and anomaly.

But apart from the siege-economy emergencies of warfare, apart from such generally agreed priorities as cheap milk for babies, the way to deal with these injustices and anomalies is by way of the redistribution of the general Right to Buy, that is, of money incomes; partly by direct State action, partly and more fruitfully by the opening up of opportunity and the breaking down of monopoly. The common-form obloquy heaped on “rationing by the purse” (that is, the free budgeting of individual incomes) the exquisite moral superiority attributed to rationing by authority (that is, the assignment of specific Rights to Buy) rest less on any logical foundation than on the deep distrust that official Labour seems to have for its fellow-citizens' judgment; an instinctive paternalism which, at its highest point of development, throws a sinister bridge between the Socialist and Fascist creeds. One can go so far as to say that the distrust of price is a hallmark of dictatorship. There must be no tampering with official allocations. Father knows best. The Duce is always right.

The dismantling of controls must, with the best will in the world, be a long and tricky business. But that process can be made both swifter and safer by a willingness to use price as a guide and to allow the pricing process out from under the counter into the light—a light if possible less imperfect than that which will be afforded in the coming months by the indirect marketability of petrol coupons.

NOTES OF THE WEEK

Squalls in the West

Relations in the West at the moment do not make a pretty picture. The French and Americans have wrestled one another almost to a standstill in the London conversations on Germany. French, Belgians and British are involved in complicated, technical but none the less damaging wrangles about their sterling position, on which French press comment is at the same time petulant and ill-informed. Mr Dalton, with his insistence that Socialism is the only hope for Western Europe, is trampling down the young grass of Western Union like a hiker in a hayfield. And there seems to be a general tendency to bicker and dally which may be not unconnected with the recent peace offensive from Moscow.

It is too early to say how the Marshall Plan's execution is affecting Europe, except that in France the Communists have been visibly embarrassed by an increase in the bread ration which 250 grammes and by the assurance that the yellow bread which gripped Paris this time last year will not reappear. American wheat may yet keep M. Schuman in power. The OEEC of the sixteen western governments is plodding on with its work in Paris, and the dollar import estimates are now being examined and adapted to American specifications for presentation on June 5th. Of the Brussels Pact little has been heard, as was to be expected in a period devoted to discussion of procedure and agenda.

But enough has been heard of happenings in the permanent military committee in London to cause provisional disappointment. It seems to be entering on to one of those vicious circles of discussion which result when Anglo-Saxons are confronted with French logic. How, the French appear to be asking, can we co-ordinate resources and defensive plans, commands and weapons, unless we have a strategy? And how can we have a strategy until we know what the American contribution to the defence of western Europe is likely to be? The argument is

elegant, but it is no answer to the American point of view, which is quite simply this: that the American contribution cannot and will not be proposed until the Brussels Pact governments have demonstrated their ability to make the best possible use of their resources by pooling them. The American argument is also excellent—in fact, it is precisely the argument used by Mr Marshall a year ago when he offered economic aid. It should not be difficult for the British to find, with American assistance, a way out of this kind of talk; provided that the French can show themselves a little less rebarbative in military matters.

* * *

Arabs and the Security Council

The Arab states have rejected the cease-fire resolution and the Security Council is now considering their alternative offer. This was first, that truce discussions be resumed in Jerusalem and, secondly, that the Arab League will study any suggestions the Council may make within 48 hours along the lines of a solution to the Palestine problem. What will the Council do? Leading up to its discussions is a chain of happenings which throw doubt on its competence to do anything at all. Since the partition resolution of November 29th, not a single important development in the Palestine question has been determined by the United Nations. It has been defied by the Arabs, used with cold opportunism by the Jews, and ten days ago it was informed by Mr Warren Austin that, so far as America was concerned, the recognition or otherwise of the disputed Jewish state was a question outside its competence. The weak and backward peoples of the world have received notice that armed force and the accomplished fact are still what count with the Powers.

The question whether or not America is to raise its Middle East arms embargo and lend \$100 million to Israel to buy arms in the United States has not yet been taken out of the

Security Council's competence. But the manner in which these threats were made known did much, in London's view, to stiffen the Arabs in refusing to cease fire. Both America and Britain have now indicated that they will await and abide by the Security Council's decision.

The signs are that the Council will not immediately be pressed by America to proceed to sanctions against the rebellious Arabs, who have not disguised their own wish for peace if it can be got with honour. This can hardly now be. The Arabs face humiliation in any case. The achievement of their armies in Palestine is inconsiderable. Even without an official American loan, arms are pouring in to the Jews, and what the Arabs are unable to do in these few days they will have small hope of achieving in any near future. But at least there is more prospect for negotiation than there was.

* * *

Britain's Future Role

The Arabs are not entirely friendless, and one longer term effect of President Truman's handling of this problem may be to line up Asia and Islam in a community of fear and hatred of the West. But their friends are almost as weak as themselves. On the Security Council, China is even less likely than Britain to use its veto. Russia and America are hostile, while France, the other permanent member, though allied with Britain in the Brussels Treaty, is traditionally anti-Arab in the Middle East. Thus the question is not whether the Arabs will be brought to heel but how. And this will depend on negotiations between Britain and America, rather than between the United Nations and the Arabs.

It is satisfactory to learn from Mr Bevin that only two British officers have been actually engaged in the fighting in Jerusalem and that these have now been sent back from the front. Of the 37 British officers in the Arab Legion, 16, including Glubb Pasha, are free agents, not under the orders of the British Government except so far as their duties as British subjects are concerned. The remainder are on secondment from the British forces. If the fighting continues in Palestine, it is certain that these at least should be withdrawn.

The consequences of present events in all the Arab countries are unforeseeable. At a moment of weakness in most of them, and near anarchy in many, they are being thrown back on themselves in a dangerous way. They face a continued deterioration of civil government until some leader emerges capable of carrying through the social reforms that are needed, or until they are taken in hand by some great Power. Britain has to decide whether to be that great Power, or, if its balance of payments does not permit, how far to cut its strategic losses, to give up its bases, and try to fall back on a purely commercial relationship with the Arab countries. This is not a decision which can be taken in one night or clearly executed, but in the long run it cannot be avoided.

* * *

Communist Failure in Finland

If the Finnish Communists thought that recent events gave them the opportunity of seizing control of their country, as their Czechoslovak colleagues did three months ago, they have now been disillusioned. They have failed to keep a communist in the Ministry of the Interior. How little intrinsic strength they have has been shown by the failure of their strikes and demonstrations in the last few days. Their leader, Mr Leino, was last week dismissed from his post as Minister of the Interior for illegally extraditing Finnish and foreign citizens to Russia in 1945. In true Communist fashion, he had refused to resign after giving his word to do so. When he sought to back his attitude by strong-arm methods, he found his arm too weak.

The failure of the general strike called this week by the Communists was quite remarkable. On their own reckoning, less than 7 per cent of Finland's 1,500,000 workers responded. Their "Action Committee" fell far short of the standards of Prague: few of the police and none of the Army showed any inclination to support the Communists. The crisis has now been solved by appointing Mr Kilpi, who only recently joined the Communist-led Democratic League, to be the new Minister of the Interior. Mr Leino's wife, Mrs Hertta Kuusinen, a more able leader and resolute Communist than her husband, becomes Minister without Portfolio. The Social Democrat leader, Mr Peltonen, has also joined the Cabinet, which is thus made more representative.

Communist control of the dockers' union has been the most serious factor in the present situation. For it is in the dockers' power to hold up reparations deliveries to Russia. Finland,

already hard pressed, is liable to the heavy penalty of a 5 per cent monthly fine at compound interest on the value of each category of goods delayed. Russia's terms for waiving any penalties incurred as a result of political disturbances could be no less damaging to Finnish independence than the increased economic servitude, which the imposition of fines would bring.

Everything, in fact, depends on Russian intentions. In spite of the revolutionary ardour of the rank-and-file, the Finnish Communists have no hope of seizing power by force unless they are openly supported by Russia—and their leaders know it. Hopes of getting this support were not encouraged by the relatively mild terms of the recent Soviet-Finnish pact of mutual assistance, which may well have been the first move in the Kremlin's present peace offensive. If that offensive is to be maintained on a scale likely to impress the West, it is hardly conceivable that the Finnish Communists will be given from Moscow the help they need. The test is, anyhow, likely to come later, at the elections on July 1st. If these are free the Communists will suffer a heavy defeat—but Moscow could afford it.

* * *

More Changes in the Clothing Ration

The first impression produced by Mr Harold Wilson's statement this week on changes in the clothing ration is one of wonder that decisions of this sort always seem to be made in various stages. There is first of all public agitation, followed by a Government announcement that no change in policy is contemplated. Then comes more agitation, followed by a minor Government concession. Finally, there is downright indignation, followed by the Government's conceding a large part, if not the whole, of the particular demand.

The result in this case is that the bonus of twelve clothing coupons to be used between now and September 30th, the un-rationing of a few articles, such as ties and gloves and some stockings, and the downpointing of others, and the bargain sales at half-coupon rates look at first sight as though Mr Wilson had yielded to pressure from the clothing trade. In fact, he has done nothing of the sort. There is no question of an end to clothes rationing or of a general release of more of the most wanted articles for the home market. A temporary relief has been granted to deal with a temporary situation—the need to clear the "hump" of stocks caused by the improvement in output before the diversion from home to export manufacture became fully effective. But Mr Wilson very rightly emphasised that it is only a temporary situation and that supplies of cloth for the home trade are already falling. The export trade must have priority, and rationing is necessary to ensure that it gets it. The stress laid by Mr Wilson on this function of the rationing system, which the public tends to overlook, is very welcome. The only doubt is whether the up-pointing of articles for which there is a good demand in export markets has gone far enough.

But, granted the need for rationing to enforce the export drive, it still raises problems in the home market. There is hardly any doubt now that the public is becoming much more discriminating in its purchases, and if the piling up of stocks of particular goods is to be avoided, there will have to be more flexibility in the rationing system. Mr Wilson, however, deprecated changes in pointings. The new points values he announced this week and earlier this month are "permanent," in order to remove uncertainty from the minds of the public. The total number of clothing coupons available may indeed be increased or decreased—a decrease in the next rationing period has indeed been threatened—but changes of this sort will only reflect the general clothing position, not the surfeit or shortage of particular goods. Mr Wilson and his new advisory committees, to be drawn from the trade, will have some difficult obstacles to get over if the rationing machine, so necessary for the export trade, is to run smoothly and without irritating the public.

* * *

Mr Morrison and the Lords

Mr Morrison's defence of the Second Chamber principle, prompted by a resurgence at Scarborough of traditional Labour antagonism, can hardly be said to have actually reopened the door so disappointingly shut by the breakdown of the inter-party negotiations on the reform of the House of Lords; but it demonstrated that the Government is still anxious to stabilise the relationship of the two Houses. If the House of Lords did not exist, Mr Morrison virtually asserted, it would be necessary to invent it; one can read between the lines of his argument the expression of a wish for agreed reform. The Parliament Bill could in certain circumstances be modified. The effectiveness of the fourth session

is to be sacrosanct—on that issue, the issue on which the inter-party talks broke down, the Government remains firm; but there is no recriminatory note of "You had your chance and you lost it" in their spokesman's words. If the door has not been opened, at all events Mr Morrison has refused to take Mr Lawson's advice and bolt it; he has practically invited the other side to give it a good push and see what happens.

The invitation should be accepted. The next move must clearly come from the Opposition; a recently suggested compromise (a twelve-month delay in the first three sessions, a nine-month delay in the fourth) might serve as occasion. The apparently negligible difference between the parties' respective last words hitherto does, of course, mark a more fundamental division; the division between those who regard the delaying powers of the Lords as providing merely an opportunity for second thoughts inside Parliament itself, and those who insist that it is the country at large, not Parliament, to which appeal must be made when the Houses clash. But even this difference is, in the last analysis, one of degree. Agreed—say the Government—that the public must have time to make up its mind; it can do so during the Parliamentary debates. It cannot do so properly until the debates are over, say the Opposition. Evidently there are times when debate rather unsettles public opinion than otherwise—the abolition of the death penalty is a case in point; evidently, too, there are matters on which the crystallisation of public "second thoughts" might take not months but years. Is it reasonable to insist on sterilising the fourth session of any Parliament wherein Lords and Commons disagree for the sake of three months' extra maturing of public opinion?

* * *

Debate on the House Party

A sword of Damocles has swung perilously over the heads of the Civil Service Selection Board (CISSB—or Sisby to its friends) this week. Fortunately it has escaped without serious damage, although it has been an anxious time for all concerned. First that terrifying animal the Press—albeit only in its more respectable manifestations—was allowed the run of the country house-party last week-end while actual tests were proceeding. Secondly, a debate in the House of Lords on Wednesday probed into CISSB's procedure from a more exalted height. On both occasions it was abundantly clear that the advantages of publicity and openness easily outweigh those of secrecy. In every case the Press easily outwitted those of secrecy, which must have done much to dispel the rumours and misunderstandings which have been widely current. During the Lords' debate it was obvious that the three peers, Lord Simon, Lord Piercy and Lord Pakenham, who had themselves visited the Selection Board, were able to give a convincing first-hand impression of the proceedings and their value; whereas the others for the most part merely gave a wider currency to prejudices and false impressions. It is really astonishing how many eminent peers were prepared to lend their name to views founded on the experience of a few disappointed candidates, or on a vague and hopelessly inaccurate picture of the work being done at Stoke d'Abernon.

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The verdict of the 100 or so visitors who have observed the operation of the Civil Service Selection Board, and of the candidates themselves, is that the two-day series of tests and interviews is an enormous improvement on anything that went before. Eighty-nine per cent of the candidates questioned and ninety-one per cent of the visitors voted in favour of the retention of the "house-party" procedure. Such personal testimony is a convincing refutation of all the rumours about excessive strain, the probings of psychologists and the withering censure of the new school tie.

It is, indeed, quite obvious that after 48 hours of close personal contact the selectors are in a far better position to judge their human material than the ordinary interviewing board which lasts an hour. This is not, however, to suggest that the methods are perfect, as the selectors would themselves be the first to admit. Experiments are made constantly: but there still appears a certain uniformity and over-refinement in the tests imposed, and too little emphasis on discovering those streaks of toughness, vigour and enterprise which the Civil Service needs in its departments which face the outside world. There still seems to be too high a premium on pure intellect, so that the Board appears to be using its new methods to get civil servants of the old type, instead of looking for at least a proportion of a different type. This criticism has been endorsed by teams of industrialists who have visited the

Board, several of whom are using similar methods of selection themselves.

It is not certain what permanent role the method of Selection Boards will play in entry to the public service. The Foreign Office intends to take all of its candidates in future by this means, by-passing altogether the type of very stiff written examination which was required before the war. The Home Civil Service is more lukewarm. In future, when the reconstruction period is over, 75 per cent of candidates will be selected by the prewar method of examination and single interview, and 25 per cent by CISSB. It is very difficult to see the justification for this. A good case can be made for returning to the prewar written examination, but why should it not be coupled with the 48 hour interview, since it is recognised that this is so much better than the single board? The cost is not prohibitive. At present it costs £18 to put a candidate right through the selection course, £14 of which is spent at the house-party. As about one candidate in five is accepted for the Home Civil Service and one in seven for the Foreign Service, the cost averages about £120 per successful candidate. This is a small price to pay for getting the right men to control millions of pounds thereafter.

* * *

New Start in Italy

Signor De Gasperi has been generous to his allies. Considering the number of Christian Democrat seats in parliament, it is surprising that 9 out of 20 Cabinet appointments have been given to men of other parties. Three of these go to the Right-wing Socialists, two to the Republicans, two to the Liberals, and two to independents. This only leaves a small Christian Democrat majority in the Cabinet itself. Such generosity, however, is wise. It will take some of the sting out of the comment, frequently heard in Italy just after the elections, that the Christian Democrats had won by too big a margin, and that consequently the Right would be too strong. It also means that the Ministry has been strengthened with some useful new blood. The Christian Democrats themselves have been criticised for the lack of really able men among them.

In completing his Cabinet—his sixth since he first took office over two years ago—Signor De Gasperi has been delayed by long negotiations with the Liberals and Right-wing Socialists, and by "the worry of finding a replacement for Einaudi," as he himself put it. His own party deliberately gave him a free hand. The outcome is that there are two special features among the new appointments. First, the important Ministry of Industry and Commerce has been given to the new secretary of the Socialist Union group, Signor Lombardo. A business man by profession and inclination, he made his political name on the Italian financial mission to Washington last year. He is now the driving force of his party. Secondly, the number of Ministers responsible for finance has been reduced from three to two. This represents a return to Mussolini's arrangements, but is regarded as practical. It means that Signor Pella (Christian Democrat), who now becomes Minister of the Treasury, combines with his post Signor Einaudi's former Ministry of the Budget. He has already done good work as Minister of Finance, a post now given to a newcomer, Signor Vanoni. But with financial policy entirely in Christian Democrat hands, it remains to be seen whether Elijah's mantle will really fit Signor Pella.

The Christian Democrats have the advantage of not having fought the elections on a definite programme. They are not, therefore, committed to embarrassing promises, although people expect them to give a strong lead. It is a dramatic moment. For the first time since the war Italy has a constitutional government ready to attack long-term problems. Signor De Gasperi has hinted that agrarian reform in the South is high on the list. Primarily, this means capital investment in water projects and in roads; the report just completed by American technical experts is likely to be used as a guide. Other urgent tasks are a new policy to absorb surplus labour, an increase in the flow of emigration, and the re-equipping of industry.

* * *

Moves Around Tito

The execution of several members of the Yugoslav Communist Party in Slovenia for espionage in the interests of a foreign Power has been followed by a series of changes among highly placed political personalities. There is no reason to assume any direct connection between them, but the changes are worth mentioning and may indicate that something is going on inside the party. The Minister of Finance, Zujovic, and the Minister of Light Industry,

Hebrang, both of whom are generally considered to be at least among the first ten in the hierarchy of the Communist Party, have been relieved of their posts, with no reason stated. Neither has been given a new official post. It is not announced whether Zujovic keeps his post as General Secretary of the People's Front (Yugoslavia's Communist-controlled monopoly party). It may be that both men will now devote themselves to important tasks within the party: it may be that one or both of them are in disgrace. At the same time reshuffles have taken place in the governments of the constituent republics of Macedonia and Serbia.

The Communist Party of Yugoslavia differs from those of all neighbouring states in its love of secrecy, maintained even after its crushing victories. The composition of its Central Committee and Politbureau has never been announced, and it has held no congress since the war. In the other "popular democracies" (with the exception of Albania, which in all things follows the Yugoslav model) the party, whether under the old name of Communist or the new title of Socialist Unity, exists openly side by side with the "front" or "block" of "democratic parties": in Yugoslavia the party hides behind the front. This makes it difficult to judge the significance of the removals.

Lately there have been reports in the American Press of growing disorder in Yugoslavia. That country, with its impenetrable mountains and its bewildering variety of nationalities and religions, has always been difficult to govern. But the Tito Government has gone further in sovietisation than any other east European country. This has certainly aroused plenty of hostility, but lack of organisation or force has doomed the opposition to helplessness. If misgivings have spread to the ranks of the Communist Party itself more important results might be produced. Of course, as long as the European balance of military power remains as it is, there can be no change of régime, but changes of policy are another matter. The situation needs watching.

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Catholics and "Popular Democracies"

Since the elimination in Eastern Europe of all independent political parties, completed with the *Gleichschaltung* of Czechoslovakia in February, the Catholic Church remains the only

organised force opposed to Communism. It is therefore not surprising that signs are multiplying of a serious open conflict between the Church and the Popular Democratic régimes.

Hitherto the only government which could be said really to have persecuted the Church is the Yugoslav. In its defence must be admitted that several bishops (notably Rozman of Slovenia and Saric of Sarajevo) "collaborated" with the Nazis and the Croatian Fascists during the occupation, and that individual priests even took part in the infamous persecution of the Serb populations of Bosnia and Dalmatia. But the case of Archbishop Stepinac of Zagreb, whom Tito's courts sentenced to 16 years of prison, is much less simple, and many other sentences passed on priests suggest a twisting of evidence for political reasons. The Catholic Church in Yugoslavia has by now been deprived of a very large part of its priests, obstacles are put in the way of Catholic teaching, and anti-Catholic propaganda on a mass scale receives state backing.

In Hungary, where the Communist-Catholic struggle has recently come into the news, about half the schools were controlled by the Catholic Church under the old régime, and were largely supported from the revenue from Church lands. The 1945 land reform confiscated the lands, but the Government has hitherto subsidised the schools without interfering in their administration. Now Education Minister Ortutay has announced that the Church schools are to be nationalised. Their existing personnel will be maintained, and compulsory religious teaching will continue, but the State will be responsible for administration and Government-approved text-books will be brought into use.

The project is not in itself unreasonable. Neither party, however, trusts the other; Hungarian Catholics, remembering the development of the Soviet Union, and watching the process by which the East European States have since 1945 moved through successive stages of Sovietisation, do not believe that the present law is final. Cardinal Mindszenty, who has already more than once polemicised with the present régime, has denounced the law, and appears (from the Hungarian official account) to have threatened with excommunication all teachers who remain in their jobs under it. Hungary is therefore plunging into a first-class *Kulturkampf*.

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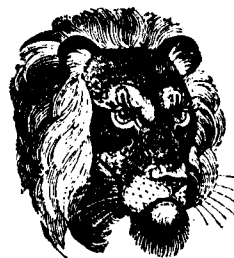
British people, ever kindly in their sentiments, will not withhold their help to this great hospital—which never fails to help those who appeal to it."

Although the State will become responsible for hospital maintenance after July 5th, it will still be necessary to seek voluntary support for research on the scale required. Please mark your gift "Research Fund" and send addressed to the Secretary.

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The fable of the lion who blinked

There was once a Lion who opened his eyes to find himself in a world where nobody professed to believe in British Lions any more. 'You're a fabulous monster,' they told him. At that the Lion lifted his head . . . and everybody stepped back. 'I notice,' he said, 'that initiative is still respected among you. I think I can undertake to remind you of my existence.'

Rejecting the defeatists and tellers of woe, TI are planning, reorganising, training and working with one object in view: to see that their kind of British engineering keeps ahead of its reputation. TI are a team of engineering industries who specialise in such various fields as precision tubes, bicycles, electrical equipment, wrought light-alloys, pressure vessels and paints.



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The Vatican in the Field

In Poland a similar crisis seems imminent, as a result of a pastoral letter, signed by the heads of the country's Catholic hierarchy, warning Polish youth against the dangers of "materialism." It is clearly directed against the Marxist parties, and its challenge is not likely to be left unanswered. Hitherto the Polish Government has not directly attacked the Church, but has preferred to incite Catholic bodies to disapproval of Vatican policy. An example is the recent statement of the Labour Party (a fellow-travelling rump of the former party of the Silesian Catholics) denouncing a recent Papal letter to German bishops, in which it suggests that German national claims against Poland received the sympathy of the Vatican.

In Czechoslovakia, too, where the Communist-controlled government includes a priest as Minister of Health, the issue has boiled up in time to affect to-morrow's elections. Archbishop Beran has ordered the clergy to choose between politics and their religious calling. His letter, published this week by the Vatican, is practically an order to refuse co-operation with the Gottwald régime. It is unlikely seriously to affect the voting of Catholics, who are well aware of two things: that the blank ballot papers, with which alone a vote against the Communists can be given, are easily identifiable by the official who takes the voter's name and address—and that Mr Gottwald is determined to have a majority of 90 per cent or more.

* * *

Larger or Smaller Newspapers?

If Mr Harold Wilson really has the Government behind him in aiming at five-page newspapers (that is, an average size of five pages, secured by alternating between four and six pages) "as early as possible, and certainly in 1949," his statement provides some comfort among all the other conflicting statements about supplies of newsprint. But it is difficult to feel confidence in this reassurance; all the other indications go the other way. It has been said that the Canadian contracts, under which 100,000 tons of newsprint are being supplied this year, may be cut to 30,000 to 50,000 next year, and Mr Wilson appears to pin his hopes on making good the deficit from Scandinavian sources at a sterling cost 50 per cent higher than the cost of importing newsprint from Canada. Drought affected the supplies from Scandinavia last year, and it is conceivable that future supplies from Finland may be affected by its relations with Russia.

All this uncertainty is caused by the sum of about £1,000,000 worth of dollars. For that £1,000,000 this country could cease playing ducks and drakes with the Canadian contracts for newsprint, and secure a firm long-term source of supply which could gradually be increased to provide papers of a size more suited to the responsibilities of a country like Great Britain. All the newspapers are now asking for is that the contract for 1949 should be continued at 100,000 tons, at a cost of £2,500,000.

If Mr Wilson's optimism is justified, there will be widespread relief. It is unfortunately only too easy to fear that his intentions will not be supported. Too many members of the Cabinet and Labour members of Parliament clearly resent press criticism to a degree inconsistent with the principles of free speech or with the Government's own recent protestations at Geneva. It is, of course, no use pretending that the press would use all of any extra space for matters of political importance or educational value. Nevertheless, there is no other more effective means by which grievances can be aired, public opinion aroused, and the people made to understand the issues at stake. When the next General Election comes, does this Government hope to get by on the strength of ignorance and the kind of distortion which is almost unavoidable with the present restrictions on space?

• *The Economist*, it may be pointed out, and the other periodicals, are not affected by this dispute about newsprint. The small cut made in their paper supplies last year has now been restored.

* * *

Another Electric Shock

It would, of course, be grossly unfair to write down the electricity *débâcle* of last Sunday to the debit of nationalisation; unless, of course, one were to join oneself to that peculiar body of opinion which, in February, 1947, attributed the cold weather to divine displeasure with the Government. It was a nasty chilly day following on a succession of nice warm ones; on went the heaters, up went the load, and the skeleton of the grid, denuded by an unusually large week-end repair-and-maintenance programme, broke down with a crash. The same thing would no doubt have happened had electricity nationalisation still been in

process of debate on the floor of the House; in which case any bad marks, merited or unmerited, would have gone to private enterprise.

Nevertheless there is a lesson to be learned from this annoying but fortunately minor mishap. The grid embodies, and embodies on the whole very successfully, the principle of strength through unity—of mutual aid between areas, of broad strategic planning, of shared reserves. With the grid, the generation and transmission of electricity can, as a whole, work with far less of a safety margin than would be necessary were its constituent units forced to rely on their own resources. So far, so good. But there is also such a thing as strength through dispersion, the localising of trouble, the averaging out of errors of judgment; and though the sacrifice of this advantage is, where electricity is concerned, universally judged to be well worth while, it is none the less a genuine sacrifice. Someone, last weekend, took a chance on the weather and was wrong; and the results of that error spread all over Southern England. In a less integrated system, spoiled dinners and blacked-out streets might have been confined to a single town or county. Integration, in fact, while it admirably narrows the permissible safety margin, increases the penalties for transgressing it; and this is not an argument which applies to electricity alone.

The more obvious fact illustrated, not for the first time, by Sunday's breakdown is the unbalance still existing between the supply of current and that of the electrical apparatus whose use constitutes the demand for current. The country has not yet finished paying, in inconvenience and recurrent dislocation, for the aberration in planning which so freely multiplied electrical outlets while failing to provide either adequate power to serve them or a price tariff which would limit their use to existing power capacities. It is this earlier major error which continues to call for the exercise of superhuman judgment and foresight—too often in vain—on the part of electricity authorities, whenever rough winds do shake the dashing buds of May or, *a fortiori*, the less affectionately regarded icicles of February.

* * *

Commonwealth Citizens

A Government amendment to the British Nationality Bill now before Parliament has proposed that the expressions "British subject" and "Commonwealth citizen" shall be legally equivalent and that any person who is a citizen of the United Kingdom, a Dominion or a Colony may therefore choose for himself which description he prefers. This proposal is indeed a straw that shows which way the wind is blowing; evidently nobody thought of it when the Bill was being drafted, but the government was quick to take up the point—when it was made in a House of Lords debate—that not all present and future inhabitants of the Commonwealth wish to be called British subjects.

The new legal formula seems to solve the difficulty successfully. It is of great importance at a time when all human rights are so dependent on nationally determined status, and when the possession of a valid passport may even mean the difference between life and death. But the conception of "Commonwealth citizen," once it has received official endorsement, can hardly remain confined to the legal regulations of nationality; it must surely spread into the usage of political ideas, as a term expressing the new sense of community growing out of the old imperial ties. It may even be that it will have an attraction for countries now outside the Commonwealth, for there is no need to regard the membership list of this free association as finally closed.

As General Smuts said in his "explosive" speech of November, 1943:

Other neighbouring nations, living the same way of life and with the same outlook, can with perfect safety say: This is our group; why are we not there? With full retention and maintenance of our sovereign status, we choose that grand company for our future in this dangerous world.

* * *

British Coal to Germany

The news that Britain may shortly begin exporting coal to North-West Germany has appeared at the same time as figures of Ruhr coal production for April, showing a decline of 6.8 per cent in daily output compared with the previous month. In resuming this prewar practice, the Coal Board is giving an admirable example of the Marshall Plan spirit.

According to a plan worked out by the coal committee of the Economic Commission for Europe, which allocates European coal exports, 140,000 tons of gas coal and industrial fuel will be delivered to the region round Hamburg during the current quarter. The plan has been approved in principle in London, but no con-

tracts have yet been placed. None will be, unless the firms to be supplied undertake to increase their exports to the dollar area.

From the Ruhr there will be no *quid pro quo* in the way of additional exports of coal or coke. On the contrary, even if Britain supplies coal to the extent of some 600,000 tons a year, it will still only fill a fraction of Germany's deficit. The German estimate of ERP requirements and exports laid down that a minimum of 64 million tons a year was necessary for home consumption if production is to be raised by ten per cent. This amount would only be made available by three means: if 5,000,000 tons were imported, if the present sliding-scale of exports were reduced, or if Ruhr output were increased. Production would have to rise to 370,000 tons a day. But the output in March was less than 270,000 tons a day, and there are not the slightest prospects of its increasing to the necessary extent; it was, in fact, 20,000 tons a day lower in April than in March.

British imports will, therefore, not be enough to save the sliding scale of exports; but any suggestion to reduce Ruhr exports will meet with the worst possible reception in France. The present London talks have revealed the deep distrust with which the French regard American policy for Germany. It is precisely because M. Bidault is sure that General Clay would insist on the Ruhr retaining its coal that he is objecting to the proposal for an International Authority which would give the deciding voice to the Americans.

* * *

Ruhr Failure and Dollar Drain

How to raise Bizonia's output remains, therefore, the crucial problem. The incentive scheme which was introduced last August seems to have exhausted its effect. Various reasons have been put forward, and the British and Americans are trying to work out an improved scheme. The German argument is that it is useless to expect that incentives of the present kind will alone raise production to 300,000 tons, still less to the 370,000 tons which are required by the ERP estimates. They maintain, and there is a measure of agreement on the part of the British and Americans, that new equipment is also essential. Dis-mantlement of plant producing mining material must be banned before any new scheme is begun. In addition, equipment will have to be imported if quick results are to be secured. It is a great pity that ERP has made a bad start at its vital centre.

The suggestion has been made that Britain would indirectly earn dollars by selling coal to Bizonia, even though the direct payment would be made in sterling. This is not quite correct. The advantage would be only temporary. Owing to the provisions of the Anglo-American financial agreement on Bizonia, any gain in dollars which this country makes in its trade with Bizonia is offset by the fact that Britain is committed to convert sterling whenever the dollar funds held by the Joint Export-Import Agency fall below a certain point. At this moment, JEIA dollar funds are running out, owing to heavy purchases in advance of fixed arrangements for ERP financing. In fact, the peculiar situation may arise that Britain will have to provide Germany with dollars for ERP. It is to be hoped that this absurdity will prove the final spur which will induce the American authorities to change the basis of bizonal trading with Britain, and, perhaps, other Western European countries, from dollars to sterling.

* * *

Franco's Friend in Need

Whatever changes the future may bring, the first few weeks of the European Recovery Programme have already passed without either of the two largest Spanish-speaking peoples securing a share. The Spaniards have missed the initial allocations and there is no sign of their chances improving; Argentina, to its own surprise, has so far failed to obtain any "off-shore" dollar purchases. In Madrid and Buenos Aires these facts inevitably lend increased significance to the Franco-Perón Protocol, which was added on April 9th to the Spanish-Argentine Treaty of 1946.

Under this Protocol, Argentina has extended the former credit of 350 million pesos, granted in 1946, to a total of 1,750 million pesos, available to Spain up till the end of 1951—500 million pesos will be credited this year, 350 million next year and also the year after, and 200 million in 1951. The Spanish side of the bargain is remarkable. Not being able to repay such a large sum by any normal means, General Franco has contracted, first, to build ships, railway engines and other capital equipment for Argentina with materials bought with Argentine pesos on world markets. Secondly, he will accelerate work on the free port at Cadiz already granted to Argentina in 1946, and grant in addition any other free ports on Spanish territory that Argentina may require. Thirdly, he will establish a peseta fund, equivalent to

the difference between Spanish imports from Argentina and exports to that country, for financing harbour installations, grain elevators and meat freezing plant in the Cadiz free zone. This zone covers about 235 acres and work there will cost 600 million pesetas during the next five years. Lastly, Spanish-Argentine companies will be formed in Spain to develop mines and industries which will "stimulate Spanish economy in co-ordination with the needs of Argentina."

Negotiations for this Franco-Perón Protocol began last December on General Franco's initiative. Señora Perón played an important part in persuading her husband to like the idea, but once he had taken it up he drove a hard bargain. The view in Madrid is that Franco threw in his hand at the last moment, when he found he had been left out of ERP. It is notable that he signed the Protocol within a week of President Truman's signing the Foreign Assistance Act.

This huge new external credit is likely to add to Argentina's inflationary difficulties. But President Perón is satisfied to run financial risks in order to stop being so dependent on British and American industrial supplies, and to assert his own leadership in the Spanish world. Franco's answer to his critics is that he has ensured his country's food for three years and obtained extra raw materials for Spanish industry. But some Spanish economists fear that Argentina may now secure an embarrassing grip on their country's economy, and they regard this as a high price for an *ersatz* version of ERP. Both Franco and Perón themselves continue to hope also for some dollar crumbs from the American table.

* * *

Poll on Spilt Milk

Railway enthusiasts—those amiable and perennial schoolboys—still recall past splendours on British railways (with a small "r"). How bright, in nostalgic retrospect, were the liveries of engines and coaches in those remote days before 1923 when the four groups were formed—the Caledonian blue, the Midland lake, and the green of the North Eastern. Perhaps the railways were never quite as gay as reminiscence suggests. But the grouping was a blow to the railway "fan" from which he has never recovered. And the creation of British Railways (this time with a capital) has roused fiercer mutterings against dull uniformity.

But British Railways seems determined to give the public what it wants—at least in the matter of paintwork. Fourteen services will be running this summer, bedecked in experimental colours. To step into the Cornish Riviera express is always a pleasurable experience; to be drawn by an engine painted "blue, with lining of red, cream and grey" and sit in a coach "chocolate and cream lined with black and yellow" will be a new delight. Yet there seems something familiar about the formula for the coach. Has this never been seen at Paddington before? And what of the other design for main line corridor trains: "Plum and spilt milk, lined with bands of yellow-maroon-yellow separated by lines of spilt milk"? Doubtless the subtle difference between milk and spilt milk has been the subject of tense—though happily successful—discussions between British Railways and the British Colour Council; "cream" is not the word for these austerity days, and "ivory" at once suggests hard-currency imports beyond our means. But closer examination of the colour scheme stirs the memory of the old days of the London and North Western Railway, on which, too, a certain amount of milk was spilt.

But it would have been gauche to refer to old railways by name. For multiple-unit electric coaches, green is the selected experimental colour. This will hardly come as a shock to the suburban traveller south of the Thames (what *was* the name of that railway?) though he might prefer the word "pre-selected." But he, too, can express his opinion—in writing—to British Railways, and ask for sky blue, or perhaps green rather than greens. Yet there are dangers in all polls; the doctrine of the mandate and the popular will has its limitations, particularly on questions of taste. If colours are open to the vote, the public will taste blood—separated perhaps by lines of spilt milk. They will demand the vote for lower fares, and first-class travel for everybody at third-class prices. And when that happens, faces on the Railway Executive will certainly be maroon, lined with golden yellow-black-golden yellow.

* * *

Greek Executions—Correction

The Information Department of the Greek Government in London has pointed out that the correct figure of executions carried out since the assassination of the Greek Minister of Justice was 60 and not 152 as reported in *The Economist* of May 8th. This is still an exceptionally large number of executions to be carried out in only four days.

Letters to the Editor

The Military Legend

SIR,—May I be allowed to comment on one aspect of your critic's approach to Captain Liddell Hart's book "The Other Side of the Hill"?

In his assessment of the attention paid by Captain Liddell Hart to the tendency of the German generals to attribute Germany's major failures in Russia and the West to Hitler's personal interventions, the reviewer asks us if one is unduly suspicious in seeing in these chapters "the seeds of a dangerous military legend." (I refrain from raising the Dunkirk question, since it is, for me at least, too problematic on the military side.) I cannot help feeling that, since the occupation of Germany, English theorists have devoted an excessive amount of time to the retrospective theme of the "military legend."

The problem has only two relevant factors. The first is that a defeated country inevitably produces its various apologists who feel compelled to search for their various scapegoats. In the case of the German General Staff this scapegoat must obviously be Adolf Hitler. (All of us must remember how we, under the threat of defeat in Britain's dark days, were already finding our individual explanations for the series of military catastrophes which had befallen us.) Let us, therefore, accept the inevitability of the "legend" in a country which did meet defeat and which is now suffering from a violent postwar neurosis. The second factor is far more vital. A military legend only becomes a positive danger when it is exploited (and perhaps embellished) by political elements which are seeking to justify a warlike policy to the nation they dominate or hope to dominate. (Although Russia belongs to the victors of the last war, the Soviet Government is today finding it necessary to propagate its own form of military legend.)

The answer to this problem is surely not to spend our time on a negative endeavour to demonstrate to a now sceptical German people that the German military leadership failed for this or that reason (indeed, experts such as Trevor-Roper, Schulman and Dulles have already given ample support to the arguments of the German generals), but to obviate by all means in our power the creation of conditions under which the Germans feel the need of a "legend" and whereby apologist theories can be exploited by any future exponents of German aggression. If we can give the German nation positive proof of its indispensability in a confederation of western democracies, the "legend" can never become more than the hobby-horse of a handful of militarist dilettantes.—Yours faithfully,
Malvern, Worcestershire

A. G. POWELL

Coal Output

SIR,—To Mr R. A. C. Radcliffe "it seems more than probable that many (miners) . . . will never become skilled mechanics (to handle the new mining machinery) and that it will be necessary to change the type of labour before the increased output . . . will be obtained."

This proposition is hardly a sound one, and the "parallel" of the coachmen is far from apposite. With all the complications of modern machine design the operator is becoming progressively less skilled, and skilled mechanics as such form a decreasing proportion of the total labour force. This applies no less to mining

than to other mechanised industries. The physical and mental efforts demanded of the miner to operate the new machinery being installed will be less than those demanded of him by existing manual methods. In the main it can be said that, apart from maintenance and repair work, no special skill, other than that already shown, will be required—so why should it be necessary to change the type of labour?

What does need changing is the approach—not only of the miner but of us all—to our work and things in general. The unfortunately popular phrase "I couldn't care less" epitomises our attitude, and when Sir Charles Reid in his Edinburgh speech said "there is something wrong somewhere," it is not unlikely that he had this in mind. Whatever may be the technical reasons for low productivity, no real improvement can be looked for until a more positive approach to our collective problems is made by us individually.—Yours faithfully,
The University, Birmingham, 15

JOHN C. CLEWS

Europe's Manpower

SIR,—In *The Economist* of May 15th you gave a letter commenting on figures extracted from the Report of the Manpower Conference held in Rome in January and February of this year and reproduced in an article published in your issue of May 8th. It is true that the immigration requirements of the United Kingdom for 1948 were shown in a table in the Report as 100,000 skilled workers and none unskilled. But immediately opposite this table, in the body of the Report, was the following statement:

It may be noted that the United Kingdom is seeking, as far as possible, skilled workers. It is, however, willing to accept unskilled workers for all requirements and give the necessary training.

For reasons of space, no doubt, this qualification was not mentioned in the article of May 8th, and as a result the letter of May 15th is based on incomplete information. There are various advantages in the United Kingdom recruiting as many experienced workers as possible for the industries requiring foreign labour. In so far as experienced workers are not available, inexperienced workers are being recruited and given the necessary training in this country.—Yours faithfully,

L. H. HORNSBY,

Director of Public Relations

Ministry of Labour and National Service

The Appointed Day

SIR,—One conclusion to be drawn from your article is the need for a radical overhaul of the whole structure of National Insurance. Under the present "tripartite" plan the contributions of employees and employer are pooled in the Unemployment Fund. It is suggested that the contributions of employed persons and the self-employed should be credited in individual ledger accounts on which the contributors would draw for periods of unemployment or sickness subject to a weekly maximum, the state adding a bonus of, say, five shillings a week for each week of regular employment. Employers' contributions would continue to be pooled to provide for industrial injuries and as a reserve for "national assistance" payments to those who had exhausted their credits. At the time of retirement the balance to the credit of

ANNUITIES

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Circumstances have made annuities an attractive proposition to an increasingly large number of people, particularly now that the capital invested in them can be safeguarded against loss due to premature death. Very considerable loss (up to £1,000 and over in individual cases) has been and is being sustained by the public due to their entrusting the purchase of their annuities to inexperienced and unrepresentative part-time agents. The undersigned has specialised for many years in every kind of annuity issued by the various Life Offices (for all of which he acts impartially and in the sole interests of his clients), and is therefore in a position to advise on those giving the highest NET yield with complete safety.

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the contributor would be converted into an annuity in supplementation of a basic old age pension.

It is claimed for a scheme on these lines, first, that it would bring home to the individual a sense of personal responsibility and a realisation that social benefits have to be earned and paid for and do not drop like manna from heaven; secondly, that it would encourage thriftiness in the use of social benefits or at least discourage their abuse; and, thirdly, that the proposed weekly bonus will act as a definite incentive to regularity of work.

The additional expenditure to be met from general taxation need not amount to any large figure and would be offset to some extent by savings in unemployment and sickness benefits. Nor would the scheme involve much extra accounting work, since under the existing system a record of each individual's contributions has to be kept. It might even turn out that when the scheme had been run in, there would be a saving in both money and clerical labour. In any case, if the scheme proved effective in promoting regularity of work and discouraging the disposition to expect something for nothing, it would in the end pay for itself, if not in cash at least by a change for the better in the morale of the working population.—Yours faithfully,

Larchfield, Churt, Surrey

GEOFFREY BRACKEN

Malthus Regained?

SIR,—Has not your article confused "the future population of Britain" with "the future population of Britons"? These are surely separate and independent concepts; we can (if we want to) reduce the population of Britain without suffering the discomfort which a declining population of Britons would impose.

Your article optimistically suggests that Britain is "rather a small" technical unit for peace or war production; this is a good reason (among others) for making Britain part of a greater unit,

whether that unit is the Commonwealth, or Western Europe, or both combined; we might call it "X + GB." If this is achieved Britain's population can be adjusted in relation to needs other than that of self-sufficiency.

It is true of Britain that "overcrowding is as likely to result from maldistribution as from a high density—within reason—over the country as a whole"; but does it follow that overcrowding in London can only be mitigated by allowing or encouraging the birthrate in London to fall? Or is it better to maintain the London birthrate at a level high enough to prevent deterioration, while transferring excessive population to emptier areas?

The same argument applies to "X + GB"; the birthrate in Britain need not affect or be affected by the distribution of Britons in "X + GB" as a whole, as long as the emigration rate is controlled in relation to the birthrate.

It seems clear that a declining population of Britons would be uncomfortable; that the population of "X + GB" as a whole is not large enough to incur the wrath of the Rev. Mr Malthus and his devil; and that, within "X + GB" the best population of Britain could be estimated on the basis of strategic, economic, social and spiritual considerations (for Britain might serve better as the social and cultural centre of "X + GB" than as its vulnerable strategic and economic heart).

A solution, therefore, is that a high British birthrate should be encouraged—at least sufficient to maintain the present population of Britons in numbers and vigour. Also, however, such a rate of emigration should be encouraged as will adjust the population of Britain to, or keep it at, the level decided.

Probably most people would agree that Britons have done a lot for the world, and can do a lot more; we need as many new Britons as we can get—but not necessarily in Britain.—Yours faithfully,

Farnborough Grange Hostel,
Hawley Lane, Farnborough, Hants

FRANCIS HEAD

Books and Publications

Skeleton in the Cupboard

"Defeat in Victory." By Jan Ciechanowski. Victor Gollancz, 18s.

UNFORTUNATELY this book is, in its main outlines at any rate, a true narrative. Mr Ciechanowski was Polish Ambassador to the United States from March, 1941, to the de-recognition of the Polish Government in London in July, 1945, and the story he tells is that of the gradual abandonment of the cause of Polish independence by Britain and the United States under the relentless pressure of Russian threats and *faits accomplis*. The sequel to his story has already been told by Mr. Arthur B. Lane, the first American Ambassador to the so-called Polish Provisional Government of National Unity, in his book *I Saw Poland Betrayed*. Mr Lane was a witness of the shameless rigging of the "free and unfettered" elections which the Polish Communists promised in return for Anglo-American recognition of their regime and which Mr Ciechanowski was told the Western Allies would insist on supervising.

The tale of the acts of British and American policy towards Poland in the later years of the war adds up to a record of gross treachery. Yet it was not, as the policy of the Kremlin clearly

was, a process premeditated and calculated from the beginning. First Mr Churchill, and later President Roosevelt also, slid gradually down the slippery slope of dishonour like the embezzler who starts by really intending to pay back the money he takes. It was argued—top secretly, of course—that Stalin must be placated (at Poland's expense) or he might make a separate peace with Hitler. In time the idea of Big Three Unity, both for the war and postwar periods, became a fetish to which it was thought right to sacrifice every legal and moral obligation. The final betrayal was the decision to recognise the Morawski Government in spite of the kidnapping of the Polish Underground leaders, who had revealed themselves at British request and had received a safe conduct from the Russian military authorities. By this time Hitler was already finished and the over-riding necessity of winning the war could no longer be pleaded as an excuse for British complicity in a gangster act. But a general election was impending in Britain and the Conservative Party wished to demonstrate to the electorate that it was not anti-Soviet and that it had "solved" the Polish problem. The recognition of the bogus "Government of National Unity" was announced on the very day of the election, though, as it turned out, it did not help Mr Churchill very much.

The turning point in this history was really the Soviet rupture of diplomatic relations with the Polish Government in April, 1943. For the occasion the Russians turned to their advantage an event which in other circumstances would have been embarrassing for them—the finding of the corpses in Katyn Forest. The Polish Government had asked for an investigation by the International Red Cross. The British and American Governments fully relied on the independence and impartiality of the International Red Cross for enquiries in connection with their own prisoners of war, but from what they knew of the efforts to trace the missing Polish officers during the previous eighteen months they saw at once that, for the sake of Allied wartime publicity, such an investigation in this case must at all costs be prevented. There was no knowing what it might reveal. The Poles were imperatively urged to let the matter drop, which they did. Thus Russia, in breaking off relations, was able to kill several birds with one stone: to clear the way for the puppet Polish Communist regime which was already being prepared, to avoid having to answer unanswerable questions about Katyn Forest, and to damn the Polish Government in the eyes of Western public opinion for having failed to repudiate a Nazi propaganda lie.

Russian Economics

"Soviet Economic Development Since 1917." By Maurice Dobb. Routledge and Kegan Paul. 474 pages. 18s.

THIS massive and well-produced book is both interesting and important. Mr Dobb is direct, lucid, and learned in a subject essentially difficult, confused and dubious. His theme is of great significance in any study of the social, political and economic realities of the modern world, and at the same time is rich in matter for both the theoretical and practical economist. What is more, this study completes an unexampled trilogy in modern economic thought. Mr Dobb occupies a lonely eminence as the one academic Marxist economist of distinction in this country, and his acute, erudite and uneven justification of faith is set forth on the theoretical side in "Political Economy and Capitalism," historically in "Studies in the Development of Capitalism," and now by contemporary example in this latest work in a field he has already so often tilled. It is unfortunate then, that for all its real virtues, this book should be in so many ways unsatisfying.

The book is in three sections. The first provides an introduction and a factual background to the economy before 1917. This is well done and unsatisfactory only in its analysis of the conditions and organisation of the town workers—a fault which persists oddly throughout the book. The second section gives a general economic history of the USSR to the present day. The work concludes with a study of planning, finance, industrial location and the organisation and conditions of the workers. In all this a certain incoherence rules. Each topic is dealt with clearly enough in itself but sequence is largely lacking and it is difficult to obtain any valid picture of the whole and almost impossible to follow the growth of a particular industry or even of agriculture itself. Furthermore, the statistical material is sparse and unhelpful—as are, indeed, the official sources and statistics themselves. The account of the planning methods at the centre is inevitably inconclusive—though Mr Dobb has valuable suggestions to make. But Mr Dobb fails most frequently through his Marxist orthodoxy: he feels he is saying something significant when the manner of saying it corresponds with the slogans of Moscow; he maintains the feud with Trotsky and all the dead in the 1936-38 purges; he treats Stalin's statements of economic policy with a respect that never recognises that their wisdom is nearly always after the event; he ignores the Allied contribution to Russian war resources—in line with nearly all recent Soviet accounts of the war—and he believes with Marx that "justice can never rise superior to the economic conditions of the time." The role of forced labour in the Russian economy is not even considered.

On most topics this would be enough to damn a book. But fortunately the bias is obvious and easy to discount, and where our ignorance is so great, Mr Dobb's learning, diligence, and candour combine to produce what is, with all its faults, by far the most valuable single volume on its subject.

Organised Common Sense

"Applied Economics." By A. J. Brown. Allen and Unwin. 295 pages. 15s.

THIS collection of essays may be taken as a sort of sample display, for the benefit of the intelligent lay public, illustrating the work in progress in the back rooms of economic research—its interest, its methods, and its possible future results. Research, as in its context, is research into recent or current events and statistical data and their interrelations; it is inductive, not deductive; it harks back to the old ideals of "political arithmetic" in a way which would delight Dr Lancelot Hogben. The economics which Professor Brown applies is, in fact, organised commonsense, not pure theory and the refinements of reason.

The essays comprised in his first two sections provide between them a clear outline picture, in quantitative terms, of the war economy—taking the phrase "war economy" to cover, as in realism it should, the period of rearmament as well as that of actual fighting—of the belligerent powers, comparing the magnitude and the resources of their respective war efforts and estimating the proportion that war expenditure, in real terms, bore to world output as a whole.

"The world as a whole at the height of the war," says Professor Brown, "was probably depleting its capital resources to the extent of well over 2 per cent annually, quite apart from what had been deliberately destroyed; but the bulk of the war resources was drawn neither from this process nor from the concomitant reduction in civilian standards, but from a very large increase in gross national income."

The next two essays deal with wartime inflation, in general and with particular instances, and yield the conclusion that monetary virtue is no substitute for an adequate system of price control and rationing—a view on which, however inescapable the inference from wartime experience, one would like to have a postwar gloss. Two chapters on World Population, while sound enough, lack novelty; then follow two groups of essays, dealing respectively with the criteria and causes of industrial efficiency, and with the "pattern" of world trade, which represent organised commonsense at its best; stimulating and realistic in themselves, they also indicate where closer scrutiny and more refined analysis are likeliest to yield results. The final essay is a sober and indeed rather deflating estimate of the economic potentialities, given various technical assumptions, of atomic energy.

To apply any general criticism to a work at once so diverse and so competently businesslike is not easy. One can, however, wish that Professor Brown had had enough methodological self-consciousness to induce him to expand his prefatory remarks into a full-length essay; for one thing, whatever he had to say on method would have been intrinsically interesting, and for another it would have imposed a certain unity on the otherwise inevitable scrappiness of his book.

Shorter Notice

"Money." By D. H. Robertson. Nisbet and Cambridge University Press. 223 pages. 6s.

IT is twenty years since Professor Robertson's "Money" first demonstrated to a delighted audience how very undismal the Dismal Science could be. It has worn extraordinarily well. In this reissue the main bulk of the text has been revised only on minor points; but two new chapters have been added, covering briefly the monetary events of two catastrophic decades and keying-in, as builders say, the structure of post-Keynesian theory to the original edifice. ("It's really dreadful," she muttered to herself, "the way all the creatures argue. It's enough to drive one crazy.") So runs the quotation from "Alice in Wonderland" with which, in accordance with his admirable habit, Professor Robertson heads this last chapter. The new matter is very well up to standard—can one say more?—and anyone who feels disconsolately that he used to know some economics, but that "the creatures" have hopelessly outstripped him, is urgently advised to procure the new edition of "Money" forthwith.

From The Economist of 1848

May 27, 1848.

PRINCIPLES OF POLITICAL ECONOMY, with some of their Applications to Social Philosophy. By JOHN STUART MILL. J. W. Parker, West Strand.

MR MILL's two thick volumes of 1,142 pages contain about twice as much matter as the *Wealth of Nations*. They treat of a great variety of subjects classified in five distinct books, on Production, Distribution, Exchange, Influence of the Progress of Society on Production and Distribution, the Influence of Government, etc. Under one or other of these heads, there are extensive dissertations on large and small farms, peasant proprietors, the Metayer system, which Mr Mill defends; on property, on Communism, on Colonisation, on *laissez faire*, on national debt, besides all the ordinary topics usually embraced in such systematic works. Every topic touched on is minutely, carefully and elaborately treated. The latest information is brought to bear on it; writers of various countries are quoted; different opinions are referred to and noticed; and not only does the work embrace many more topics than other similar works, but they are all examined as if each one were a favourite with the author. Throughout, the style is clear and pleasant, sometimes eloquent and impressive; on the whole, it is a remarkable book, which will add to the great reputation of the author, and become a standard work.

We might, perhaps, somewhat object to Mr Mill's sentimentality, caught, apparently, from Sismondi, which makes him talk about a person with the capacities of reason not concerning himself about the destinies of the human race because the world is not constituted exactly according to his ideal; we might say that there is throughout the book the want of a guiding principle, which renders it difficult or impossible for Mr Mill to explain many of the phenomena of society, of which those can supply a solution who find in the laws of population a clue to the whole; but we are not disposed to carp or cavil at a work which is undoubtedly the most complete exposition of the whole subject which has yet issued from the press.

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AMERICAN SURVEY

On with the Boom

(From Our US Editorial Staff)

SENTIMENT about the future of business, which drooped during the winter, has changed in this late spring to something like ebullience. A few months ago, a significant fraction of the population expected a recession; now, a sizable majority anticipates that production and incomes will be maintained, or even increased. The reasons for this change in springtime fancy are numerous. Probably the most prominent is the swing toward enlarged armament expenditures, which now are expected to offset any weaknesses which might have developed this year, and to continue that function for an indefinite time ahead. A close second is the European Recovery Programme, which in 1948 and for some years to come is expected to prevent any major decline in exports even if shipments are not maintained at the high rate of 1947.

These two considerations are only the beginning of the current list of favourable expectations. The reduction of taxes will provide funds to sustain both consumption and investment expenditures, and it is now calculated that industry's capital outlays this year will exceed those of 1947. Interest rates are to stay low: Mr Snyder, the Secretary of the Treasury, surprised almost everyone by retaining the rate of $1\frac{1}{4}$ per cent on Certificates of Indebtedness for his summer refunding instead of moving to $1\frac{1}{2}$ per cent, and gilt edged issues rose sharply. The third round of wage increases will be much more limited than its predecessors; numerous large corporations have recently said "No!" to labour proposals so ringingly as to carry conviction and labour extremists are being curbed in the Courts. The threats of the re-imposition of controls, proposed by President Truman last fall, and of the enactment of a much feared excess profits tax, have vanished as Congress moves toward adjournment for the nominating conventions without taking any action. Russia looks far less menacing than she did just after the Czechoslovak coup and before the Italian elections—and her peace talk may not be wholly meaningless. The business and upper income groups, who are preponderantly Republican, are confident a Republican will enter the White House next January and provide a sounder government. The historians reveal that business activity improved in 13 of the 20 Presidential election years prior to World War II. And hopes, are mounting that the inflationary rise of prices may really have ended with the February decline in commodities; something like stability has prevailed for more than three months.

These improved expectations are not only discernible; they can be measured. Since the middle of March the stock market has moved almost steadily upward and on May 14th, to the accompaniment of greatly enlarged trading, moved out of the very narrow range in which it had fluctuated since September 1946. Bullishness is now running high in New York, even though London is adjudged to be still in a bear market. First quarter corporate earnings are about 25 per cent higher than they were a year ago and apparently are being maintained in the second quarter. The cheapness of stocks in terms of earnings, dividends and interest rates, which was discussed in a leader in *The Economist* of November 1, 1947, has been maintained. The slight increase in prices since then has been offset by rising earnings and prospects, and by a slight decline in money rates. The shortage of equity capital, then postulated as a chief explanation, has been remedied in part by the reduction of taxes. The amount of relief in the income brackets where equities are purchased (above \$10,000 a year) exceeds stock flotations for new money in 1947. In 14 out of

the last 22 presidential election years furthermore, the stock market has closed the year higher than it opened. And finally, the "breakout" of May 14th provided a strong bull market signal to followers of the Dow theory which has been officially established as constituting a major force in the stock market.

This theory, which was worked out by the first editor of the *Wall Street Journal* several decades ago, closely resembles a technique which might be used to determine the state of the tide. If the latest incoming wave stops short of its predecessor, the tide may be presumed to be going out; if it overruns the furthestmost point of its predecessor, the tide is coming in. So with stock prices, with the theory offering the additional test of comparing the action of the rail issues with that of the industrials. What happened on May 14th was that the industrials rose above the best price they had previously attained in the recovery from the 1946 break, thereby "confirming" the suggestion of a rising tide previously given by the rails. History provides a number of cases where such "confirmation" has been followed by a prolonged market rise. The influence of this theory on investors was officially demonstrated by the Securities and Exchange Commission in connection with the last major decline in the market. The severe break of September 3rd, 1946, was exhaustively analysed by that agency for almost a year. All transactions were studied on a minute-by-minute basis for the entire trading day, and this information was supplemented by interviews with sellers. The investigators concluded that "confirmation" of a bear market at 11:16 a.m., announced at 12:12 p.m., provoked at least 20 per cent of the sales directly and probably somewhat more indirectly. This official demonstration of the influence of the theory has, of course, increased its authority.

The cynic may contend that there is something of the dog chasing its tail in all this. He may, indeed, go a great deal further. The Dow theory, like all other market techniques, has sometimes given false signals. And in the new confidence of business there is something of eating one's cake and having it too. In the long run business cannot have both a peaceful USSR and a permanent armament boom; or tax cuts and an expanding budget for defence; or rising profits and stable wages; or price stability and heavy rearmament. More basically, the country still remains unprecedentedly prosperous after an unprecedentedly long boom, though with some not insignificant disequilibria. The cynic who explores history may also discover that in the majority of the last 22 post-election years the stock market has closed the year lower than it has opened.

But for the present many people are having the happy experience of making a lot of money. They have heard the false cry of "wolf" almost continually since 1944, they remember the 1920's as a period of long prosperity after the postwar setback, and they feel that this time such a setback may have been avoided. And even the most erudite economists give great weight to the state of expectations.

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

American Notes

The Oregon Trail

Oregon's twelve delegates to the Republican National Convention were carried off last week by Governor Dewey after the closest fight of this year's primary elections. The popular vote was 111,230 for Governor Dewey to 101,911 for Mr Stassen. The contest in Oregon was the last important appeal to public opinion before the conventions, and both candidates badly needed a victory. This explains why the puzzled voters of Oregon, who control only six votes in the electoral college, have been courted with a thoroughness and ardour new to the North-West.

Mr Dewey has demonstrated, in the nick of time, that he has not lost that capacity for getting votes which made him Mr Roosevelt's most formidable opponent. But Oregon's influence in the party's councils is slight, and victory there cannot wipe out entirely the memory of earlier defeats. For Mr Stassen the result is likely to be more decisive. His only chance of forcing himself upon the convention was by producing evidence of a popular demand which could not be resisted. Oregon has shown that he is no Eisenhower. The party bosses will now tend to write off Mr Stassen as a Willkie who failed to make the grade.

But it would be a mistake to underrate Mr Stassen. His challenge was formidable enough to force Mr Dewey to throw overboard the Olympian detachment he has affected, replace the blue serge suit with political work-a-day clothes, and accept his share of the grime, tedium, and what one commentator has called the "grim intimacies" of going to the voter. Mr Dewey has had to fight hard for his political life. He is, observers report, a "new Dewey," hard-hitting, unpretentious, even folksy. This "new look" which Mr Stassen has popularised is in the oldest tradition of American politics. In June Mr Truman will also be making a homely, informal, impromptu tour in the West, carefully designed by the Democratic strategists to reveal a "human Truman."

Mr Truman's advisers are thinking of the election, rather than the convention. Although the Southern bloc of anti-Trumaners has rallied 55 convention votes, out of a total of 1,234, the President has, it is thought, enough votes to be nominated on the first ballot despite Alabama's avowed intention of starting an Eisenhower hare. In the Republican convention, Mr Dewey's managers claim that he has 300 firmly pledged delegates, and it seems certain that he will enter the convention as the strongest individual contender. But 548 votes are necessary to win; and this year there is an unusually large crop of favourite sons waiting hopefully for the lightning to strike. If a deal must be arranged among a number of strong candidates, it is significant that Senator Vandenberg is the second choice of many state delegations.

Priorities for Congress

Republican members of Congress will arrive in Philadelphia for their convention on June 21st hoarse and exhausted by the seven or more hours a day they have been labouring, six days a week, in order to complete their year's work six weeks earlier than usual. Even so, they are threatened with a return to Washington, either between the two conventions or after the Democratic meeting which begins on July 12th. The heat of Washington will be even less bearable than usual this year when contrasted with the irresistible attractions of home—the babies to be kissed, the fences to be mended and the political bargains to be struck, all in sufficient quantity to keep most members of Congress fully occupied until the final show-down in November.

The Republican leaders have spent much time trying to decide which are the most important logs to extract from the jam in the Congressional river during the next three weeks, if Senators and Representatives are to face their constituents with the confidence born of a job well, or even adequately, done. Many bills on which important work has been accomplished are certain to be lost, including probably the Senate's plans for housing and Federal aid to education, both very dear to Senator Taft, and the House's anti-Communist Bill; there is more hope for the admission of displaced persons. The only measures which are sure to get through the legislative mill are the Appropriations Bills and those continuing essential legislation which is due to expire before the end of the year. The former cover amounts equal to about half the total Budget, including funds for European recovery and for the defence programme: amongst the latter are supports for farm prices and the Trade Agreements Act. In the case of these two programmes, lack of time provides an excuse, which many Republicans welcome, for a temporary extension which will

permit detailed reconsideration when the new Administration takes office.

A Selective Service Bill is still regarded as almost a certainty, and its progress may determine whether or not Congress has to resume its sittings after the conventions. Reluctance to do so arises not only from home sickness, but from the realisation that a post-convention session gives each party a chance to force the other to demonstrate the solidity of platform planks, distinguished more for the ingenuity with which they conceal the gaps in the party ranks than for their weight-bearing ability. The weakest plank in any platform will almost undoubtedly be the Democratic civil rights compromise, if indeed it is possible to construct one at all, and the Republicans will do their best to splinter it. They still give a high priority to some civil rights measure, either an anti-lynching or an anti-poll-tax Bill, during the present session of Congress, but it now seems probable that shortage of time may deliver the Democrats from this addition to their already serious embarrassment.

Wage Formulas at General Motors

Court hearings on the temporary injunction against the railroad strike were postponed until May 28th, to allow more time for negotiations between the employers and the unions. If the temporary injunction is made permanent, the Army can continue to operate the railroads indefinitely: it looks as if it may have to do so, since the striking unions have once more refused to agree to the recommendations of the President's fact-finding board. Mr John Lewis has, as usual, found occasion to break off negotiations with the coalowners for a new contract, but there are still five weeks before the old one expires. The meat packing strike has finally collapsed, and the union has had to accept the increase of 9 cents originally offered by the companies.

This defeat may have made the United Automobile Workers less militant in their attitude to the General Motors Corporation, but their reluctance to strike probably arose chiefly from fear of overstraining their treasury by adding strike pay for the 225,000 members of the union who are employed by General Motors to that already being paid to the 75,000 striking employees of the Chrysler Corporation. The General Motors Corporation, on the other hand, was probably equally reluctant to interrupt the maximum output of which, according to its chairman, it is assured for the next two years. In any case it has deserted the firm front which industry has been presenting to the demand for a third round of wage rises, and labour hopes that the front will now collapse. The increase of 11 cents an hour under the General Motors agreement, although far below the 25 cents for which the union was asking, falls within the 10-15 cent limit which has always been regarded as the probable amount of the third round increase, and halfway between the 6 cents offered by the Chrysler Corporation and the 17 cents which its employees were prepared to accept. It is hoped that a Chrysler settlement will be reached on the same terms, and it appears possible that this year's wage pattern is now set.

If so, it is an interesting pattern and one which is likely to fulfil the hope, expressed in the preamble to the settlement, that it will be an important step forward in relations between labour and industry. Labour's claims for wage increases have been based on the rise in the cost of living, and the General Motors contract recognises this claim by providing for adjustments in accordance with changes in that cost. This new approach is made even more unusual by its provision for adjustments downwards as well as upwards. Wages will rise or fall by one cent an hour with each rise or fall of 1.14 points in the cost of living index of the Bureau of Labour Statistics, provided that the total drop in wages does not exceed five cents an hour. The contract also provides for an automatic increase of three cents an hour in a year's time and runs until May, 1950.

Controlling the Communists

The tiny American Communist Party, while flattered by the immense amount of free publicity it is receiving at the hands of Congress and Presidential candidates, may also reflect, more soberly, that Communists now occupy the place filled, in happier times, by the man-eating shark. It is admirable and perfectly safe and even mandatory for politicians to oppose them. In Oregon Mr Stassen forced Mr Dewey into a full-dress debate on the question whether the party should be outlawed. Mr Stassen accused the Governor of New York of "coddling" the Reds in his State; Mr Dewey insisted that the Courts could be relied upon to punish illegal acts without endangering civil liberties by making Communism illegal.

Much of the debate turned on whether the Mundt Bill, passed this week by a vote of 319-58 in the House, outlaws, or merely exposes, the Communist Party. The Bill makes it a crime to attempt to establish in America a totalitarian dictatorship under Russian control; and it requires Communist and Communist-front organisations to register, and declare their memberships and sources of funds. The criminal law, that is, is to be invoked to cut the links between Russia and the American Communists, but painful publicity will be relied on to show the true path to members and fellow-travellers who are misguided, but not treasonable. Members of Communist organisations would also be refused Federal employment and passports.

The Bill's sponsors assert that they have carefully avoided the illiberal and probably unconstitutional step of outlawing the party. Mr Truman, without committing himself to a judgment on the Mundt Bill, recently declared it contrary to American tradition to outlaw a political party, and said small splinter parties did no harm. No one yet seems to have raised the interesting question of whether Mr Wallace's Third Party might be classified as a Communist-front organisation. Definitions of this kind will provide many headaches for the courts, while the Communist Party itself makes no secret that it will go underground.

Heavy pressure is also being put on the unions to make their officers sign the anti-Communist affidavits required before a union may enjoy the protection of the Labour Board. As a routine matter, the House now adds a rider to appropriation Bills forbidding payment to Government employees who are members of a non-complying union. (This device back-fired recently when it was found that several Congressmen with union cards would forfeit their salaries.) The United States Steel Company has also informed Mr Murray, the president of the steelworkers, that it will refuse to sign contracts with the union next year unless its officers have complied. Although the union's hierarchy is thought to be free of Communists, it has found non-compliance costly in certain disputes. Nevertheless, after taking a strong anti-Communist line, the union convention last week authorised the executive to fight the affidavit requirements in the courts and to refrain from taking the oath as long as the officers could prudently do so.

Delays in the Draft

Now that the Air Force question has been decided, Congress will find it hard to delay much longer on the question of manpower for the Services; the Air Force will probably have little difficulty in securing the necessary recruits, but the forces as a whole need about 700,000 men. Both Houses, after several postponements, are expected to debate the recommendations of their Armed Services Committees shortly; these recommendations are very similar as regards selective service. Both provide for the drafting, that is, conscription, of men between 19 and 26 years of age for two years of active service, followed by some form of service in the reserve; veterans of World War II are exempt if they served for more than twelve months or were wounded, and students, essential workers and men with dependants are eligible for deferment. These Bills are regarded as a satisfactory way of meeting the immediate requirements of the Service Departments, but universal military training for all young men is still considered the only means by which an efficient long-term reserve can be built up.

The Senate Armed Services Committee has included in its selective service Bill a provision by which 161,000 18-year-olds would be called up each year for one year only, followed by four years in the reserves. This attempt to get started on UMT is acceptable to Mr Truman. The trainees would serve with the ordinary selective service men, but would not be liable for overseas duty. Not only would this mean administrative difficulties, but it is a departure from the basic idea of UMT, in which the trainees are supposed to be under civilian control. Further, the compromise would lead to charges of unfairness, since under it only about one in four boys would be called up at the age of 18 and the rest would have to wait for a year and then do two years' service. There is a definite danger that, if the Senate passes this compromise Bill, both selective service and UMT may be lost in the bitter fight which seems sure to develop, since the Republican leaders in the House apparently are determined to resist any linking of the two measures or even any consideration by the House as a whole of the UMT Bill which was passed by its Armed Services Committee last year.

Complications have also arisen in connection with the simple selective service measure. It has been held up in the House by the Rules Committee, whose chairman, Representative Allen, has proposed an alternative bonus plan to encourage voluntary

enlistments; the attractions of this scheme for some of his colleagues will not be lessened by the fact that Mr Truman has called it "asinine." In the Senate the Southern Democrats are threatening to use delaying tactics, even going to the extent of a filibuster, unless the question of race segregation in the Armed Forces is settled in a manner satisfactory to them. They are sponsoring an amendment allowing enlisted men to demand that they be assigned to units composed entirely of their own race, which would be directly contrary to the President's recent directive that discrimination in the Services be eliminated as quickly as possible.

Congress and the President

Under Mr Roosevelt, Congress was resentfully conscious of being treated as a mere "rubber-stamp." Mr Roosevelt was freely accused of dictatorial designs, and of usurping the authority of the Legislature. Today the shoe is on the other foot. Mr Truman is fighting off Congressional invasion of the President's prerogatives. The frontiers between President and Congress have always been somewhat fluid, and today the tide of executive authority is receding from the high water-mark reached during the war. The emergency war powers granted the President have expired. The President's elbow-room in manipulating appropriations is being reduced. Congress is reasserting itself and carving out new responsibilities, particularly in foreign affairs.

In many instances, such as the Marshall plan, Congressional initiative is welcome and essential. But the immediate challenge to the President concerns the loyalty and fitness of Government employees, a field in which Congressional interest has too often confined itself to hounding out of Government service men it feared or disliked. Mr Truman has just vetoed a Bill which would have authorised the Senate members of the Atomic Energy Committee to require the Federal Bureau of Investigation to submit, to the Committee, reports on candidates for the Atomic Energy Commission. The veto was upheld by the narrow margin of four votes. Mr Truman based his veto in part upon the necessarily confidential nature of loyalty investigations and partly on the fact that the FBI, an executive agency, should be kept responsible only to the President. Any attempt to make it serve the Senate would, in his view, threaten that separation of powers which is the theoretical basis of American government.

Mr Truman's determination to be master in his own house may have sprung to some extent from the suspicion that the Bill was part of the general attack upon Mr Lilienthal, the head of the Atomic Energy Commission. Mr Truman recently requested that the Senate confirm Mr Lilienthal for a new five-year term. But Mr Lilienthal is so unpopular with certain Senators that the most the Committee can be induced to offer is a two-year extension of his term, and that only because it recognises the danger of appearing to play party politics with the atom. Even this concession may fail to be approved by the Senate.

In the Condon case (discussed in *The Economist* of March 20, 1948) the House has offered an even sharper challenge to the President's control over his official family. After threats of impeachment and refusal of funds had failed to persuade Mr Harriman to give the Committee on Un-American Activities a copy of the FBI report on Dr Condon, the House passed a Bill ordering Cabinet officers (though not the President for whom they act) to supply Congress with any information requested, on pain of fine and imprisonment. Such a Bill would almost certainly be judged unconstitutional by the courts, even were it to pass the Senate and sufficient support be mustered to override a veto. But, for safety's sake, Mr Truman himself has taken charge of the Condon report.

Shorter Notes

Congress has extended the lending powers of the Reconstruction Finance Corporation, due to expire on June 30th, for six years, but it has cut its total lending power from \$2 billion to \$1.5 billion. The RFC's authority to make deferred participation loans is also restricted to guaranteeing 70 per cent of loans under \$100,000 and 60 per cent of loans over that amount.

The Department of Agriculture forecasts, from conditions on May 1st, that this year's winter wheat crop will be 845 million bushels. This is a little less than the previous month's forecast and 21 per cent less than last year's record crop, but it is 23 per cent above the 1937-46 average. Winter wheat makes up about three-quarters of the nation's total wheat supply.

THE WORLD OVERSEAS

Russian Gold

(By a Correspondent)

AMONG the most important assets of Russian economy and power at the present time are very large holdings of gold. No exact figures of holding or production are available, for the industry is one of Russia's state secrets and is concealed by a curtain of more than ferrous texture. Enough information, however, has reached the West to leave no doubt that the Russian production of gold has increased enormously during the last eighteen years. On the basis of the evidence which exists it has been estimated that the Russian output has been multiplied between four and six times since 1930 and is now nearly half of the total gold production of the world. Reports and comments on the size of Russia's holdings of gold have been frequent in the American press, though the subject seems to have attracted little notice in this country.

The increase in Russian gold production has been due almost entirely to the exploitation of very rich goldfields in the basin of the Kolyma river above or close to the Arctic Circle in north-eastern Siberia. It so happens that great resources of the metal which the convention of mankind has decreed to be "precious" are located in what is perhaps the most inhospitable area of the earth's surface. The region of the Kolyma and the neighbouring river Yana holds the distinction of the world's record for winter cold; temperatures as low as 94 degrees below zero Fahrenheit have been recorded there. The subsoil of the whole region is "permafrost" or "geological ice"; only a thin upper crust is thawed out during the brief summer. The rivers are ice-bound for eight to nine months of the year. The country is broken up by mountain ranges; elsewhere the landscape consists of vast expanses of swamp, dwarf forest—large trees cannot grow because of the subsoil ice—and moss "tundra."

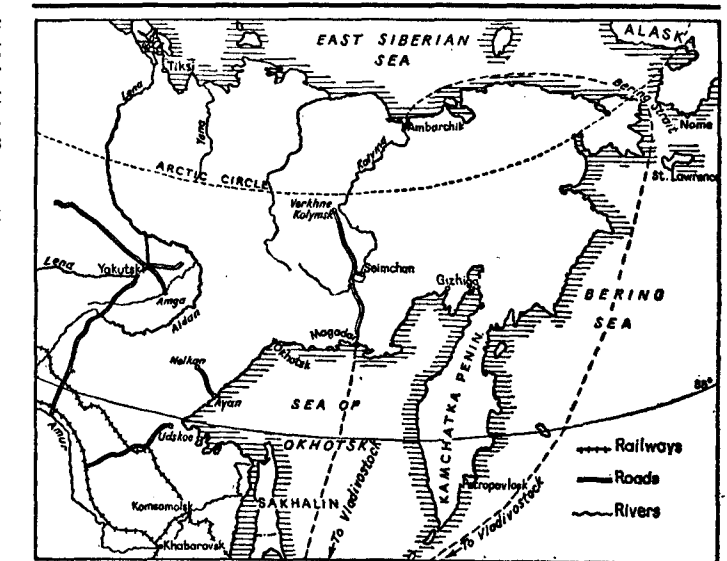
The native inhabitants of this bleak land consist of a few thousand members of primitive tribes who traditionally subsist by hunting, fishing and reindeer-keeping. Up to a little over 20 years ago there were no Russians there except a handful of traders and officials; according to the Soviet census of 1926-27 the population of the whole Kolyma region was only 7,580. No official figures have been published since, but from what is known of the number and scale of the goldfields and ancillary enterprises it can be estimated that the population is now somewhere round the half million mark. In 1940 there were 66 goldfields grouped under seven administrative agencies, each field employing some thousands of workers; the number of fields is believed now to have been increased by the working of newly discovered deposits east of the Kolyma along the coast of the Arctic Ocean.

End of the Private Prospectors

This rapid development of the Kolyma region has been one of the most remarkable processes of internal colonisation in the Soviet Union during recent years. It is worthy of study as an economic phenomenon in comparison with other historic regional developments consequent on the discovery of gold, as in the Transvaal, California and Alaska. Normally such a development has gone through two stages: the first—the "gold rush" period—of extraction of alluvial and surface gold by numerous prospectors with little or no capital, and the second, of regular mining operations by companies with large capital. Curiously enough, Kolyma, in the early days, even under the Soviet regime, followed the individualistic gold rush precedents. Commercial extraction of gold in Kolyma began in 1927, when the "New Economic Policy" was still in force, and private prospectors were encouraged to go and make what they could, provided they sold their gold at a fixed price to a state trust, the Soyuz-Zoloto. This private prospecting was allowed to go on until 1932, but was then brought to an end by the Soviet Government for three main reasons. In the first place, after the inception of the first Five-Year Plan it was contrary to public policy to leave any important industry in private hands. Secondly, much of the gold found had gone abroad, for the prospectors, instead of delivering it to

the Soyuz-Zoloto, had found it more profitable to sell it in exchange for consumer's goods to Japanese fishing boats calling on uninhabited stretches of the Okhotsk Sea coast. Thirdly, the Government wanted to have more gold and to have it quickly, but as long as the country remained a roadless and almost uninhabited wilderness, no rapid expansion of the industry was possible.

Kolyma gold, however, was only one of many planned projects which, in the absence of foreign loans, had to be financed out of capital accumulation from the current national income. Very little capital could be spared for this development. Nor indeed was the labour available anywhere in the vicinity of Kolyma and in order to attract free labour from a distance to what was notoriously one of the worst "badlands" in Siberia it was necessary to offer attractions of high wages and good living conditions. Even so, it would have been virtually impossible to get free labour owing to the great demand for it in more favoured areas of the Union. In any case the Government was not prepared



to pay for the cost of free labour in Kolyma. But happily it was not dependent on free labour at all.

The task was entrusted to the police organisation of the GPU (subsequently transformed into the NKVD and now the MVD), to be carried out, among many other enterprises, by means of "corrective labour camps." A special department was set up within the GPU under the name of Dalstroy and was given supreme authority—superseding all local branches of the civil administration—over most of north-eastern Siberia. The administrative boundaries of Dalstroy appear to have varied at different times; its present area is rather more than ten times that of Great Britain. The Kolyma basin is only one part of its territory, but the Kolyma gold mining is its most important economic enterprise. The head of Dalstroy enjoys viceregal powers and is responsible only to the MVD; he is in control of some tens of thousands of free men—free, that is, by Soviet standards—and of some hundreds of thousands of convict prisoners who provide the labour force of the colony. The economic organisation is directed by the department of the MVD known as GULAG ("Chief Administration of Corrective Labour Camps, Prisons and Special Settlements").

As there was no overland communication with Kolyma by road or rail, convict labour was transported by rail to Vladivostok and shipped thence to a bay on the northern coast of the Okhotsk Sea, where they were to build a port—now the town of Magadan, the "capital" of Dalstroy—and construct motor roads

to the goldfields. The "middle passage" was well organised; in the holds of the ships set aside for the service cages were constructed in which prisoners were packed in tiers to the number of 6,000 to 9,000. The voyage from Vladivostok to Magadan took eight or nine days, and each of several ships could make more than a dozen voyages during the summer months when the sea was free from ice floes. This has gone on every year except during the war, and the population of Kolyma has thus been rapidly built up. Attempts have also been made to convey labour to Kolyma by a roundabout sea route through the Bering Strait to the port of Ambarchik on the Arctic Ocean coast, but this route has disadvantages; in 1933 the ship *Dzhuma*, sailing from Vladivostok with a full cargo of several thousand prisoners, was caught in the Arctic ice and finally reached Ambarchik in the summer of the next year without a single convict; as there was barely enough food to keep the crew alive, the human freight had had to be disposed of.

Once landed, the convict slaves were put to work on construction projects; they slept in the open on the bare ground until they had made huts for themselves in their spare time. The road from Magadan to Seimchan, the centre of the goldfields, was a major undertaking; it had to be carried for 400 miles across mountains and through swamps, and it took five years to complete. With the opening of this and other lines of communication it became possible to employ many more workers on the goldfields; at the same time fisheries, lumbering and even coal-mining were developed in order to give the region maximum self-sufficiency for food supplies and materials. Agriculture is generally impossible because of the subsoil ice, but by a special technique crops are now raised in one or two localities. Some of the development which has been going on in Dalstroy may have a strategic as well as an economic motive, for north-eastern Siberia is the part of the Soviet Union which approaches nearest to territory of the United States, and since the construction of the Alaska Highway during the war American power has existed, not only in name, but in reality to the east of the Bering Sea.

Ingenious Differential Rations

The convict slaves, who form well over 90 per cent of the population of Dalstroy, work under the control of armed guards and specially trained dogs and under the pressure of an ingeniously devised system of economic incentives. Norms of work are fixed and the prisoner's rations are proportionate to the percentage of the norm he achieves each day. Refusal to work is punished by death; work less than 30 per cent of the norm is counted as refusal and earns the same penalty. Above the 30 per cent mark there are four grades of rations for ordinary workers and a special ration for "shirkers"; the shirkers' ration and the lowest of the regular rations are quite insufficient to maintain life if continued for any length of time, and only the best and hardest work earns anything like adequate nourishment. All those who wish to remain alive, therefore, struggle to reach the higher ration grades; those who fail over a period of days or weeks rapidly weaken and die or are finished off by the guards. At the upper end of the scale a few prisoners attain posts on the supervisory staffs and live comparatively well, owing their elevation either to special technical qualifications or to services in the system of espionage which the MVD maintains in its own prisons and camps.

Escape from the slave camps is virtually impossible, not so much because of the guards as because of the dogs. Apart from attempts to escape, discipline is very harsh, as it has to be when the conditions of life are in any case so highly punitive; insubordination is requited with death or with cruel punishments often fatal to the victim. But there is no merely wanton killing, for the slaves have been brought to Kolyma to produce gold, and the Dalstroy officials have to calculate the point at which the cutting of labour cost begins to yield diminishing returns through too high a mortality of convicts. During the war the flow of compulsory immigrants to Dalstroy ceased and was even reversed, for numbers of able-bodied Soviet citizens were shipped back to Vladivostok to be enlisted in the Red Army, and survivors from the captures and deportations in Poland were released to join the new Polish army formed under the short-lived Polish-Soviet treaty of 1941. Production was kept up, however, with mining machinery imported from the United States, and since the war slave labour has again been abundant, with the result that new fields have been opened up and output increased. It is reported to have risen from about 11 million ounces in 1940 to 16 or 18 million last year. The Dalstroy system has undoubtedly been successful in furnishing Russia with an enormous hoard of gold, second in quantity only to that held by the United States—for whatever gold may be worth in the world of today.

Perplexities of Cyprus

[FROM OUR SPECIAL CORRESPONDENT]

POLITICALLY-MINDED Cypriots fall into four classes. On the Left is a vociferous all-or-nothing group which wants unfettered self-government. On the Right, a corresponding all-or-nothing school, led by bishops and priests who would greatly like political power, wants a different all—*enosis* or union with Greece. Centred somewhere between the two are some unvoiced, unemphatic but reflective Greeks who, while true Hellenes by church and sentiment, feel that Greece and Britain are allies, that now is not the moment to raise issues confusing to either, and that as they have not piloted themselves for centuries they had best try dual control before embarking on solo flight. The fourth group, numbering 20 per cent of the islanders, is Turkish and Moslem. It prefers British rule to rule by the Greek majority because it fears that the latter would accord it little more than religious and educational liberty. Are a band of the moderates going to take a hand in shaping the new constitution?

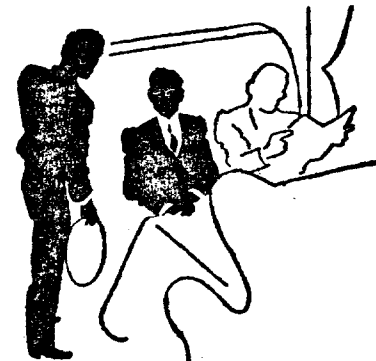
In theory, the answer to this question should be an unqualified yes. The British draft proposal described in *The Economist* of May 15th was last week accepted by the island's Consultative Assembly by 11 votes to 7. But the composition of the majority is such that the future course for the constitution's backers is by no means plain sailing.

The story behind their problem is as follows. When the Assembly was charged with recommending how the people should "participate in their internal affairs," it was intended to be 40 strong. It was to be nominated from all creeds and classes. In fact, it never numbered more than 18 members. The Church led the whole of the Right (which was in the doldrums because it had lost the municipal elections) into opposition to any body that was to discuss measures short of *enosis*. The eighteen members consisted, therefore, of eight Left-wing Greeks, of six Turks and of 4 government nominees—these last being one Turk, one Maronite and two non-party Greeks. A nineteenth member was appointed—an independent British chairman. He is Sir Edward Jackson, a man of experience in framing the constitutions both of Malta and Ceylon—experience the value of which is recognised by all his shrewder colleagues. The Left-wing Greek members, who want full self-government at once, forwarded to London a memorial which said so. Their document, needless to say, met with the disapproval of the Turks. The absent Ryat also disapproved of it. "Better the rule of Storrs and Palmer," wrote the Church newspaper *Ephemeris* in April, "than self-government conducted by Servas and Clerides." The names of Storrs and Palmer locally connote high-handed British ways. Mr Servas, Mayor of Limassol, is the able leader of the island's small Communist party, and was trained in Russia. Mr Clerides, Mayor of Nicosia, is a fellow traveller.

Criticism of Governor's Powers

Plainly, no conceivable draft could please all these people. The British authorities' problem was to produce a document acceptable as a basis for discussion to the widest possible swathe of reasoning opinion. Its proposal suggests a legislature of 22 elected members, of whom four are to be Turks elected by communal representation, and only four official members. Its intention is that these last shall serve as a sounding board from people to Governor as well as from Governor to people. Executive power is to lie with a Council consisting of approximately four officials and four Councillors drawn from the majority in the legislature. The introduction of questions of defence, external affairs and the special interests of minorities are reserved to the Governor; to this even the Left wing nationalists are ready to agree. But they are opposed to a clause which gives the Governor reserve legislative powers to push bills through. The absent Right similarly opposes a clause that excludes "the status of Cyprus within the British Commonwealth"—alias *enosis*—from discussion by the legislature. The reservation of such powers to the Governor is common in colonial constitutions. Naturally it is repellent to him to use them. In practice the clause serves its purpose as a brake on impetuosity simply by being there. But these fruits of experience are difficult to put across to Greek minds full of native aptitude for carping at government.

At the Assembly's session of May 21st the seven voters against accepting the British draft even as a basis for discussion were the five Left wing Greek mayors and the two Greek Trade Union representatives. The representative of the Greek Co-operatives



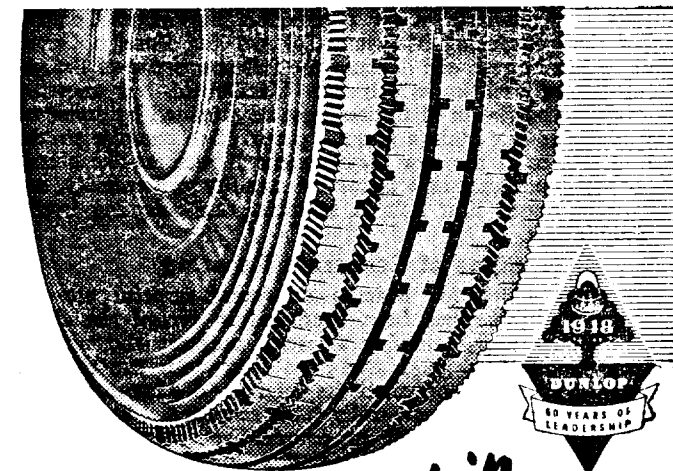
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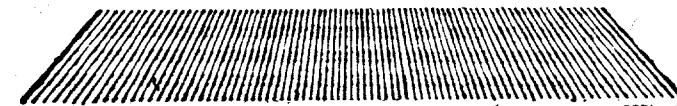
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(who had signed the memorial to London) surprisingly and courageously voted with the Turks, the Maronite and the moderate Greeks to form the majority. It would be difficult to proceed to fill in the many blanks that have been left to local choice and judgment without the cooperation of either of the wings of political thought. Yet to abandon the considerable body of middle opinion that would genuinely like to give constitution-making a try is, after the vote, unthinkable. Some of the Left wing leaders seem to have burnt their boats. There are chances that some of those on the Right (who have, in Cyprus as elsewhere, gained ground at the expense of the Communists in recent months) will not follow their aged Archbishop down the blind alley of intransigence.

Adverse Balance of Payments

Some hesitations about taking over the reins of government are comprehensible. Assumption of responsibilities in the summer of 1948 is no light matter. The Eastern Mediterranean is suffering disturbances that are likely to handicap trade and tourist traffic. The island has just come through a boom period based on war profits and there are signs that it must pull in its belt. Visible trade figures for the last three full years are as follows:—

	£,000,000		
	Imports	Exports	Balance
1945	4.8	2.9	-1.8
1946	7.5	3.8	-3.7
1947	12.3	4.6	-7.6

In the first two of the years the unbalance was wholly offset by invisible exports. In 1946, these brought in £4,396,000, of which, perhaps, one-sixth was contributed by some 13,000 bona fide tourists and the rest by military expenditure and sums spent in connection with the camps of Jewish illegal immigrants to Palestine. In 1947, the unbalance was not nearly met from these sources. Bank returns and other indications suggest that the general position is still sound thanks to the accumulation of war savings and to the investment at home by Cypriots abroad of wartime profits made in Alexandria, West Africa and elsewhere. But it is now clear that British military expenditure is not going to continue on any large scale and that imports must drop in 1948. Prices and particularly labour costs are high. (The 44-hour week does not cure the one-time all day worker of his habit of pausing for thought and chat, and a system of payment by results has become imperative.) The value of the £10 million originally allocated under the British 10 year Development and Welfare plan has, as a result, fallen by at least one-third. Nevertheless, long term prospects are not unpromising. The colony's economy is very broadly based; the development moneys now being spent upon small-scale but ubiquitous irrigation schemes are starting to show results; health is good; D.D.T. has finished malaria; the four years of the war have wiped out peasant indebtedness; and small holders now find it worth while to improve their land. Young trees, therefore, now dot the once barren central plain and terraced vineyards are making inroads into the hills. But unless oil is discovered (prospecting is in progress) no spectacular advance in wealth can be expected. All that can be said is that, measuring the island by Aegean standards, which are low, it is prosperous and comfortable.

It will be a grave disappointment to all devotees of political development in the colonies if both Cypriot Left and Cypriot Right shelter behind extremist slogans in order to conceal their fear of encountering the downs as well as the ups of democracy. Yet that is, in the light of their past protestations and the island's present problems, the impression that they will create if they refuse to give the new system a try. "What we want," proclaimed Mr Servas in January, "is a constitution similar to that in Malta." Is it because his political opponents are temporarily in the ascendant that he now seems anxious to take no more risk?

Surer Shield in Malaya

[FROM A CORRESPONDENT IN SINGAPORE]

ON May 2nd Mr Malcolm MacDonald returned from leave to take up a post of supreme importance. He lost no time in holding a press conference and in explaining his new duties. Visual acuity is an occupational disease of Governors, but even when due discount is made for professional optimism public opinion will endorse his attitude. The ordinary citizen, seeing his neighbours in the once fertile and richly productive countries of South East Asia harassed by private stress and political storm, cherishes the idea of stability and security. A price will have to be paid, but he is prepared to meet Mr MacDonald's bill if Singapore is safely buttressed.

On his appropriately timed arrival, the eve of Whitsuntide, Mr MacDonald has shouldered the responsibility of a trinity. He is Governor-General of Malaya, and hence responsible to Mr Creech Jones for the general supervision and co-ordination of policies in the Federation of Malaya, Singapore, Sarawak, Brunei and North Borneo. As Special Commissioner for South East Asia he has to do everything possible to further and co-ordinate the economic development of neighbouring countries. For this he is responsible to Mr Bevin. Also, as Special Commissioner, he is chairman of the Defence Co-ordination Committee in the Far East, and is thus responsible to Mr A. V. Alexander. Mr MacDonald's local reputation is that of a sincere, sensible and likeable man who combines knowledge and experience with a flexibility of methods and a readiness to adapt himself to a changing situation. His prestige is great, and his courage in undertaking this triple post is even greater.

Improved Defence Organisation

The duties previously performed by Mr MacDonald as Governor-General are comparatively simple, but even so his great abilities will be taxed in driving a team in which the ultra-modern Singapore is required to pull with the backward states of North Borneo and Sarawak. His responsibilities for Defence are the outcome of the fall of Singapore. The Percival Report on that ill-arranged and ill-starred campaign from December, 1941, till February, 1942, revealed many weaknesses—lack of organic union among the civil, military, naval, and air services; absence of a responsible authority; dependence on a too distant War Office for many decisions which should have been taken immediately on the spot. The focal point of Singapore makes it a convenient centre round which to group the armed services headquarters, which can now jointly and severally plan in detail against any future aggression. Local airports are being enlarged; and the Imperial Government will contribute to the cost. A Malayan navy is being recreated. Volunteer regiments will be restarted when it is more clear how part-time soldiers can play a useful part in mechanised warfare.

In his capacity as Foreign Office representative, Mr MacDonald has inherited the large organisation built up by Lord Killearn, who has just retired from the position of Special Commissioner for South East Asia. Lord Killearn had various diplomatic tasks: he was adviser to the British Government on general international questions touching foreign affairs in South East Asia; he made useful contributions in the Netherlands East Indies negotiations; and he had in addition economic responsibilities in connection with food, particularly in the production, import, and distribution of rice. Inducing Malayan, Colonial and Foreign Governments to run in gear will demand the fullest exercise of the great administrative abilities which Mr MacDonald has shown he possesses. The fusion of duties must be attended by some temporary snarls; but Malaya is quite prepared to exercise patience, because it sees in the new arrangement a business-like recognition of its importance as a factor for stability and security, while the rest of South East Asia is adjusting and adapting itself to the atomic age.

Signs of Economic Recovery

The signs which Mr MacDonald found hopeful are quite numerous. Rubber has been produced in record abundance; soap manufacture is attaining a useful output; the pineapple industry is off to a good start; on May 10th the Singapore Harbour Board accomplished its highest discharge per day, 11,000 tons, and three saw-mills have reopened. But handling charges are still high, and in competitive international trade services must be cheapened. For a long time the labour exchange was almost empty of labourers. It has now 3,000 artisans and 2,500 unskilled men on its books. Many employers have stated that they can now replace dissatisfied exponents of the go-slow type of labour by men who are willing to give a decent day's work for a day's pay. Politically there is also an improvement. The police are winning the battle in the fight against extortion and crime because they can now obtain co-operation rather than the scared abstinence of the public.

In addition to his threefold duties Mr MacDonald has many commitments on the domestic side and a very limited income. There are imperative needs. More houses, more schools, more hospitals, more machines must not be removed from the top of the priority list however strongly challenged. The Universities Commission's report has been published. Its recommendations are excellent, but giving them effect will make Malaya's University the most expensive in the world. Whether the much over-strained income of Malaya can be further stretched to establish it without serious detriment to other services is another unsolved problem. Mr MacDonald must realise that it is necessary to keep whole and undefiled the faith that ends must be related to means.

THE SPIRIT OF ENQUIRY



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In the 1830's Charles Askin, formerly a young Birmingham veterinary surgeon, devoted himself to finding a method of extracting pure nickel from the nickel-cobalt ores then available.

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Askin found he possessed only half the powder he calculated he would require, but he continued with his experiment, and succeeded by chance where an associate, using ample powder, failed. Thus was a lucky stride made towards the Nickel Age.

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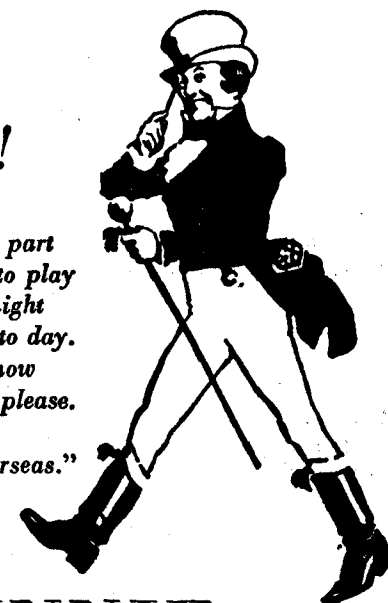
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or where residence is necessary. The director will not have to account to the tax authorities for his meals, provided that meals are provided generally for the staff and are taken in part of the business premises. But he will be accountable for any assets which may be transferred to him by his employer, or for the Schedule A assessment of a house provided for him by the company—the latter is almost a concession, for Schedule A values are usually well below economic rents. These various provisions would involve much detailed accounting by a company, which in future will formally be required to make returns for the smallest items of expenses paid to senior employees and directors—and, it would seem, to deduct PAYE from them. Much of this work, however, should be avoided by the operation of Clause 41, which provides that if a company satisfies the Revenue that no additional tax would be payable on payments or services provided to employees or directors, then they may be excluded from the operation of Part IV of the Act. This administrative discretion, sensibly administered, should avoid much investigation of petty expenses, without reopening the door to evasion.

If the clauses relating to expense allowances are relatively straightforward, the same claim can hardly be made for Part V which deals with the special contribution. This will long provide a happy hunting ground for the lawyers. The levy purports to be a levy on capital, measured by reference to "investment income," as defined in Clause 48. But examination of the first Clause shows that the levy, in certain not unusual circumstances, can in effect be a tax on earned income. A man who had £2,000 of investment income in 1947-48 and earned nothing pays no levy and no surtax. If he worked and earned £800 (or less) he will pay in taxes on that £800 all that he earned. Income tax will absorb £288; surtax £87 10s.; and the levy will amount to £425. Thus the total taxation attracted by an earned income of £800 would amount to £800 10s. A similar penalty would apply to a man with an investment income of £2,000 and a modest pension, for while pensions are not "investment income" for the purpose of the levy, they are included in total income, by which the levy is in part determined. Unless some change is made in the marginal reliefs to such persons, they will be unfairly prejudiced, and naturally inclined not to supplement their investment income by working in future.

One of the most severely criticised points in this part of the Bill relates to private companies, whose members happen to have taken their income from the business in the form of dividends rather than as salaries. Assume that five men are in partnership, and made £100,000 profit in 1947-48. No levy will be payable on this sum. But if they had formed themselves into a company and took the whole of the profit as dividends on their shares, they would, as Clause 48 now stands, be liable together for a total levy of £45,625. Such a

business might have quite modest assets, and its profits might depend very largely on the skill and energy of its members. Such, for example, is the position of corporate members of the Stock Exchange. Evidently, some amendment is required to deal fairly with the incidence of the levy on income received by way of dividends on shares of director-controlled companies.

Clauses 48 to 51 define the meaning of "investment income." Annuities and annual payments come within the definition, but Government annuities and annuities payable by insurance companies are not to be treated as investment income. The point of this differentiation between such annuities and other forms is not quite clear. An annuity purchased for proper consideration is surely entitled to rank equally with another of the same class. Clause 51 deals with periodical payments, like payments of alimony or payments under covenants. It cannot be said that this clause is clear beyond doubt, but it appears to imply that such payments may not be deducted in computing the investment income of the payer, and that the corresponding receipts of the person to whom they are paid are not to be treated as investment income of the payee. But there is room for doubt on this point, and the clause should be made clear, beyond question.

As the Chancellor recognised in his budget speech, trusts present a number of problems in assessing and collecting the levy. The burden of Clause 55 is to make arrangements, under certain conditions, for payment of the contribution from the capital fund of the trust. If the life tenant works and enjoys an earned income, it may raise his total income and set up a liability for the special contribution. In that case, the levy will be payable out of the trust funds, and the prospects of the remainder-men will thereby be worsened. For example, a man receives £2,000 from a trust; if he has no other income, no levy is payable. But if he earns £1,000 in addition, the trust will be liable to find £425 in respect of his amount of levy. Similar anomalies may arise where the trustees have discretion to distribute the income from the trust. These are only a few of the simpler anomalies which arise, as the Bill stands, in the case of trusts. Since trusts rank as "indirect contributors," they have a plain interest in ensuring that the assessment of the levy is correct; yet their rights of appeal are materially limited. They may not learn their liability until the assessment is final, and it is not clear whether they would then have any right of appeal. The penal provisions of this clause require careful scrutiny in Committee; if trusts are to be called on to meet a levy which is assessed by reference to the total income of life tenants, they should not be liable until they have had notice of assessment and the opportunity of entering an appeal. Clearly, so many special cases are likely to arise under the particular provisions of individual trusts that this amendment should be accepted as a matter of plain equity.

Business Notes

The Yawning Gap

The trade figures for April have come as a rude shock to those who had hoped, from experience of the early months of the year, that solid progress was at last being made towards closing the menacing gap in Britain's balance of payments. Imports in April, valued on the usual cif basis, rose by £8,000,000 to £186 million, surpassing by several millions the highest total ever previously recorded (in January, 1920). Despite the moderate further expansion of exports, the visible deficit rose by £3,400,000 to £54.4 million, the worst figure since last September. Imports for the first four months of this year, at £186 million, have surpassed by fully £39 million, or 27 per cent, the figure for the similar period of 1947, and the visible deficit has widened from £154 million to £174 million, despite an expansion of total exports by £143 million, or 40 per cent.

These figures show plainly enough that the programme set forth in the "Economic Survey" for reduction of the total deficit in 1948 will not be achieved, as the press last week was not slow to point out. In trying to compare the programme with the trend shown by these figures, some commentators forgot, however, that the "Economic Survey" valued imports fob, whereas the Trade Returns show them cif; they thus made a poor performance look even worse. This was too much for the Treasury, which is plainly becoming increasingly sensitive to criticism. The Economic Information Unit promptly issued a list of explanations and excuses. It pointed out, among other things, that at least 10 per cent ought to be deducted from cif imports to adjust them to the basis assumed in the "Economic Survey." But, even on this basis, the record of the past four months is depressing. With imports valued fob, the visible deficit in April was £36 million, compared with £33 million in March and £16 million in February. Even if the deficit in the next two months were to fall to the average monthly rate assumed in the "Economic Survey"—which is inconceivable—the half-year's

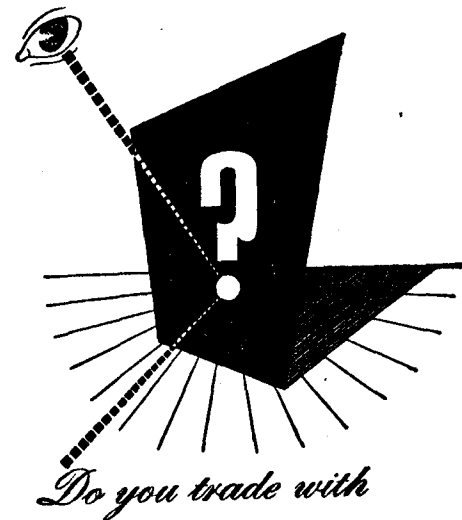
deficit would be £136 million, or £50 million worse than the official forecast. The Treasury's apologia says that imports were below expectations in January and February and abnormally high in the following two months. Yet the adverse balance in the first two months was much above the average rate assumed in the estimates, and it is already clear that imports for the first

BRITAIN'S VISIBLE BALANCE OF TRADE
Monthly Averages £ million

Area	Monthly Average				
	1st Qtr., 1947	2nd Qtr., 1947	3rd Qtr., 1947	4th Qtr., 1947	1st Qtr., 1948
United States of America	-17.9	-21.0	-21.6	-17.3	-12.2
Canada and Newfoundland	-11.9	-17.8	-18.9	-14.8	-13.8
Argentina Republic	-7.4	-6.7	-10.2	-7.7	-7.6
Rest of Western Hemisphere (other than Sterling Area countries, but including Japan and Philippines)	-4.7	-9.2	-12.1	-7.8	-3.7
Union of South Africa	+5.5	+5.9	+5.3	+5.6	+6.2
Rest of Sterling Area	-4.3	-8.8	-6.4	-0.8	-5.8
European Countries (including their overseas possessions other than those in the Western Hemisphere)	+6.5	+1.3	-6.0	+1.7	-1.2
Other Countries	+2.1	-1.3	+2.0	+1.5	-1.5
TOTAL	-32.1	-57.6	-67.9	-39.6	-39.6

half-year will exceed the target by some £100 million fob. If net payments on invisible account are no larger than the official forecast, Britain's total deficit on current account for the six months is unlikely to be less than, and will probably exceed, £200 million—in contrast with an official forecast of £136 million.

The trend in dollar trade has been somewhat less disquieting. As the accompanying table shows, in the first quarter of this year the monthly rate of visible deficit (taking imports cif) with the Western Hemisphere declined to £37.3 million, compared with £47.6 million in the fourth quarter of 1947, and with a peak



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rate of £62.8 million in the third quarter. If imports are abated by 10 per cent, to allow for freight, the total visible deficit with the Western Hemisphere in the first quarter of the year becomes £94 million. This figure, likewise, compares adversely with the official target (a visible deficit of £162 million with the Western Hemisphere for the half-year), but the contrast between hope and performance is less marked here than in the figures of the external deficit as a whole. It is impossible, however, to dismiss this deterioration, as the Treasury tries to do, by the facile argument that most of it is due to increased imports from the non-dollar world. The Treasury seems to think that increases in expenditure outside the dollar area are quite inconsequential unless they result from rising prices. In the circumstances, it is hard to understand how the authorities can say in the same breath, "that the achievement of an overall balance . . . is of course one of the main objectives of our policy."

Chancellor on Sterling

Hardly a week passes nowadays in which Sir Stafford Cripps does not find an opportunity to underline the merits of sterling and the reasonableness of its existing parity. These statements serve the useful purpose—which doubtless is their objective—of neutralising the effects on public opinion of the continual indications that Washington is concerning itself increasingly with the problem of devaluation of European currencies. The Chancellor should beware, however, of defeating his purpose by protesting too loudly and too often. In the circumstances, it is a pity that his latest denial of any need to devalue sterling should have been founded, in effect, upon so questionable a footing as a purchasing power parity calculated on official cost of living indices. It was unfortunate, too, as an earlier article points out, that his description of sterling as "the only large scale convertible currency that still exists" for the Commonwealth and Western Europe should have coincided with the news that two more countries are to leave the shrinking system of transferable sterling accounts. Yet both contentions are reasonable. The case against any early devaluation of sterling can be substantiated by better arguments than Sir Stafford chose this time; and it is beyond doubt that sterling, even though its automatic convertibility shrinks further, is the only non-dollar currency which can be a common medium in the non-dollar world.

The crucial question, however, whether sterling's acceptability can be sustained, or any multilateral system of payments be established in Western Europe, does not turn upon mere currency matters. On this aspect, Sir Stafford's latest speech supplied a touch of realism which has been woefully lacking in most of the recent discussions of this problem. Marshall aid, he emphasised, will not alone restore the foundations of sterling. If it supplies £400 million of dollar relief in a year, Britain will still be receiving in external dollar aid £600 million less than the dollars expended last year for all purposes. Marshall aid merely provides time in which to restore the position by the only means in which it can be restored without a disastrous fall in the standard of living—by increased production. But as exports and production climb higher, the steeper and more difficult the path becomes: "sales resistance is building up, we have almost reached the limit of raw material supplies . . . and there is no more labour to come back." In other words, increased efficiency is the cardinal need: the main objective now must be more production from existing resources.

Basis of Convertibility

The fundamentals of Europe's exchange problem are similar. On the basis of figures compiled by the Economic Co-operation Commission for Europe, Sir Stafford Cripps showed that the balance of payments for Europe as a whole (excluding the USSR) deteriorated between 1938 and 1947 by \$7,500 million—of which, \$2,700 million reflected the fall in invisible income, \$1,200 million resulted from the decline in the physical volume of trade and \$3,600 million from increased prices. To redress its vast deficit, Europe would need either to increase its exports by 125 per cent of the 1947 level or to reduce its imports by 55 per cent. To satisfy such a programme (by any combination of the two processes of adjustment) production of capital goods and chemicals would have to rise to between 40 and 50 per cent above its prewar level. It is on hard facts such as these that every discussion of Europe's collective currency problems should be based. In principle, every Marshall country agrees that a production deficit of this magnitude cannot conceivably be bridged except by a co-

operative effort involving many painful mutual sacrifices to ensure not only increased production but production of the specific goods which are indispensable. Schemes to extend the convertibility of currencies and to widen the area of multilateral payments within Europe may supply a lubricant for such a concerted drive as this. But it is folly to suppose that such schemes can work by themselves. Their chances of success depend absolutely upon the willingness of the participants to face squarely and quickly the difficult adjustments and painful sacrifices which are inherent in the ideal of an integrated production plan. In the currency sphere, mutual extension of overdraft limits (or their equivalent) are the technical means by which the lubricant must be injected; but they will not be conceded unless the creditors are confident that the claims will be discharged in necessary goods in the reasonably near future.

Imperial Chemical Issue

At the annual meeting of Imperial Chemical Industries a week ago, Lord McGowan disclosed that application had been made by the company to the Capital Issues Committee for permission to make a new issue of ordinary shares to the existing stockholders. The board intends, if permission is given, to make the issue as of right (giving preference stockholders the opportunity to subscribe for any shares which are not taken up) and the date and terms of the issue have yet to be decided. On this news, the shares reacted somewhat to 48s. 9d. but they have remained steady at this price during the past week.

The need for new capital—the first that the company has publicly raised since 1929—was clearly explained in the ICI report. The group as a whole has present commitments for capital expenditure amounting to £16½ million; but the full programme of extension stretching into the future will involve finance much beyond present commitments. Last year, no less than £20 million was absorbed for new plant and increased working capital and stores. The group is, of course, strongly equipped with current assets; they exceeded £76½ million at end of last year, but net current assets showed a fall—despite the customary caution of the directors' reserve policy—from £37.3 million to £33.4 million. This is not a material change, but it is a portent of some significance for the future.

There has naturally been much speculation about the terms of the new issue. Will the directors decide to offer all the £20½ million of unissued capital in one operation? If they did, a two for five offer would be a simple conclusion in proportion, for there is £50,465,116 of ordinary stock in issue. And what price are the directors likely to fix? There will be two practical limits: not to fix the price so high that shareholders have nothing "to go for," but not to fix it so low that the company is unnecessarily burdened by the bonus issues tax. The group's future commitments are such that the directors will be anxious to obtain the greatest volume of new resources from the issue. The market's guess is that 45s. would be a fair price, in all the circumstances, for the new shares; and since the dividend yield at that price would be 4½ per cent it would enjoy good support. But it is for the directors to decide.

Industry Seeks New Capital

An active season of new industrial share issues is indeed in full swing. At the end of last week the terms of the offer to shareholders of Cunard Steam Ship were announced. As the chairman showed a month earlier, the main purpose of the issue is to repay short-term indebtedness incurred by last year's purchase from outside interest of the 3,800,000 shares of Cunard White Star at 40s. The company hopes to raise some £3,805,000 net by the offer to ordinary shareholders of 2,228,105 new £1 ordinary shares at 35s., in the proportion of two new shares for every £5 of stock held. The stock stood at 44s. 9d. at the date of the offer, so that the rights were worth about 2s. 9d. per share; the stock has fallen this week to 40s. 6d. ex rights. It has been suggested that the Cunard group might have in mind some further expansion, since an increase in the authorised ordinary capital from £5,600,000 to £12 million has recently been approved by the shareholders. But the Cunard accounts showed that some £4,881,300 was still outstanding for unsecured loans, and although it is known that substantial reductions had been made in the balance between December 31, 1947, and April, the new issue will be no more than sufficient, presumably, to repay the balance. It is estimated that Cunard Steam Ship will be liable to bonus issues tax amounting to some £80,000 on the issue.

Under Charles II

The Great Fire of London, following on the Great Plague, changed the face of the capital. In recent years another Great Fire has changed the face of London once again. In both these catastrophes the watchword in Lombard Street was "business as usual."

Martins Bank, through the old private bank which operated at the sign of the Grasshopper, a business which was absorbed in 1918, has a link with the famous men of the reign of King Charles II, for the King himself, Prince Rupert, the Duke of Monmouth, the Prince of Orange, and Samuel Pepys, the famous diarist, all had accounts at the old bank.

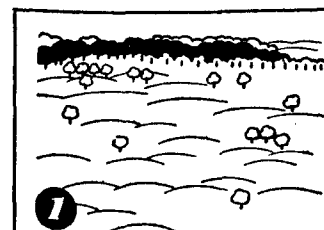
The business of Martins Bank is now countrywide and branches number nearly 600, but the personal touch has not been lost and is still one of the outstanding features of the service provided for customers.

MARTINS BANK

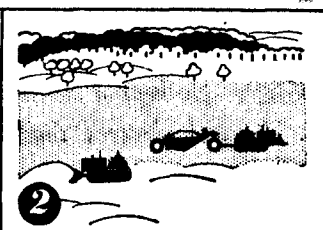
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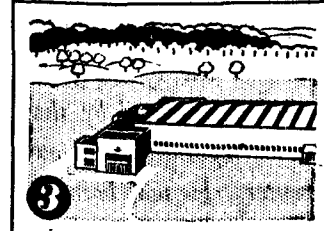
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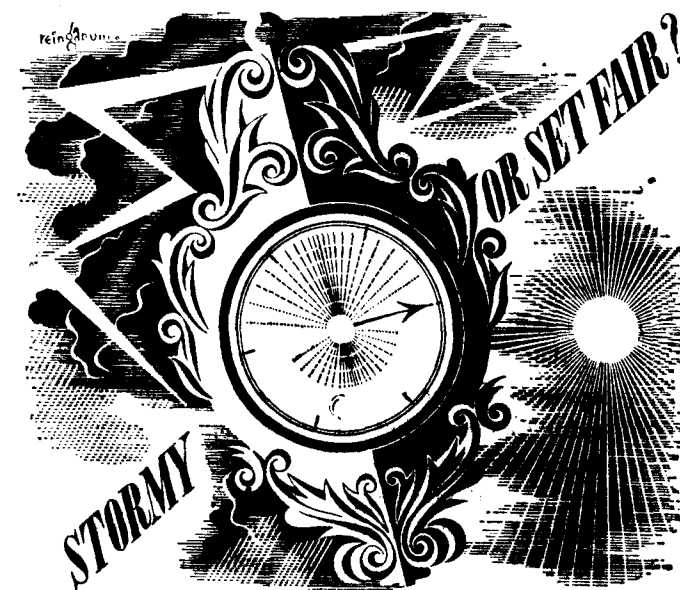
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May

The British Industries Fair opened in London and Birmingham early in May. This great display reflected the skill and resourcefulness of the people of this country in providing the exports so essential to our national well-being. Many exhibitors enjoying an international reputation can recall their first steps and not a few the aid and support received from the Midland Bank. Over a century ago this Bank began as a local undertaking in Birmingham, side by side with other examples of early enterprise. To-day the Bank is as ready to meet the needs of those whose requirements are modest as it is of those of the great industrialists, and offers its services to all having need of them.

MIDLAND BANK LIMITED



John Mayow *Air is necessary both to keep a fire alight and to maintain life.*

Though this important fact has been known for thousands of years, it was an English chemist and physician, John Mayow, who first proved by practical experiments that only a part of air supports life and that there is a great similarity between breathing and burning. This part of the air, which we now know to be oxygen, Mayow called the "nitro-aerial spirit". He kept a mouse in a jar of air closed by a bladder and observed that the bladder bulged inwards probably with the contraction of the air inside as the mouse used up the oxygen. He also observed that a mouse alone in a closed jar lived twice as long as a mouse kept in a jar together with a burning lamp, showing that both mouse and lamp were using up the same part of the air.

Though Mayow produced some remarkably shrewd theories on chemical affinity and was one of the first chemists to explain how nitric acid is produced by the action of sulphuric acid on nitre, his reputation rests on his work as a practical experimenter. He was born in London in 1643 and entered Wadham College, Oxford, in 1658. He died at Bath at the early age of thirty-five, a few months after his election to the Fellowship of the Royal Society. John Mayow, English physician, was one of several chemists who helped to solve the riddle of combustion—one of the most fundamental reactions in chemistry.



The reasons for the increased capital requirements of Crompton Parkinson, London Brick, British Oxygen and Colvilles—among other companies—are akin to those of Imperial Chemical Industries. Their need is for additional capital to finance expanding stock values and to meet the ever-rising cost of new plant and buildings. Only Crompton Parkinson have, as yet, come forward with definite new issue proposals, although British Oxygen and London Brick are both increasing their authorised capital in anticipation of a new issue. Colvilles are still contemplating alternative means of raising fresh money.

Crompton Parkinson intend to raise over £1,000,000 by an issue to ordinary and "A" ordinary shareholders of 1,025,932 5s. "A" ordinary shares at 20s. in the proportion of one new share for every five shares held. This issue, like that of Cunard, is not apparently being underwritten. The directors point out that the departure from the usual practice of the company of financing normal expansion out of the resources of the company has been necessitated by the continued rise in costs. Additional capital requirements of the company up to the end of 1949 are put at between £1,000,000 and £1,500,000. Another company seeking extra finance is Petrochemicals (a member of the Manchester Oil Refinery group) for which arrangements are in hand to raise £2,450,000. No public issue is contemplated, since £1,450,000 will be subscribed by the Finance Corporation for Industry and the remainder will be privately subscribed.

* * *

The Haifa Refinery

Although the war in Palestine has not cut the pipeline from Iraq, it has (by forcing the Haifa refinery to close) stopped the refining of Iraq petroleum. More will be heard of the position at Haifa. The refinery there was completed before the war up to the point at which it could handle 2,000,000 tons of petroleum a year; during the war its capacity was doubled. It became the main supplier to the Eastern Mediterranean and a useful supplier to the United Kingdom. Last month, when relations between the Arab and Jewish workers there became impossible, it closed; the Arab workers, exasperated by being shot at on their way to work, departed to their villages. The European technicians left a fortnight ago, just before the State of Israel was proclaimed, leaving a few behind to handle the crude oil terminal.

Crude oil can still be loaded at Haifa port; at present it is pumped through the pipeline from Iraq only when a ship is ready to load. By these means perhaps 1,000,000 tons of crude a year can be sent out of Haifa by tankers making the short run to Tripoli; another 2,000,000 tons of Iraq oil can be pumped out by the Tripoli branch of the pipeline. But where can this 3,000,000 tons be refined? Not at Tripoli, which has only a small refinery supplying local needs; in recent years the bulk of the oil arriving at Tripoli has been shipped south to Haifa for refining. Most of the world's refineries (including those of the United Kingdom, already quite insufficient for United Kingdom needs) are working to capacity, and additional stocks of unrefined oil are of no help. The loss of the output of Haifa means, in terms of refined products, the loss of 700,000 tons of motor spirit, 2,000,000 tons of fuel oil, and nearly 1,000,000 tons of gas oil and kerosene a year.

The Haifa refinery was operated by Consolidated Refineries Limited, a company owned half by Shell and half by Anglo-Iranian. Its supplier, the Iraq Petroleum Company, is 47.5 per cent British-owned (Anglo-Iranian and Shell), with the remainder divided mainly between French and American oil interests. Both companies are now faced with difficult problems. To be so essential can be embarrassing, and pressure for the reopening of the Haifa refinery seems inevitable. In Palestine the generating stations, the bulk of industry, and some of the railway rolling-stock run on oil; whether in peace or war, neither Israel nor the neighbouring Arab countries will find it easy to manage without Haifa petroleum.

* * *

Belgian Francs as Scarce Currency

One of the inevitable results of stifling the demand for the best is to increase that for the second best. The International Monetary Fund might have borne this in mind when it recently barred the sale of US dollars to ERP recipients. The immediate result of this ban appears to have been to unloose a widespread demand for the second hardest currency, namely Belgian francs. Unconfirmed rumours suggest that during May, France, Holland, Denmark and even Great Britain have made application to the IMF for Belgian francs. The scale of these demands has been sufficient to cause serious concern in Belgium. That country has

for some time past complained of the inordinate lengths to which it has gone in making "unrequited" exports to its European partners.

Having called a halt to this lending, which has reached a total of 13,000 million Belgian francs (about £75 million, Belgium suddenly saw itself confronted with the prospect of a further but involuntary extension of credit through sales of Belgian francs by the IMF. It therefore asked the IMF to suspend sales of its currency. That request has been refused but, in mitigation, the IMF has informed Belgium that the ban on dollar sales to ERP recipients will not apply to it and that it may purchase dollars from the Fund up to the amount of the Fund's sales of Belgian francs. This prospect of acting as a funnel for the injection of US dollars into the European economy can hardly appeal to Belgium. It is decidedly costly, the service charge alone making it an expensive operation, while if the movement proceeds for any length of time, the grim prospect will arise of the Belgian franc becoming and being formally declared a "scarce currency." No holds would then be barred to the rest of the IMF membership in discriminating against Belgian trade—which is hardly the reward that Belgium had hoped to receive for its toleration of unrequited exports.

* * *

French Sterling Credits

The negotiations between Britain, Belgium and France, designed to place additional sterling credits at the disposal of France, have struck some difficulties. When the general principles of the arrangement to make Belgian sterling to the amount of £5,000,000 available to France were agreed in Brussels at the meeting of the five Western Union Finance Ministers, the details of the operation were not discussed. The difficulty that has since arisen concerns the source from which this Belgian sterling is to be provided. The British view is that it should come from the Belgian current account, now very near to its upper gold point limit of £27 million. London's attitude on this issue is governed by the fact that there is still a tendency for the balance on this current account to push beyond the ceiling and, therefore, for gold to be lost to Belgium. The removal of £5,000,000 from the account would be more than welcome.

Belgium, however, has other sterling resources temporarily immobilised under the usual pattern of number one and two accounts, and would prefer that sterling placed at French disposal should be drawn from the latter and not from the former. Pending agreement on this subsidiary but by no means unimportant point, no further progress can be made. The arrangements for a direct British credit to France have, however, given no difficulty. The amount is for £10 million, so that with the Belgian credit France will have £15 million of additional credit at its disposal. This should help to tide over the gap until such time as ERP can assist France to restore some semblance of equilibrium in its current payments with the sterling area.

* * *

World Bank Issue in Switzerland

The International Bank for Reconstruction and Development announced this week that it had issued bonds maturing in 1953-54 to the value of 17 million Swiss francs to the Bank for International Settlements. The operation is of considerable interest on several counts. It is the second bond issue to be made by the Bank, the first being the \$250 million flotation in the New York market last July. The Swiss francs in question are required in order to satisfy Holland, which last August was granted a loan equivalent to \$195 million by the Bank. The greater part of this loan was taken in dollars for expenditure in the United States. Some of it, however, was needed in Belgian francs. These are being provided out of the International Bank's holding of that currency provided by Belgian contribution of its quota. No similar source of Swiss francs was, however, available to meet Dutch requirements for Swiss currency, since Switzerland is not a member of the Bank. It was, therefore, decided to raise the Swiss currency by an issue of Swiss franc bonds. It is interesting to note that the bonds should have been issued direct to the Bank for International Settlements, which is thus entering into direct business relationship with the Bretton Woods Institutions. This latest operation should certainly help to widen the activities of the World Bank, though it need hardly be stressed that its ability to operate on an appreciable scale must, for the time being, continue to depend on its ability to make additional issues of bonds on the United States market. The fate of the issues of dollar bonds made last July does not carry promise of a successful repeat performance in the early future.

Record Imports—Fair Exports

Imports into the United Kingdom in April, valued at £186 million, were the highest on record. They surpassed the previous postwar peak of £179 million of last July, and were nearly £3,000,000 higher than the record figure of January, 1920. The month's largest increase was in raw material imports, which totalled nearly £65 million compared with £53 million in March. The recent rise in world cotton prices is clearly reflected in the import figures; the quantity of cotton received in April was 50 per cent greater than the average for the first quarter, but its value was more than double. Larger quantities of wool also arrived during the month, and the import of oils and oilseeds and paper and paper-making materials were the highest on record, though in each case the increase was partly seasonal.

Food imports showed a reduction of £5,000,000 on the month, but were over £6,000,000 higher than the average for the first quarter. Supplies of grain and dairy produce were heavier, but the value of meat imports fell to the lowest figure for two years. An interesting item in the food category is the receipt of 1,220,000 cwts of potatoes during April at the cost of nearly £1,000,000. The trade returns refrain from revealing the sources of supply, but a large part is believed to have come from Poland, and the price appears to have been high. Evidently last month's imports have a direct connection with the end of potato rationing.

Exports continued to expand in April, and amounted to over £126 million. The daily average was a little higher than in March, reckoned by value, but 1 per cent less, reckoned by volume. The volume of exports for the month has been provisionally estimated at 132 per cent of 1938 compared with 129 per cent in March and 126 per cent for the first quarter. This is moderately encouraging progress. The export target aims at a 30 per cent increase on the 1938 volume during the whole year—a 25 per cent increase in the first six months (which up to April has been more than achieved) and a stiffer increase of 36 per cent in the second six months.

Textiles exports showed the largest expansion in April. Wool yarn and manufactures and rayon manufactures were mainly responsible, although cotton yarn and manufactures rose by £500,000 to over £9,000,000—the highest since the war. Nevertheless, there was still no marked increase in shipments of textiles to Canada or the United States. Exports of cars reached another

record at 18,366 units, an increase of 2,023 on the month; sales to America exceeded those to any other foreign market. Machinery exports totalled £21 million and regained their lead. Coal exports expanded further; last month 734,000 tons were shipped abroad, mainly to European countries, though large quantities were also sent to Egypt and Argentina. The provisional conclusion is that the export drive is producing results. The problem is to quicken the expansion and, as an earlier note shows, to rectify the disparities between hard and soft currency trade.

* * *

British Cottons for Canada

Cotton weavers have been not a little sceptical about achieving their target to ship 100 million yards of piece-goods to Canada, as the Board of Trade exhorts them to do. Sales to the Canadian market were already difficult owing to the relatively high price of British cottons. These difficulties were increased when preferential duties of 15 to 22½ per cent were reimposed on a range of British cotton and rayon goods at the beginning of this year. Moreover, British cotton manufacturers were unable to sell their goods in Canada at smaller profit margins than in the United Kingdom or elsewhere owing to the incidence of "anti-dumping" duties designed to make up the difference. Last week's announcement by the Canadian Minister of Finance of the abolition of both the preferential and the anti-dumping duties on cotton and rayon goods is therefore greatly to be welcomed. British cotton goods will, as a result, be able to enter Canada duty-free until June 30, 1949.

Now that these obstacles have been removed, it is up to Lancashire to sell its wares at competitive prices. According to Mr Abbott, the British Government has assured Canada that "it will take all possible steps to see that the target of 80 million yards of cotton piece goods shipped to Canada in 1948 will be met." But other difficulties still have to be faced. Canadian consumers have been nursed with subsidies on textiles, and although these were withdrawn last Autumn, buyers are evidently not yet accustomed to paying current high prices. Moreover if British goods are to sell readily in Canada, British traders must be content with smaller profit margins. Canadian buyers have repeatedly expressed their desire for British goods, and particularly for utility cloth. Under the open-export scheme, merchants must export a proportion of their goods to hard currency markets, which include Canada; the proportion is fixed for the current quarter at 20 per cent.

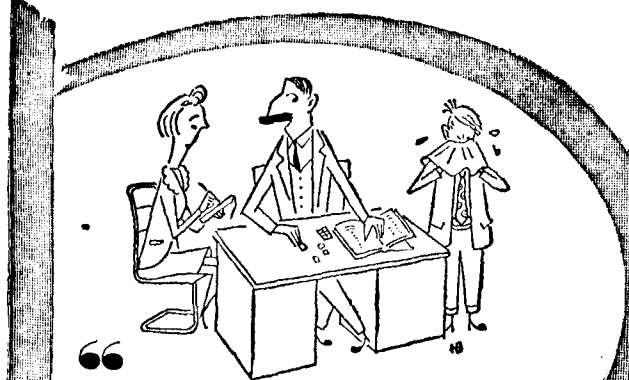
Actual exports during the past four months do not reveal a very encouraging picture. Total exports of all woven cotton piece-goods in this period were 216 million yards, of which rather less than 6,000,000 yards went to Canada. This is admittedly a distinct improvement on the year's figures for 1947 when Canada took 8,000,000 yards out of total exports of 539 million yards. If the gap of 74 million yards is to be filled this year, average monthly exports to Canada for the next eight months must exceed 9,000,000 yards, compared with average exports of 1,500,000 yards for each of the first four months. Thus a heavy burden will have to be shouldered by producers and salesmen in the latter half of the year if British cotton exports to Canada are to approach the required volume.

* * *

Is Japan a Threat?

Figures for Japanese textile yarn production in 1947 may alleviate the immediate fear of Japanese competition in world markets. Output of cotton yarn was only 17 per cent of the 1938 level, wool yarn 22 per cent, rayon filament 8 per cent and staple fibre 4 per cent. Total production was small, and in each case it also showed a decline in the later months of the year. But a true assessment of Japanese competitive power in world markets turns on the causes of the present small output. If it is due to a lack of productive capacity, it is likely to be long lasting. If, on the other hand, it is caused by shortage of raw materials, then Japan's export potential in textiles would depend very largely on the amount of dollars which the United States is prepared to supply to pay for them.

In February, 1948, Japan's wool textile industry had 450,000 worsted spindles available compared with 1,633,000 in 1939. Capacity is thus only 28 per cent of the prewar level. The number of woollen cards, however, totalled 491,000 compared with 765,000 in 1939. Under the rehabilitation plan it is expected that 733,000 worsted spindles will be available next year and 815,000 woollen cards. The emphasis is obviously on the pro-



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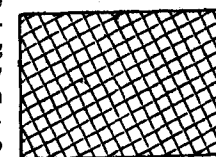
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Tygan, which is immensely tough, has excellent wearing qualities. It has a negligible water absorption, is equally strong wet or dry, and can easily be cleaned by sponging. Tygan resists corrosion (even sea water) and in general possesses outstanding weathering properties. It is also exceptionally resistant to acids, alkalis, alcohol and many other organic solvents.



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It's extremely good. I got some South African wine the other day . . .

I know. A good wine, but not of this quality.

Precisely, but why the difference?

Well, this is a truly representative South African wine. You see, though the Cape has been for centuries one of the world's finest wine countries, it couldn't compete in Britain with European countries until Empire wines got a duty preference twenty years ago. That bucked up the South African industry.

But why haven't we tasted such wines before?

Because really fine wines are achieved by selectivity, experiment and slow maturing. South Africa has done as much in twenty years with some wines as the Continent has in generations.

Only certain wines, then?

So far. All are good, but not all are fine. The improvement is naturally progressive.

Were South African wines well-known here before the preference twenty years ago?

Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire industry up the garden again. It wouldn't make sense.

So we can look forward to several kinds of really fine wines from South Africa?

You certainly can, and very soon, too.”

**SOUTH AFRICAN WINE FARMERS
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lators, toys, suitings, linen and household textiles, men's shoes, china, pottery, glass, silverware, cutlery, leather, fancy goods, wheel and sports goods. The survey was conducted by a series of personal interviews with the executives of 63 department stores in 48 cities, chosen to give a representative selection of geographical locations, and of different grades and size of stores.

In the main, the reports add little to what the British manufacturer ought to know already. But each detailed report contains some interesting suggestions and critical comments. Many of their points about design and quality are painfully true. Other criticisms are offered on high British prices and uncertain deliveries. Even before the war, it was said, many British exporters did not realise the importance of dependable delivery dates to meet seasonal buying. The lack of sales promotion is also shown to be a handicap. There were few complaints about the quality and design of British china, pottery and glassware or suitings, and it is at least consoling that British toys seem to be outstanding. The United States is a vast potential market if the right goods can be sold at the right price over the American tariff. But the main lesson of this survey is that British exporters will have to change their traditional methods of selling goods overseas.

* * *

Gas Compensation Prices

The Share and Loan Department of the Stock Exchange has recently pointed out to members dealing in gas stocks on the basis of compensation prices issued by the Ministry of Fuel and Power in April that compensation prices under the Gas Bill may vary if after October 25, 1947 (or in some cases after December 31, 1945), new issues of capital or further issues of existing stocks have been made. Members have been enjoined to make every endeavour to ascertain the exact status of the stocks in which they are dealing since purchasers will have no claim to the "best."

This complication arises from Section 24(5) of the Gas Bill. But the matter admits of no easy solution for both the market and the companies themselves have shown that it is virtually impossible in most cases to distinguish those stocks to which a price other than the published compensation price will apply. In Section 24(5) it is laid down that the value of the excepted securities shall be deemed to be the price at which they were issued. But this is qualified in the succeeding sub-section which limits the rule to securities still held by the person who originally acquired them; in all other cases the price will be the average obtained by the undertaker for securities of that class. Even in cases where the issues were "further issues" after the dates given above there appears to be some confusion. Before the Gas Bill was published some companies gave an undertaking at the time of making "further issues" that they were identical with existing stocks. Now under the Gas Bill they are deemed not to be identical.

MATTERS OF FACT

Ever since its earliest days, over a century ago, THE ECONOMIST has taken as its task, not merely to comment on the passing scene of events, but also to provide a permanent record of facts, both statistical and documentary.

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The Economist

22, RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

Open-Exports Targetry

The authors of the open-export scheme for cotton piecegoods have given the word "target" a meaning all its own. The target for exports to hard-currency areas has been reduced from 35 per cent to 20 per cent this quarter—a reduction which is perhaps not so disappointing as it sounds. Each quarter the Board of Trade negotiates with the Cotton Board to decide how much raw cotton can be devoted to making up cloth for export. The Government's aim is to reach by the end of the year 79 per cent of the 1938 export rate, which for cotton piecegoods was 1,386 million square yards. At present piecegoods exports are less than half of the volume of 1938. Out of the export quota a gradually diminishing proportion is allocated to island colonies which depend on British supplies; the remainder is for disposal under the "open-export" scheme.

Each merchant is given an allocation, based on his prewar exports, and he has till June 4th to book orders with manufacturers for his share of the output. But he must undertake that a fixed percentage of these export goods will go to "group A," or hard-currency, markets. It is this percentage which the Cotton Board calls a target and which has been reduced. There are two reasons why the reduction does not necessarily imply that exports to "group A" countries will be reduced. The first is that the percentage is a minimum. The second is that the total amount of piecegoods for export can be altered after applications from the merchants have come in.

A high and rigid percentage might hinder the development of trade with countries outside "group A." Because of the high "target" achieved last quarter, a considerable quantity of cloth is now under production to fill orders from "group A" buyers. The normal time between the placing of orders and delivery is nine months, and merchants could easily find that they had over-ordered for countries like, say, Argentina where licensing policy might suddenly put a limit on imports. Thus the merchant has to take a risk on the economics and politics of 1949. In the American and Canadian markets, where prices matter most, he is inclined to limit such risks at present, on the ground that the rise in the price of raw cotton is big enough to throw these markets into confusion. The results of this quarter's open-export programme will be a good pointer to the importance of raw cotton prices in determining demand.

Obviously this system is too cumbersome for an emergency and the reduction in the "target" to 20 per cent may be regarded as a concession to flexibility rather than a confession of defeat. Flexibility is also the aim of the abolition of price-control on cloth produced under the scheme. Price-control took the form of fixing manufacturers' margins for various types of specified cloth, and the Cotton and Rayon Manufacturers' Federation in their annual report last week had plenty of complaints to make about it—

trade interferes with the smooth progress of production generally and the production of the required export cloths in particular. In "A" markets the provision of the right cloth is considered to be fundamental to a successful export drive.

The merchants won another point when Mr Wilson promised last Monday that requests for exporting utility type cloth and yarn would be met with greater readiness than in the past. Post-war records in yarn output were made in the weeks ending May 1st and May 8th, and there are signs of a new spirit in the cotton trade. It is not too soon, and it will need to be long sustained.

* * *

Development Council for Hosiery?

The Board of Trade is making rather slow work in setting up development councils. Only one has been created under the Industrial Organisation and Development Act—the Cotton Board (1948)—but this replaced the Cotton Board, which had been in existence for some time, and retained the chairman and many of the original members. The effect was, therefore, largely to give statutory recognition to the Cotton Board, which had already to its credit considerable achievements in improving Lancashire technique.

A development council for hosiery is next on the list. It is already evident that the Hosiery Manufacturers' Federation does not regard the proposal with any enthusiasm. Representatives of the industry on the working-party in 1946 wanted a council which should be advisory in character and which would give 50 per cent of the votes to the employers, and the other 50 per cent to workers' representatives and independent members. But such proposals have not found favour with the Board of Trade, which insists on a tripartite development council, representing employers, employees and independent members and equipped with the considerable powers provided under the Act.

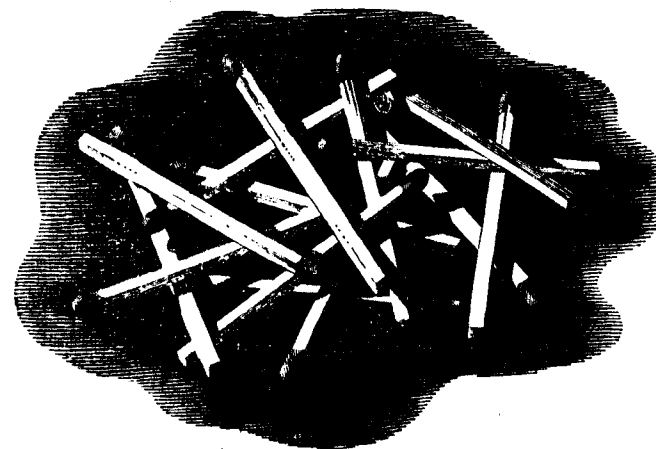


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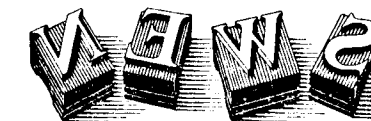
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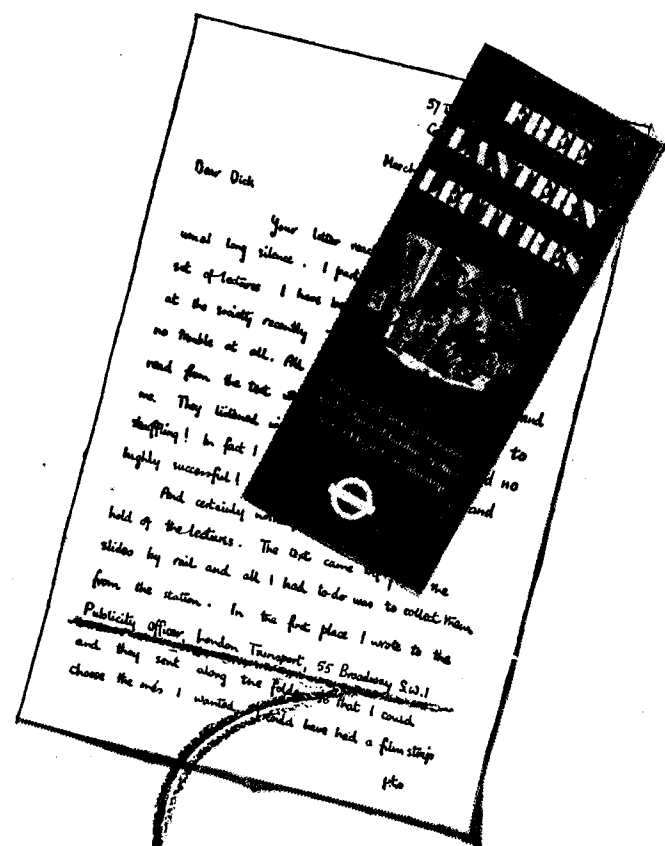
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The Board of Trade's proposals have not been published. They followed considerable pressure by the trade unions, which are actively enjoining the Government to use its compulsory powers to set up development councils. The powers conferred by the Industrial Organisation Act cover such matters as registration of firms, collection of statistics, and the imposition of a levy to cover the cost of these services. Other functions are likely to be added only at the request of the industry. The main concern of the employers is about the composition of the councils. The Act stipulates that it should be tripartite but does not say how many members should be representative of each part. Equal representation of the two sides of industry under a single voteless chairman, who purported to represent an independent viewpoint, would be likely to produce a useless stalemate. This first experiment in development councils will be watched with interest—and with some concern.

What the Chairman Said

The statements of company chairmen provide one of the most fruitful sources of industrial intelligence at this time of the year, when many big concerns are publishing their accounts. This year has been no exception. Indeed, they have been rather more prolific of information than usual. For instance Sir F. M. Killberg, the chairman of United Molasses (whose statement is more fully analysed in this week's issue of the *Records and Statistics Supplement*) after finally exploding the fallacy that the compensation paid for vessels lost during the war is sufficient to finance the cost of replacement at present building costs, goes on to show how official restrictions on British shipping companies tend to prejudice their relative position in the world tanker trade. As evidence of this, the chairman cites statistics of vessels now under construction and on order in the world's shipyards which indicate that, excluding the United Molasses group, British independent owners have only 200,000 dead weight tons building on their account compared with 2,142,000 dead weight tons building on behalf of Scandinavian owners.

The remarks of Sir P. Malcolm Stewart of Associated Portland Cement on the subject of the correct level of depreciation allowances are of particular importance, for they relate to a problem which confronts practically the whole of British industry. Associated Portland Cement, along with many other concerns, finds that the cost of replacement of fixed assets is more than twice the prewar level and that normal depreciation allowances are insufficient to meet it. The company has taken the one course open to it of making a special provision for depreciation out of taxed profits. This is a costly solution to the problem which can only be alleviated by a reduction of taxation as the chairman had suggested—or by a revision of the Inland Revenue formulae for depreciation allowances.

At the recent annual meeting of Vicker's the chairman, Sir Archibald A. Jamieson, referred to the absurdity of the "fine" of some £600,000 which the company would have to pay for capi-

talising £6,157,742 of its reserves in order to restore the nominal value of the 10s. stock units to the original value of £1. These constant reminders of the unwisdom of the tax on bonus issues have so far elicited no sympathetic response from Sir Stafford Cripps.

East African Sisal

The Board of Trade last week agreed to extend the long-term contract for East African sisal for another six months up to the end of 1948. But no decision on the new price has yet been announced. Output in East Africa has recently shown an improvement and for the first quarter of the year was 20 per cent above the first three months of 1947. Production in 1948 is expected to reach between 140,000 and 150,000 tons. Last year's output, according to Messrs Wigglesworth and Co., amounted to 134,000 tons compared with a peak figure of 155,000 tons in 1942 and 144,000 tons in 1938. The main obstacle to any large-scale expansion of sisal in East Africa is shortage of labour, and this will no doubt be aggravated by the groundnuts scheme. Machinery and spare parts are more plentiful, but towards the end of 1947 hemp began to accumulate on the estates because equipment for the groundnuts scheme was given priority on rail. Then lack of shipping space in March and April at Dar-es-Salaam caused stocks to pile up in the port and railway wagons were used for storage. Shipments, however, are now proceeding, but unless the transport can be radically improved before the large scale production of groundnuts begins congestion is likely to increase.

Britain is particularly dependent on East African sisal to replace manila, which has to be purchased from the Philippines with dollars, and as an inferior substitute for jute in sacking. British imports from East Africa in 1947 totalled 61,000 tons compared with 25,000 tons in 1938, while manila imports declined from 37,000 tons before the war to 5,500 tons last year. Moreover the continued shortage of jute and manila has opened a useful dollar trade in sisal. But it is useless to expand production if output cannot be shipped.

Shorter Note

Traffic receipts of the British Transport Commission for the twenty weeks to May 16th totalled £146,240,000, compared with £120,026,000 for the corresponding period of 1947. Railway receipts have increased by £23,304,000 and London Transport receipts by £2,780,000. Gross receipts thus reflect the benefit of increased charges and the normal working of transport during the first months of this year, compared with 1947. There is some ground for the belief that the volume of traffic is by no means so reassuring as these figures at first sight suggest. But the outlook is not so black as might have been inferred from the wrong traffic figures which were included in a note on transport facts and figures last week.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Colvilles; Dunlop Rubber; United Molasses.

Prices, Year 1948 (Jan. 1 to May 26)		Name of Security	Price, May 19, 1948	Price, May 26, 1948	Net Yield, May 26, 1948 (n)	Gross Yield, May 26, 1948	Prices, Year 1948 (Jan. 1 to May 26)		Last Two Dividends	Name of Security	Price, May 19, 1948	Price, May 26, 1948	Yield, May 26, 1948			
High	Low						High	Low						a	b	c
British Funds																
101 1/2	101	War Bonds 2 1/2% August 1, 1949-51	101 1/2	101 1/2	1 1/2	1 1/2	104 1/2	101 1/2	%	%	Other Securities:		1 1/2	1 1/2		
101 1/2	100 3/4	Exchequer Bonds 1 1/2% Feb. 15, 1950	101 1/2	100 3/4	1 1/2	1 1/2	94 1/2	91 1/2	(d)	(d)	Australia 3 1/2% 1965-69	104 1/2	104 1/2	2 1/2		
102 1/2	100 1/2	War Bonds 2 1/2% March 1, 1951-53	102 1/2	102 1/2	1 1/2	1 1/2	101 1/2	99 1/2	(d)	(d)	Birmingham 2 1/2% 1966-71	92	92	3 2 1/2		
102 1/2	100	War Bonds 2 1/2% March 1, 1952-54	102 1/2	103 1/2	1 1/2	1 1/2	8 1/2	7 1/2	(d)	(d)	Argentine 3 1/2%	101 1/2	101 1/2	3 2 1/2		
104 1/2	101 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	104 1/2	103 1/2	1 1/2	1 1/2	10 1/2	9 1/2	50 c	50 c	Anglo-American Corp. 10s.	7 1/2	7 1/2	3 5 1/2		
102 1/2	99 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	102 1/2	102 1/2	1 1/2	1 1/2	76 1/2	62 1/4	7 1/2	50 c	Anglo-Iranian Oil Co. 10s.	8 1/2	8 1/2	3 7 1/2		
103 1/2	100 1/2	Funding 2 1/2% June 15, 1952-57	103 1/2	102 1/2	1 1/2	1 1/2	38/6	29/6	40 c	40 c	Assoc. Port. Cem. Ord. Stk. £1	73/6	74/6	4 1 1/2		
105 1/2	100 1/2	National Debt 3% Oct. 15, 1954-58	105 1/2	104 1/2	1 1/2	1 1/2	84/6	72/9	7 a	7 b	Austin Motor 'A' Ord. Stk. 5s.	35/6	34/4	5 16 4		
104 1/2	101 1/2	War Loan 3% July 15, 1955-59	104 1/2	102 1/2	1 1/2	1 1/2	84/6	84/6	120 b	15 a	Barclays Bank Ord. 'B' £1	78/6	78/6	3 11 10		
102 1/2	100	Savings Bonds 3% Aug. 15, 1955-65	102 1/2	102 1/2	1 1/2	1 1/2	104/9	85/6	8 a	12 b	Bass Ratchiff Ord. £1	94/6	94/6	2 11 5		
100	96 1/2	Funding 2 1/2% April 15, 1956-61	100	99 1/2	1 1/2	1 1/2	107/9	85/6	8 a	12 b	British Oxygen Ord. £1	5	5	4 0 0		
102 1/2	98 1/2	Funding 3% April 15, 1959-69	102 1/2	101 1/2	1 1/2	1 1/2	46/1 1/2	39/9	9 1/2	24 a	Courtaulds Ord. £1	40/9	40/3	3 15 6		
114 1/2	110 1/2	Funding 4% May 1, 1960-90	114 1/2	113 1/2	1 1/2	1 1/2	32/6	25/1	25 c	74 a	Distillers Co. Ord. 4s.	28/4	28/6	3 10 2		
102 1/2	97 1/2	Savings Bonds 3% Sept. 1, 1960-70	102 1/2	100 1/2	1 1/2	1 1/2	32/10	27/9	8 c	8 c	Dorman Long Ord. £1	32/3	32/6	5 0 0		
113 1/2	98 1/2	Victory Bonds 4% Sept. 1, 1920-76	113 1/2	114 1/2	1 1/2	1 1/2	79/9	68/6	15 c	15 c	Dunlop Rubber Ord. £1	73/9	74/3	4 0 9		
101 1/2	95 1/2	Savings Bonds 3% May 1, 1965-75	101 1/2	114 1/2	1 1/2	1 1/2	44/6	44/6	5 a	7 b	Imp. Chem. Ind. Ord. Stk. £1	49/6	48/6	4 2 6		
110 1/2	107 1/2	Consols 4% (after Feb. 1, 1957)	110 1/2	99 1/2	1 1/2	1 1/2	53/6	49/6	13 1/2	19 b	Imperial Tobacco £1	54/6	54/6	5 13 8		
106 1/2	102 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	106 1/2	110 1/2	1 1/2	1 1/2	48/9	40/3	10 c	10 c	Lanes Cotton Ord. Stk. £1	46/3	46/6	4 6 11		
83 1/2	74 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	83 1/2	76 1/2	1 1/2	1 1/2	56/6	48/6	5 c	10 c	Lever & Unilever Ord. £1	51/3	51/3	3 18 1		
99 1/2	91 1/2	Treas. Stk. 3% (after Apr. 5, 1966)	99 1/2	105 1/2	1 1/2	1 1/2	61/3	47/6	12 1/2	10 c	London Brick Ord. Stk. £1	53/9	56/3	3 11 1		
100	93 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	100	94 1/2	1 1/2	1 1/2	66/1 1/2	49/9	20 b	74 a	P'chbin 'n'son Ord. Stk. 10s.	58/9	57/6	4 15 9		
83 1/2	74 1/2	Consols 2 1/2%	83 1/2	96 1/2	1 1/2	1 1/2	35 1/2	30 1/2	17 1/2	17 1/2	Prudential 'A' £1	34 1/2	34 1/2	2 4 8		
100	93 1/2	British Electricity 3% Gtd. 1968-73	100	96 1/2	1 1/2	1 1/2	69/3	49/9	12 1/2	12 1/2	Stewarts & Lloyds Det. £1	56/6	56/6	4 8 8		
98 1/2	93 1/2	British Transport 3% Gtd. 1978-88	98 1/2	99 1/2	1 1/2	1 1/2	85/7 1/2	73/1 1/2	15 b	12 1/2	'Shell' Transp. Ord. Stk. £1	78/9	81/3	3 16 11		
99 1/2	95 1/2	British Transport 3% Gtd. 1988-73	99 1/2	95 1/2	1 1/2	1 1/2	7	5 1/2	12 1/2	12 1/2	Tube Invest. Ord. Stk. £1	126/3	126/3	3 19 0		
							90/9	73/9	11 1/2	3 a	Turner & Newall Ord. Stk. £1	76/3	76/3	3 18 8		
							93/3	77/9	15 a	55 b	Woolworth (F. W.) Ord. 5s.	84/6	82/6	4 4 0		

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'a'), and those paying 3 per cent or less will be repaid at the latest date (marked 'b'). Net yields are calculated after allowing for tax at 10% in the U.K. (i) Flat yield. (ii) Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2 1/2 per cent of income tax. Yield worked on 15 per cent basis. (g) Fifteen months to March 31 1947 (yield basis 7.6 per cent). (h) To latest redemption date. (i) Price of 100.

COMPANY MEETINGS

BIBIANI (1927), LIMITED

MAJOR-GENERAL SIR EDWARD L. SPEARS' ADDRESS

The twenty-first ordinary general meeting of Bibiani (1927), Limited, was held in London on the 20th instant.

Major-General Sir Edward L. Spears, the chairman, explained that there was no change in the issued capital or share premium account. A reserve for taxation 1948/49 of £30,000 was included. The provision for deferred maintenance was down by £12,171. Trade creditors were higher by £35,587.

The value of stores at the mine and in transit had risen by £59,933. British Government securities were included at a written-down value. They stood in the balance sheet at their realised value.

Turning to the profit and loss account, expenditure in West Africa showed another increase. In the appropriation account provision had had to be made for £15,500 in respect of profits tax.

INCOME TAX

£69,433 had been charged to income tax 1947/48, this being the tax due to the Gold Coast government and the Imperial government based on the profits for 1946. This year the company benefited considerably from the initial allowances and amortisation allowances given to the mines by the income tax Act of 1945.

They had a credit this year of £50,798, covering the fifteen months to December 31, 1946, in respect of the final amount of E.P.T. recoverable. Of this, £30,000 had been allocated to reserve for the estimated liability on the profits in these accounts in addition to the legal liability.

DIVIDEND

An interim dividend of 10 per cent. had been paid on September 24, 1947. They had had to reduce the recommendation for a final dividend to 5 per cent., making 15 per cent. for the year, against 25 per cent. for 1946. The strike of African workmen at all the mines on the Gold Coast which began on September 29, 1947, and lasted till November 3, 1947 had forced this cut on them. The strike had cost over a month's production, whilst expenses necessarily incurred had cost £15,013. Though work re-started on November 3rd, production had been retarded, with a resulting loss of £6,796 for that month. It had taken three months' working after that to recover the position.

The profit of £144,399 less charges for profits tax and income tax £84,933, depreciation of securities £5,913, and staff assurance fund £9,350, left a balance available of £44,203. The proposed final dividend with the interim already paid would take (less tax) £41,250.

OUTPUT AND DEVELOPMENT

With the spread of the organised trade union movement throughout the country their operations had received a serious setback on account of labour troubles. Output for the year was less, by some 4,700 tons and 2,100 ounces, than the previous year. After the difficult months of October and Novem-

ber output had been more stable and had reached the total of 24,000 tons in March.

Their reserves had been depleted by 176,000 tons with a value slightly lower than the previous year. With the reappearance of values to the extent already proved on No. 15 Level although of low grade, the prospects of additional tonnage being made available were encouraging. Plant and machinery had been maintained in good order and some additions made.

TAXATION

Shareholders should be made aware of the crushing burden of taxation under which they laboured. Export duty on gold amounted to 17s. 5½d. per ounce, or about 10 per cent. of the gold produced. Income tax was severe and the rate of profits tax had been increased with the result that they now paid 25 per cent. on practically their entire profit. By the present year the mines on the Gold Coast should have been producing 1 million ounces, instead of which the figure of 640,000 only had been attained, a result as unfortunate for their country so badly in need of dollars as for their industry.

Meanwhile costs of mining and management had increased to £403,728. Depreciation took £51,695, and taxation £150,502, leaving a balance of only £50,116 or 7.6 per cent. on gross earnings for the shareholders.

LABOUR AND WELFARE

They had an unusually happy and contented labour force at Bibiani which had been intimidated into striking very reluctantly. There were many signs that their workers deeply regretted the strike. They were now studying and trying out different systems of incentive payment.

The report was adopted and a final dividend of 5 per cent. making 15 per cent. (less tax for the year, was approved.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

DEVELOPMENT UNDER DIFFICULTIES

The fifty-first ordinary general meeting of the Ashanti Goldfields Corporation Limited was held in London on the 20th instant. Major-General Sir Edward L. Spears, K.B.E., C.B., M.C., the chairman, in an address previously circulated with the reports and accounts, said that the year had been more difficult than anticipated.

THE ACCOUNTS

Total reserves stood at £587,314 and sundry creditors at £205,503. On the assets side, expenditure on plant, machinery, works and buildings and main shafts was higher. The re-opening of Ayeinm and Sansu Mine had cost £15,550. Cash on deposit and at bankers on current account with bullion in transit totalled £260,852. The payment of government royalty and export duty had left them with a balance of profit of £711,240, out of which profits tax and income taxes had taken £392,529. The interim and proposed final dividend required £291,851. Interim dividend had been reduced to 25 per cent. The doubling of the rates of profits tax and the losses due to the October strike meant that 17½ per cent was the maximum final dividend they could recommend, making 42½ per cent. for the year.

OUTPUT AND DEVELOPMENT

A fall in output per man had been their greatest problem. Ore reserves totalled 1,636,244 tons of average value 20.1 dwt. The Pompora Treatment Plant had been practically completed during the year, and operations to date had proved it to be a very wise investment. From the re-opened Ayeinm

Mine they had so far hoisted 7,230 tons. Steps to re-open Sansu Mine had also been taken.

TAXATION

The tax which affected the industry most adversely was the export duty on gold. In the year under review this had cost them £168,121. Since the increase in rate of profits tax they paid 25 per cent. on practically their entire income. Out of their earnings of £893,009 the government had taken £611,000, or more than two-thirds. That burden of taxation tended to limit their production at a time when they were the only considerable source of gold directly available to Great Britain and therefore the best dollar producers the country controlled.

LABOUR AND WELFARE

Output per man had been affected by inflation and lack of consumer goods. The African did not see why he should work if there was nothing to buy for his money. He hoped that the Board of Trade would take steps to improve the situation. Measures taken by the mines had included the institution of canteens where a 9d. meal was served for 4d. Interested parties had objected, and owing to a boycott the canteens had had to be closed. They were constantly endeavouring to bring up the African to more responsible positions, and they had provided, in the new fitting shop at Obuasi, opportunities that were available nowhere else in the Colony.

THE STRIKE

The chairman said that those who thought fit to impose the British trade union system upon the native mining community bore a heavy responsibility. During the war the mines had increased wages to meet the rising cost of living. Since then the mines union had made demands which would have amounted to an annual increase in the wage bill of £600,000. The industry had been unable to meet the new demands and had willingly submitted the issue to arbitration. They had been represented in those proceedings by Mr. Duncan Sandys, who had since joined the board of the corporation. In addition to the award of wage increase and back pay, hours of work had been reduced from 48 to 45 per week, increased rates for overtime and public holidays had been granted, sick pay, as distinct from workmen's compensation, had become the liability of the employers, and gratuities with travelling expenses for men with five years service had been enforced. He hoped that the severe losses sustained by the government as well as by the mines would be a warning that ideologies were dangerous in lands like the Gold Coast.

He concluded by expressing his appreciation of the excellent work done by the staff in such a difficult year.

A RECENT DEVELOPMENT

At the meeting the chairman said that members would no doubt have seen the report of the recent development on No. 29 Level. The lateral extent of the pay shoot on the lower levels of the mine had been known for some time, and the location of further payable reef so close to the assumed boundaries had not been expected.

In crosscuts Nos. 19, 20 and 21 South, a strong body of quartz had reappeared after values had apparently run out. Over a length of 100 ft. represented by those crosscuts values averaging 35 dwt. over a width of 27 feet of reef had been proved. The latest information on a further crosscut—No. 22—was that values averaging 35.9 dwt. over a width of reef of 41 feet had been proved. Results on No. 30 Level, too, suggested that the new shoot was of considerable importance. Work was being accelerated to prove the upward and downward extension of the new ore body. Until then its size and value could not be assessed. He was indeed gratified to give them the good news—in fact, the very good news—of this development.

MANAGED INVESTMENTS (UNIT SECURITIES), LIMITED

POSITION STRENGTHENED AND DIVIDENDS INCREASED

MR R. K. FRAAY ON THE OUTLOOK

The third annual general meeting of Managed Investments (Unit Securities), Limited, was held, on the 21st instant, in Johannesburg.

Mr R. K. Fraay, the chairman, in the course of his speech, said:

The year under review has been a very satisfactory one for your company because its position was strengthened during the year, and for the shareholders who received increased dividends.

APPROPRIATION ACCOUNT

To the net profit of £289,290 must be added £70,868, being the balance unappropriated at the beginning of the year, making a total of £360,158. The following allocations have been made:—

Dividends to shareholders (9 per cent.)	£225,000
Provision for taxation	35,000
General reserve	25,000
	£285,000
Leaving a balance to be carried forward of	75,158
	£360,158

DIVIDENDS TO SHAREHOLDERS

During the financial period ended December 31, 1945, a total dividend of 6 per cent. was declared. In 1946 the dividend was increased to 7½ per cent., and in 1947 was further increased to 9 per cent. I expect that it will be possible to maintain this dividend of 9 per cent. during the current year.

BALANCE SHEET

The authorised and issued capital of your company remained unchanged at £2,500,000 divided into 5,000,000 shares of 10s. each, all fully paid. £25,000 was appropriated from the profits during the year to strengthen general reserve thereby increasing this reserve to £50,000. It is the intention, whenever possible, to continue to strengthen the general reserve by appropriating part of the profits in the ensuing years.

INVESTMENTS

The other items on the balance-sheet do not call for any special comment, with the exception of investments. The investments of your company at December 31, 1947, consisting of fully paid-up stocks and shares in 107 companies, appear in the balance-sheet at £2,957,146, representing their cost including brokerage. The market value of these securities, based on the ex dividend quotations on January 5, 1948 (the first business day in 1948 on the Johannesburg Stock Exchange), was £2,969,960.

You will recall that there was a slight depreciation in the market value of your holding as compared with cost at the end of 1946, and, from the information now before you, you will note that this has been converted into an appreciation over cost at the end of the year under review.

Although this is very gratifying, I wish to emphasise once more that I do not attach undue importance to the fluctuations in the market value of the holdings of an investment company. An investment company acquires its holdings mainly for investment purposes and to obtain a regular dividend income. A temporary setback in the market value of the holdings need not cause anxiety to the shareholders of such companies, pro-

vided the portfolio is well spread over a number of sound securities. The directors of such companies must be mainly guided by the intrinsic value of the investments when investing the funds of the company. Market fluctuations are only of secondary importance.

MARKET FLUCTUATIONS

Without wishing to forecast events, I feel that I must state as my personal opinion that there is a distinct possibility that market fluctuations in South African securities may be even greater during the next few years than they have been during the last two years, for reasons which I will touch upon later. Such fluctuations will, however, clearly show the advantages of an active joint investment policy as followed by the investment companies forming our group.

Market fluctuations are occasioned by various factors, many of which are beyond the control of anybody, but it goes without saying that an investment company is in a better position to take advantage of and to guard against temporary fluctuations than an individual investor.

ANALYSIS OF HOLDINGS

In my last address I submitted full information in connection with the holding of your company, and also a detailed analysis of this holding. I feel that you should be given similar information at least once annually. An analysis of the holding of your company at December 31, 1947, gives the following results:—

Type of Company	No. of Cos.	Amount Invested £	Per Cent. of Total Hldg.
Gold-mining companies..	31	1,269,337	42.92
Land and financial companies (excluding our associated companies) ..	14	264,483	8.94
Holding in associated companies	7	665,288	22.50
Industrial and commercial companies	50	698,233	23.62
Coal, diamond and base-metal companies	5	59,805	2.02
	107	2,957,146	100.00

96.36 per cent. of the holding was invested in quoted dividend-paying securities; 2.06 per cent. in quoted securities which had not yet reached the dividend-paying stage, and only 1.58 per cent. in shares not quoted on the Stock Exchange.

The chairman then gave shareholders a complete list of the holdings of the company on May 14, 1948.

Continuing he said: the total book value of the holding of shares in 12 land and financial companies at May 14, 1948, was £264,901, being 8.66 per cent. of the total holding. The investments of your company at May 14, 1948, consisted of shares in 102 companies, with a total book value of £3,060,663, inclusive of brokerage, and a market value of £3,143,323.

BOARD'S ACTIVE POLICY

I can add further that it has been possible to increase the unappropriated balance of profits from £75,158 at January 1, 1948 to £191,924 at April 30, 1948. In arriving at this balance, no provision has been made for taxation for the first four months of the current year. From the detailed information which I have given to you to-day, it will be clear that your directors have followed, and are following a very active investment

policy, and that everything is done to protect your interests as shareholders.

The world is passing through very critical times, politically and financially, and in such times it is essential to watch events very carefully and to make rapid changes in one's investment portfolio whenever necessary and possible. This—as I have already stated—is almost impossible for individual investors, but is one of the functions of an investment company.

THE FINANCIAL OUTLOOK

I mentioned that I expect severe market fluctuations during the next few years. These fluctuations will, in my opinion, take place not only in South African shares, but also in overseas securities. I base my convictions in this connection on the fact that the general financial position of the world is becoming more complicated, and that something will have to be done to cope with the difficulties which are being encountered by various countries, including our own.

It is well known that very rigid control is being exercised by governments in various continental countries, and that this has given rise to certain anomalies which could hardly be avoided and has tended to localise markets in securities. For example, shares in companies carrying on business in these continental countries are being dealt in on various international stock exchanges at prices far below those ruling on the stock exchanges in such countries themselves. The same position has already arisen with South African securities held in countries outside the United Kingdom.

It seems to me, however, that the time has arrived to face the position squarely, more especially as far as this country is concerned. We cannot continue to import commodities from the United States of America at the same rate as during 1947, for the simple reason that we cannot afford to do so. Our present diminishing gold production and gold reserves make strict control of these imports imperative in order to prevent serious financial difficulties in South Africa.

RELATIONS WITH U.K.

Our financial relations with the United Kingdom seem to be more rosy—but only apparently so. A great influx of capital from the United Kingdom has taken place during the last eighteen months, but practically the only consequence has been to increase our sterling balances in London to a somewhat alarming extent. I say "alarming extent" because these balances are practically useless to this country unless the United Kingdom can supply sufficient capital goods to meet our requirements and thus keep these balances within reasonable limits, which is not the position at the moment. We have to import many of our requirements from the United States simply because the United Kingdom cannot supply the goods at competitive prices, thereby creating difficulties for both the United Kingdom and South Africa. We have to use gold to buy dollars to pay for our imports, while the United Kingdom does not obtain this gold to buy the dollars she requires so badly.

In view of all these difficulties, I would not be surprised to see more countries following the continental example of rigidly controlling imports and exports, exchange and movements of capital. Such control might have serious repercussions here, but it will, incidentally, be a good thing for those of our citizens who have been living in a fool's paradise, and who have not realised that South Africa is only a very small part of the economic structure of the whole world. It might also end the inflationary pressure here which has been caused partly by the influx of overseas flight capital.

The report was adopted. A copy of the full speech, which contains a complete list of holdings at May 14, 1948, may be obtained from the company's office, Unit Security House, corner of Fox and Sauer Streets, Johannesburg, or Dorland (City), Limited, 1, Royal Exchange Avenue, London, E.C.3.

COLVILLES, LIMITED

DEMAND EXCEEDS SUPPLY

EVERY DEPARTMENT FULLY OCCUPIED

INCREASED STEEL OUTPUT

SIR JOHN CRAIG'S STATEMENT

The seventeenth ordinary general meeting of Colvilles, Limited, was held, on the 26th instant, in the registered office of the company, 195 West George Street, Glasgow, Sir John Craig, C.B.E., D.L., chairman and joint managing director, presiding.

The following is his statement, circulated with the report and accounts for the year to December 31, 1947:—

ADMINISTRATION

My first duty today is a pleasant one. It is to intimate that the Rt. Hon. Lord Clydesmuir, P.C., G.C.I.E., D.L., who recently retired from the position of Governor of Bombay, accepted an invitation to join the board. Lord Clydesmuir in this way renews a connection with the company which he relinquished in 1931 when, as Mr John Colville, he became Secretary to the Department of Overseas Trade. His acceptance has been welcomed by the directors and the staff of the company. We are confident that his wide experience in national affairs, as well as his knowledge of the industry, will be of the greatest value to the company, and I am sure you will have pleasure in confirming his re-election today.

The knighthood conferred by His Majesty the King upon Sir Andrew McCance has given great pleasure not only to the directors but to the staff at all the works, and I feel sure this pleasure will be shared by the members of the company. It is an additional pleasure that the University of Glasgow propose to confer on him the degree of LL.D. During the past year Sir Andrew visited a number of the large steel works in America and renewed his acquaintance with many of the leading steel makers. The visit was of real value to the company, as it enabled him to see and discuss the latest developments of the industry in America, which will be most useful to our plans for the extensions now under active consideration.

It is with pleasure that I refer also to the honour conferred by the University on another colleague, Sir Steven Bilsland. He is to receive the degree of LL.D., and we are gratified that his great public services to the city and the country are thus being recognised.

I am pleased to be able to state that the formation of our executive board has been fully justified by experience. The executive board meets regularly and is responsible for all problems affecting works' operation, improvements in plant, maintenance of quality and the general technical and commercial development of the works of the company.

ACCOUNTS

The balance-sheet sets forth clearly the financial position of the company. As you will have noticed, the profits do not show any great variation from those of 1946. Progress has been made in adjusting the tax position and the directors were assured that the provision for taxation was in excess of requirements. This surplus had arisen through the uncertainties of the war years—1939-45—and the directors felt that the stock-

holders were entitled to benefit from the over-provision disclosed. They therefore transferred part of the surplus to the profit and loss account and used it for the payment of an additional interim dividend of 5 per cent., which, with the interim of 3 per cent. and the final of 5 per cent. if approved, makes a total of 13 per cent. paid for the year. Your directors have indicated that they will not recommend this year any increase on these payments.

No settlement has yet been reached regarding our coal properties although a comparatively small sum, arising from allowances made by the Coal Board in accordance with the Coal Nationalisation Scheme, is included in the subsidiary companies' profits.

SALES

I am sure you will be interested in the analysis of each £ of sales.	
Sales	20s.
Purchased materials and services	10s. 5d.
Wages, salaries and superannuation	5s. 0d.
Rents, rates, insurance, etc.	2s. 2d.
Taxation	1s. 5d.
Depreciation	6d.
Transfers to reserve	3d.
Dividends	2d.
Carry-forward	1d.
	20s.

From the above, you will see that dividends, about which we hear so much unfair criticism these days, represent only a very small proportion of our gross income. It is to be remembered that this small return is all that goes to the stockholders who supplied the money to buy the ground, buildings and plant of the company which provide employment for 17,000 people.

OUTPUT

The demands for the company's products throughout the whole year exceeded the supply. Every department was fully occupied as the supply of raw materials would permit. At the beginning of the year, outputs dropped considerably because of the compulsory reduction in our fuel supplies. Towards summer, conditions improved and, with the improvement, outputs steadily increased. Unfortunately, the higher output was maintained only by the steady consumption of stocks of pig-iron and of scrap. Notwithstanding these difficulties in the early part of the year, I am glad to say our steel output for the whole year exceeded that of 1946 by 5.57 per cent.

It should be noted that this increased output was only achieved through the adoption by the industry of an extended working week. It is to the credit of the workmen and their unions in the steel industry that they agreed to this enlightened policy. The benefits to British steel production in consequence and to the country generally were clearly shown by the very excellent outputs during the last quarter of 1947. Unfortunately, in many other industries throughout the country, the application of the policy of a shorter working week is having a damaging effect on the national economy.

FUEL—CONVERSION TO OIL

When the coal shortage was acute, the Government urged steel makers to convert as much of their plant as possible to the use of oil. We responded immediately to this appeal and altered a melting shop at Motherwell from the use of coal to oil fuel. This has involved an expenditure of about £500,000 in rebuilding the furnaces for oil burning and in the re-equipment of the ancillary plant to take advantage of the increased output anticipated from the use of oil. This large alteration was carried through without interrupting production. We completed a similar conversion at Clydebridge. Unfortunately, and quite unexpectedly, the price of oil was increased in September, 1947, by £1 15s. per ton and again by £1 per ton in February of this year. These increases not only eliminated any benefit from the use of oil but added substantially to the fuel cost of steel melting as compared with the use of coal. We had commenced to convert the furnaces at Hall-side works in the same way when, after a considerable amount of money had been spent and the plant installed, we were informed that the amount of fuel oil available was insufficient for our needs there and this scheme had to be abandoned. This experience illustrates the difficulties arising from State intervention in industrial matters.

FUEL—COAL

Coal is an important item in the cost of producing steel, and in recent years the price has risen steeply. For example, at one of our works the price of fuel delivered during 1947 increased by 195 per cent. over that of 1938—the last full year before the war—whereas the advance in the selling price of steel for the same period was 52 per cent.

The company, however, are reaping the benefit now of their policy of adopting every practicable method for the utilisation of waste heat. The total quantity of coal saved in this way is now approaching 100,000 tons per annum. If it had not been so, the results shown in the balance-sheet could not have been achieved. We have had to contend, however, not only with a greatly increased price of fuel but with a marked deterioration in its quality. In some of our works we are actually using 20 per cent. more fuel per ton of ingot output than we would have used if the sources of supply and the quality had been the same as in 1938.

NEW PLANT

The position regarding pig-iron supplies became so acute throughout the country that our third blast furnace, to which I referred in last year's statement, was brought into operation early in 1948 with supplies of coke from outside sources. This furnace, which has a capacity of 5,000 tons per week, has proved successful in every way and has substantially augmented our supplies of pig-iron.

As I explained on a previous occasion, our own coke production is not sufficient to keep the third furnace in operation, but we have now received authority to build additional coke ovens for this purpose and these will be constructed as soon as possible. We have been assured by the National Coal Board that supplies of coking coal will be made available as required.

Land—The company acquired during the year, about 294 acres of land adjoining their properties at Motherwell and thus are assured that there will be ample land available for the development of our Motherwell and Lanarkshire works.

RESEARCH

Our research department continues to be actively engaged, not only with problems arising from current production but in looking ahead. It is also endeavouring to anticipate the future requirements of users

for example in the engineering and chemical industries. One interesting development during the year has been the production of stainless-clad steel by a new process. Patents have been applied for in all countries. This provides a steel with a stainless surface at much less cost than if the steel were stainless throughout. We have already received good orders for this class of material, which should prove a valuable addition to the company's products in the future.

I would like to mention the excellent and friendly feeling that exists throughout the steel industry in this country between all the concerns engaged in steel manufacture. Not only is technical information freely exchanged but visits by staff members to the works of other makers are of frequent occurrence for the purpose of exchanging views and of studying improvements and developments at first hand. I believe that this is a most encouraging and healthy state of affairs and that by widening the experience of all, there results a general increase in the national productive efficiency.

SOCIAL SERVICES

I think it is desirable to refer once again to the social services that exist at our works. In their own way, they make a real contribution to the benefit of the employees and consequently to the company. I should like to mention specially the work of the social committee, which is drawn from all the works and has organised schemes for the benefit of employees and retired employees financed by contributions from the employees and the company. Under their control, there is a mansion house with golf course, bowling greens, tennis courts, gardens and playing fields. They also manage a home at the seaside, where men, recommended by the doctor for a change of scene after illness or fatigue, can spend some weeks under congenial conditions.

It may surprise you to know that this committee, during the past year, have disbursed some £50,000 on work such as the foregoing and in contributing to institutions of various kinds. One of the funds at Dalzell Works that is greatly appreciated is the old men's fund, from which several hundred are now drawing an allowance. Although this may not be strictly a business item, I think it will enable you to appreciate the relationship which has existed, and still exists, between the company and its employees generally. I am assured that it is greatly appreciated by our men and contributes in its own way to harmonious relations and to our ultimate success.

THE OUTLOOK

As to the future, we have submitted plans to the authorities for large extensions to several of our works. I have already mentioned the new coke ovens, which are to be built at Clyde Iron Works and there is planned additional melting plant at Clydebridge, and we have also proposed extensive additions to the plant at Dalzell and Lanarkshire works. If these plans develop along the lines which we have proposed, it will involve large capital expenditure, and the directors are now giving careful consideration to the financial aspect of this matter. You can be assured that they are determined that the steel production in Scotland will be efficiently and adequately developed to meet all the varied demands of our many customers.

One of our regrets at the present time is that we are still in the unhappy position of not being able to respond to the many appeals from our old customers abroad. We recognise the difficulty of the situation, however, but are anxious whenever it is permitted to resume our export trade.

Subsidiaries.—As revealed in the directors' report, the subsidiaries as a whole have shown improved results of a substantial nature. The demand for the special steels produced by

the Clyde Alloy Steel Company has greatly increased and important foreign connections have been developed. Smith and McLean had a most successful year, and the Lanarkshire Steel Company have had a record year so far as total deliveries were concerned.

SERVICES OF THE STAFF

The year was one of great difficulty because the uncertain supplies of raw materials were a source of constant anxiety to the management at the various works. On many occasions, they actually waited for daily deliveries

to keep the furnaces in operation. I am, therefore, all the more desirous of expressing to them and to all our staff and employees our appreciation of their able and loyal service.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, the Rt. Hon. Lord Clydesmuir, P.C., G.C.I.E., D.L., Sir Frederick E. Rebbeck, D.L., D.Sc., and Mr Harry Yates, were re-elected, and the auditors, Messrs Moores Carson and Watson, C.A., were re-appointed.

RIO TINTO COMPANY, LIMITED

HIGHER TURNOVER

LORD BESSBOROUGH ON THE OUTLOOK

The seventy-fifth ordinary general meeting of the Rio Tinto Company, Limited, was held, on the 11th instant, at Winchester House, Old Broad Street, London, E.C., The Rt. Hon. The Earl of Bessborough, G.C.M.G. (chairman of the company), presiding.

The secretary (Mr H. A. Mellor), having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—This year I have the honour of addressing you directly for the first time as chairman of the company—last year, owing to indisposition, I was obliged to do so by proxy.

THE DIRECTORATE

First, I will refer to the reorganisation of the board which has taken place since our last meeting. On December 31st last Mr J. N. Buchanan and Mr T. Robbins resigned.

Of the new directors appointed by the board, Mr Gerald Coke brings much business experience in various fields to our deliberations.

Sir Mark Turner, in addition to experience in business, has been employed by Departments of Government both during and since the war on important work.

Sir Eric Gore Browne will be known to you all as the former chairman of the Southern Railway. The nationalisation of the railways has made his valuable services available to us. We welcome these gentlemen to the board and look forward to their helpful co-operation. You will be invited to confirm their election.

REPORT AND STATEMENT OF ACCOUNTS

Passing now to the accounts, you will have noticed that the higher turnover is reflected in the considerably higher figure shown as net return on sales of produce. On the other hand, expenses have also risen considerably, so that the balance carried to appropriation account does not differ very much from that of 1946. The considerable increase in administration expenses is in part due to the incidence of United Kingdom taxation and in part to a provision for certain social charges in Spain, the imposition of which has been back-dated into a previous year.

The amount of £270,706 net dividends and interest represents in the opinion of the board, a very satisfactory return on the company's investments. The companies operating in Rhodesia in which we are interested continue to prosper and there is no reason to believe that their development has reached anything like its peak. Dividends received have been shown net, in order to afford a better view of the relative portions of the balance carried to appropriation account due respectively to trading and to income from investments.

You will have noticed in the appropriation account we have added £1,000,000 to general reserve, made up as to £902,760 from the debenture redemption reserve which had accumulated and as to £97,240 from the appropriation account.

BALANCE SHEET ITEMS

The increases in the items "Stocks and stores" and "Sundry trade debtors" are a reflection of the greater turnover.

The increase in the item "Subsidiary companies" is chiefly due to the participation we have taken in Brandeis Goldschmidt and Company.

The book value of investments has fallen, mainly because we have made a favourable sale of our interest in Minerals Separation, Limited, but lest any misapprehension should arise we have shown as an inset the market value of quoted investments.

POSITION IN SPAIN

The problems connected with the company's operations in Spain remain most complicated and difficult.

Coal—As indicated to you in my speech last year, for the first half of the year 1947 our metallurgical operations were practically at a standstill owing to lack of coal. I am glad to be able to report that the position has since improved both as to the quantity and quality of the coal we have been able to purchase. Nevertheless, I am far from being able to state that our fuel situation is comfortable, and only by continuous and unremitting efforts both here and in Spain is the supply maintained.

Supplies—The board, fully realising the need for rehabilitation of much of the plant and equipment at the mines after so many years of warfare and of economic difficulties that follow war, has made strenuous efforts to carry it out, but has met with much disappointment through delays in securing import permits and currency allocations, and especially through sadly deferred delivery dates. Nevertheless, every possible step is being taken to surmount the obstacles as they arise. There was a time when I should have dilated upon the high price of replacements, but price, most important though it is, has to become a secondary consideration compared with the primary necessity of "keeping the wheels turning."

Labour—The cost of labour, particularly of the social services element in wages, continues to increase. In fact social services now cost well over one-half of basic wage rates. But that is not all. The calculations of the net pay of each man and of the company's contributions to the various services have become so complex and lengthy that they constitute a serious administrative problem and expense. As a result, figures of importance in the management of the business tend to fall considerably behind.

The company's production of copper and sulphur continues to be sold entirely inside Spain. The demand for pyrites is good—in fact, were it not for the difficulties previously recited, we could take much greater advantage of the business available to us; in other words, the demand is there but the maintenance, not to mention the increase, of the supply depends upon many factors which the board cannot in present circumstances control.

Necessarily, in the circumstances I have just outlined, prophecies are out of the question, and your board faces the future with hope rather than with assurance.

We have endeavoured as a board during the past year to maintain close contact with your company's properties and organisations in Spain.

Last autumn, with the managing director, I paid a second visit to the mines. Two of our new directors, Mr Coke and Sir Mark Turner, have recently returned from Spain.

After the long inevitable separation due to war conditions the directors attach great importance to keeping close personal touch between the board in London and the staff in Spain, and to regular visits by directors.

At the same time we feel it is wise to supplement this contact by periodic visits to London by the general manager in Spain.

THE DIVIDEND

In connection with the redemption of the outstanding debentures which took place in October last year, I said at our last annual meeting: "Once the company is freed from the gross annual charge of £160,000 for the service of the debentures the date for the resumption of a dividend on the ordinary shares is appreciably nearer." That position has now arisen.

We must keep well in mind, however, as is stated in our directors' report: "The cost of labour and social services continues to rise out of all proportion to the increase in prices obtained."

None the less, as the charge for the service of the debentures is no longer required, and as the company's income from investments justifies it, the directors have decided to resume the payment of a dividend on the ordinary shares and recommend a payment in respect of the year 1947 at the rate of 8 per cent. free of tax.

Let me emphasise, in order to remove any possibility of misunderstanding, that this dividend in no way follows from the result of our mining and trading operations or anticipates satisfactory results in the future, but is solely related to our investments position.

THANKS TO STAFF

In conclusion, I desire on behalf of the board and I am sure also in your name, to express our very warm thanks to the whole of our staff both at home and abroad for their loyalty and devotion to the interests of the company, under circumstances of continuing difficulty.

We feel that the company is very well served indeed by its staff and it is a privilege and a pleasure to pay this tribute.

I now have to propose that the directors' report and the accounts for the year ended December 31, 1947, which have been submitted, be and they are hereby received and adopted.

Mr G. E. Coke seconded the resolution and it was carried unanimously.

The dividend as recommended was approved; Mr G. E. Coke, Sir Mark Turner and Sir Eric Gore Browne, D.S.O., were elected directors; the retiring directors, Sir Francis L. Joseph, Bt., K.B.E., D.L., and the Rt. Hon. R. Anthony Eden, M.C., M.P., were re-elected; and the auditors, Messrs Turquand Youngs McAuliffe and Company, having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

W. J. BUSH AND COMPANY, LIMITED

SATISFACTORY TRADING RESULTS

DR. P. C. C. ISHERWOOD'S STATEMENT

The fifty-first annual general meeting of W. J. Bush and Company, Limited, was held on 21st instant at Winchester House, Old Broad Street, London, E.C. Dr P. C. C. Isherwood, O.B.E., Ph.D., F.R.I.C. (chairman and managing director), presiding.

The secretary (Mr D. E. Arnold, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1947, and was taken as read:—

In my report last year I referred to the delays and restrictions in our operations arising from shortages of capital equipment and raw materials.

SHORTAGE OF ESSENTIAL EQUIPMENT

During the year under review the position in regard to the former has remained much the same, and we have experienced great difficulty in obtaining essential equipment for the maintenance of existing operations. In addition, the restrictions applying to building and the purchase of new plant have and still are making implementation of forward plans very difficult of achievement. In the case of raw materials, we are still handicapped by the shortages which generally prevail.

The trading results for the year under review taken as a whole were satisfactory and I am particularly pleased to report that the volume of our exports exceeded that of the previous year, which year itself constituted a record in the company's history. Our exports would have been still greater had it not been for the restriction of imports by many countries overseas. The growing tendency to develop secondary industries in countries abroad is one which may in the future make the granting of import licences by them still more difficult for British manufacturers, and this aspect of the situation has been greatly to the fore in discussions by the many trade associations and export groups to which we belong.

The building restrictions, particularly in the London district, have resulted in the company making somewhat extensive developments outside the Metropolitan area. We have, for example, built a new factory at Witham in Essex on which site there is still ample room for future extensions as opportunities arise. We have also made considerable extensions to our factory at Widnes, Lancashire, which work is still actively proceeding. We have also found it desirable to acquire substantial accommodation within existing premises at Tottenham.

RESTRICTION OF SUPPLIES

It is devoutly to be hoped that British industry will, before long, be permitted a reasonable opportunity of extension by the releasing to a much greater extent of supplies of steel and other materials together with a freer granting of building licences. It is only when this takes place that the large amount of work successfully undertaken by our chemical and engineering research staffs can be translated into large scale production. Too much stress cannot be laid on the importance of increasing technical efficiency in order to meet the growing competition of countries better placed to obtain up-to-date plant, which competition will, I fear, be increasingly experienced by British exporters.

In regard to the accounts, we have been informed by our income tax advisers that during the war years, excess provisions were made for taxation, which are no longer required. The accumulation of these, estimated at £150,000, has been placed to "Contingencies Reserve." This reserve, standing at £238,355, which has been built up largely as a result of taxation adjustments, is now shown as a separate item in the balance sheet.

In view of the heavy strain which has been placed on our plant during the war years and since, your directors have deemed it prudent to increase the reserve against this item in the balance sheet by £60,000. Similarly, a sum of £30,000 has been allocated to the reserve against buildings.

CONTRIBUTORY PENSION SCHEME

At our meeting last year I expressed the hope that the Contributory Pension Scheme which we have been preparing for some time would be in operation before our next annual general meeting. Although this has not been possible, I am pleased to report that the scheme will, I understand, shortly be approved by the Department of Inland Revenue, and will be presented to our staff within the next two or three months. Your directors have allocated a further sum of £25,000 to pension account, making, with the previous provisions, £125,000.

Our branches and subsidiaries throughout the world have maintained a satisfactory position and I would again like to express the board's appreciation of the loyal support it has received from the staff, both at home and overseas.

The report and accounts were unanimously adopted and a final dividend of 8 per cent. on the ordinary shares, making 12 per cent. for the year, was approved.

The retiring directors, Mr E. L. Bush and Mr A. J. McIntyre, were re-elected; and the auditors, Messrs Turquand, Youngs, McAuliffe and Company, having been re-appointed, the proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

THE UNITED MOLASSES COMPANY, LIMITED

REBUILDING PROGRAMME

The twenty-second annual general meeting of The United Molasses Company, Limited, will be held, in London, on the 16th proximo.

The following is an extract from the statement by the chairman, Sir F. Michael K. Kielberg, K.B.E., circulated with the report for the year 1947:—

Present indications are that we may expect delivery of eleven tankers by late spring 1951. As none of the tankers now on order could be placed at a firm price, the total liability in connection with the building programme upon which we have embarked can only be estimated, but the amount will probably be in the region of £6,500,000. The completion of even this ambitious programme only tells part of the task ahead of us. Although the eleven tankers on order will by 1951 restore our Molasses Fleet to its prewar carrying capacity, we shall probably in the early 'fifties find it necessary to order additional tonnage to replace old reconditioned tankers.

Based on present costs this further building programme will involve additional capital outlay of anything from £3,500,000 to £4,000,000. It is our intention, if at all possible, to finance any such new building programme out of future earnings. If it were not for the fact that an efficient and economical fleet of specially constructed tankers forms the very basis for the successful conduct of our Molasses business, I very much doubt if your directors would have had the courage to embark upon the present building programme at today's costs.

Trading for the first four months of the current year has been satisfactory and the prospects are not unpromising.

INCORPORATED ACCOUNTANTS

SIR FREDERICK ALBAN'S ADDRESS

The sixty-third annual general meeting of this Society was held on the 26th instant in London.

Sir Frederick Alban, C.B.E., J.P. (the president), in the course of his address, said that the membership of the society ranged from Abadan (Iran) to Zurich (Switzerland), with hardly an important place at home or abroad where an incorporated accountant could not be found.

ECONOMIC SURVEY

The White Paper published early in 1948 presented stark facts worthy of the closest study by every member of their profession. The Economic Survey suggested a target of only 13 million tons for coal bunkers and exports in 1948. Yet, from Bristol Channel ports alone, the exports of coal in 1923 were 34 million tons. Surely there was a wide scope for vast development in coal production and export. The other day Sir Charles Reid stated that with the manpower and machinery now in the industry, at least 30 million extra tons of coal per annum could be produced, provided that absenteeism was reduced to prewar level; manpower put where it could be most effectively used and men and managers alike were inspired to give their best services. Could not the National Coal Board become the National Saviour?

As the Economic Survey repeatedly emphasised, our survival depended on our ability to sell our goods in the markets of the world, which could be accomplished only by keeping in check inflationary tendencies and producing at a cost which was competitive. The question of cost was paramount. Accountants in general, and industrial accountants in particular, by reason of their general experience and their costing technique, had an intimate and specialised knowledge of the inner working of industries and a deep insight into the make-up of "cost." In the past there had been a tendency to regard accountancy as a form of overhead expense, but if accountancy played its unquestioned part in the service of industry, accountancy became productive in the widest sense.

PRICES AND CONTROLS

Incorporated accountants were intimately concerned with the working of controls, particularly price controls. With reference to price controls for the purpose of controlling profits, it should be appreciated that there were two kinds of profits—that which came from an excess of demand over supply and that which came from such factors as efficiency and an ability to anticipate the consumer needs. It was important that attacks on profits should be confined to the first type of surplus. Surely there was no merit in making a loss. On the other hand, a firm which showed a high profit might be rendering public service, if it achieved that result by improved production, by improved conditions of work and by meeting consumer demand adequately and at reasonable prices. Unless that truth was realised, British industry would lose its flexibility—flexibility which it must have if it was to meet foreign competition. Profits were the life blood of an industry. Unless profits could be made and retained in industry, equipment could not be kept up-to-date and new developments could not be financed.

From the accounting point of view they warmly welcomed the important variation in the form of "Statement of Revenue and Expenditure" which was laid before the House of Commons by the Chancellor of the Exchequer when opening the recent Budget. He assured the Chancellor that the accountancy profession would readily place its specialised experience at his disposal to assist him in his laudable endeavours.

The report was adopted.

LEGAL AND GENERAL ASSURANCE SOCIETY

VALUE OF LIFE ASSURANCE

The annual general meeting was held, on the 26th instant, in London.

The Hon. W. B. L. Barrington, the chairman, who presided, said:

Life Assurance and Annuity Fund.—The new life assurance business transacted during the year was a record in the history of the society. The ordinary business amounted to £13,317,606. The decreasing term and group assurance section was also well maintained.

Mortality Experience.—The death claims during the year amounted to £1,254,384, and the mortality experience was again favourable.

Rate of Interest.—The net rate of interest earned by the life assurance fund was £3 12s. 1d. per cent. as compared with £3 10s. 8d. per cent. for 1946.

Expenses of Management.—You will have noticed an increase in commission and expenses of management. These increases reflect the largely increased new business. Our expense ratio is 9.98 per cent., compared with 8.53 per cent. for 1946. I think you will agree that this ratio is exceedingly moderate, bearing in mind that we charge against the life premium income the cost of administering the large amount of immediate annuity business which we transact.

Fire Insurance Account.—We received a substantial increase in our premium income last year of £303,828, or 28 per cent. The net profit in the account was £6,635, which was added to the additional reserve, which now stands at £208,538.

Accident Insurance Account.—The premium income also shows a marked increase, amounting to £111,722, or nearly 20 per cent. Claims paid and outstanding absorbed 45.94 per cent. of the premium income, an increase of 6.69 per cent. Our experience in the motor vehicle section was unfavourable—a loss of £17,000. This result, in view of the high cost of repairs, was only to be expected. Premium rates are being increased, but it remains to be seen whether the adjustment of rates is adequate.

The net profit on the account, after adding interest and providing for tax and staff pensions, was £7,144. This has been added to the additional reserve, which is now £74,354.

The total funds of the society and its subsidiaries, excluding the Gresham Life, increased by £10,004,422 to £98,573,062. The total premiums received during the year were £13,878,861.

To comply with the New Companies Act, you will observe that debited to this account there is the interim dividend paid in January and also the proposed final dividend for 1947, in addition to the dividend paid in respect of 1946. The balance carried forward into 1948 amounts to £452,301.

Assets.—The assets now total over £100,000,000. The care of these assets is a responsibility which the directors take very seriously. The investments are under constant review, and we consider that they are fully of the value at which they stand in our books. Our Stock Exchange securities stand at £68,483,642.

The British Government securities included in our portfolio amount to £42,033,418, or 41 per cent. of the total assets, compared with 44.8 per cent. last year. These may increase this year by the inclusion under this heading of the society's holdings of Home Railway and Electricity stocks.

During the year we have increased our investments in freehold and leasehold properties by approximately £5,100,000, and these now amount to a total of £14,472,992.

I think we can claim a very satisfactory year, and the directors are satisfied that the society is in a strong financial position.

The report and accounts were unanimously adopted.

ASSOCIATED GAS AND WATER UNDERTAKINGS, LIMITED

IMPENDING NATIONALISATION

The fifteenth ordinary general meeting of Associated Gas and Water Undertakings, Limited, was held, on the 26th instant, in London, Mr W. H. Bennett, M.Inst.Gas.E. (chairman and managing director), presiding.

The following is an extract from his circulated statement:—

The uppermost thought in the minds of all holders of gas stocks today is, necessarily, the threatened nationalisation of the industry. Together with the owners of gas undertakings throughout the country, your directors have consistently done all that lay in their power to obviate a change which they believe will be to the detriment of both the gas consumer and stockholder. Nevertheless, the Bill to nationalise all gas undertakings—whether company or municipally owned—and holding companies such as ours, was introduced in Parliament last January. Compensation for holders of gas stocks is based upon Stock Exchange transactions on certain dates in 1945, or, if no transactions took place on those dates, then by agreement or arbitration.

BASIS OF COMPENSATION

If a last appeal for justice is rejected by the Government, it is certain that upon the proposed basis of compensation a very serious loss of income will result to stockholders. While it is at present impossible to say what this loss will be, based upon the assumption that Government stock bearing interest at the rate of 3 per cent. per annum will replace existing stocks in this company, the loss of income for ordinary stockholders will be 29 per cent., for deferred stockholders 40 per cent., for 4½ per cent. redeemable preference stockholders 29 per cent., for 4 per cent. redeemable preference stockholders 23 per cent. and for 4 per cent. irredeemable preference stockholders, 27 per cent.

In agreement with the policy of the British Gas Council, your directors have continued and developed their plans for the integration of the undertakings under their control despite the threat of nationalisation. Schemes which had been prepared during the war for the shutting down of smaller works and the interconnection of distribution systems have been put in hand, but the delay in obtaining plant and materials will prevent some of these being completed before the change in ownership takes place. We shall, however, have the satisfaction of knowing that we have done everything in our power to maintain and improve a service of which we may justly be proud.

INCREASED REVENUE

Revenue from all sources in comparison with the previous year is up by £8,622, principally accounted for by enhanced returns from investments and loans. A further £2,000 has been set aside as reserve for taxation. The total amount now provided under this heading is more than sufficient to cover the estimated liability for income tax for the year ending March 31st next. The net profit amounting to £77,991 is a record one and exceeds that of last year by £5,214.

Reference has been made in the report to the fact that the financial position of the company warranted the distribution of dividends at the increased rates of 5½ per cent. per annum on the ordinary stock and 7 per cent. on the deferred capital. Unfortunately, however, the company is precluded by the terms of the Gas Bill from declaring dividends in excess of those for the previous accounting period. The final dividends must, therefore, be limited to the rates of 2½ per cent. on the ordinary stock and 2½ per cent. on the deferred stock, making the totals for the year 5 per cent. and 6 per cent. respectively.

The report was adopted.

ARGUS PRESS HOLDINGS, LIMITED

FURTHER PROPERTIES ACQUIRED

The nineteenth ordinary general meeting of the Argus Press Holdings, Limited, was held, on the 26th instant, in London.

Mr. J. C. Akerman presided in the absence of the chairman, Sir H. Brent Grotrian, Bt., K.C.

The following is his speech which was circulated with the accounts for the year ended December 31, 1947:—

I will deal first with the accounts of the Argus Press, Limited. The gross profit, including interest and dividends, after charging working expenses, amounts to £142,493. Contrary to recent practice, this year the earnings of some subsidiary companies have not been brought into the profit and loss account. To this extent, and further in respect of profits tax chargeable for the first time on the earnings of subsidiary companies, the amount of gross profit shown is not comparable with the corresponding figure last year of £161,876. The real comparison of earnings is to be seen in the consolidated profits statement, where the figures of aggregate profit, together with sundry revenue, amount to £186,734, as against £185,556.

The net consolidated profits of the group, after charging depreciation and all taxation, amount this year to £65,233, as against £84,333 last year, the decrease being mainly due to the heavy charge of profits tax.

The net profit of the company for the 12 months ended December 31, 1947, after providing for directors' fees, depreciation, and taxation, amounted to £58,657. It is proposed to pay a final dividend of 21 per cent., less tax, amounting to £28,875 net, making a total of 31 per cent., less tax, for the year.

The book value at which the shares in subsidiary companies stand in the balance sheet of the Argus Press, Limited, has increased from £219,467 to £380,872 during the year under review. The increase represents the cost to that company of further properties acquired during 1947.

RESTRICTED SUPPLY OF NEWSPRINT

Paper restrictions are even more stringent to-day than they were when I addressed you last year, and no alteration has been granted to enable printers or publishers to counter-balance increasing costs, both of wages and materials, by increasing the size of newspapers or periodicals. The freedom of the Press has been widely debated in this country and abroad, but the effective control which lies in the rationing of paper in this country remains. It has been stated that, even were paper supplies freed from control, the launching of a new national daily newspaper would be impossible on account of the heavy capital cost involved and the impossibility of obtaining printing plant for years to come. I welcome this opportunity of correcting that statement. The Argus Press is well equipped with modern plant and is able to undertake the production of a national daily newspaper without disturbing its present output.

Turning to the accounts of the Argus Press Holdings, Limited, as you know, the whole of the ordinary shares of the Argus Press, Limited, are held by the Holdings Company. The receipt from the Argus Press, Limited, of the interim dividend amounting to £13,750 net, and the final dividend amounting to £28,875 net which has already been declared, together with sundry revenue and tax recoverable, produce with the balance brought in of £16,594 a total sum of £60,000. There is available for distribution £47,028. An interim dividend on the ordinary shares of 12½ per cent., less tax, amounting to £13,750 net, was paid on October 31, 1947, and it is proposed to pay a final dividend of 15 per cent., less tax, amounting to £16,500 net, when the final dividend from the Argus Press, Limited, has been received, leaving a balance of £16,778.

The report and accounts were adopted.

THE BRISTOL AEROPLANE COMPANY, LIMITED

SOLID PROGRESS

The 38th ordinary general meeting of the Bristol Aeroplane Company, Limited, was held at Bristol on the 27th instant.

Sir William G. Verdon Smith, C.B.E., the chairman, in the course of his speech, said: Despite the anxieties of the time, the year was one of solid progress for the company, and output for the first few months of 1948 has been encouraging.

Aircraft Division.—Our Aircraft Division had a year in which much progress was made. The Brigand aircraft was being built throughout the year for the Royal Air Force, and deliveries of the Bristol Freighter were made to a variety of countries. Outstanding among other civil projects is the Brabazon prototype now nearing completion. Another important civil aircraft project was launched during 1947; a medium range Empire aircraft known as Bristol Type 175. Our Aircraft Division also made good progress with its Helicopter research programme, and, apart from civil projects, the Division is also engaged on further military projects.

Engine Division.—Our Engine Division had another successful year. Bristol Hercules are the most widely used high-powered British civil engines in service today. The Bristol Centaurus is in regular use in "Sea Fury" and "Brigand" aircraft, and will be used in the Airspeed "Ambassador" and the Bristol Type 175. The Engine Division looks forward confidently to a continuing demand for Hercules and Centaurus engines. Further good progress has been made in the development of Bristol Theseus and Proteus gas turbines. The Proteus will equip the Bristol Brabazon Mark II and the Saunders-Roe SR45 flying boat.

Car and Light Engineering Division.—In the Car and Light Engineering Division, production is going ahead, and a modest but expanding volume of export business is being done.

THE ACCOUNTS

Net profit for the year was £855,512. Owing to the incidence of E.P.T. payable on profits arising from previous years, the net amount brought in from previous years is only a trifling proportion of the total net profit. Provision for developing and putting into production certain of our post-war products has again been made. In addition to the trading profit, interest of £20,018 has been received during the year. Charges against net profit are Profits Tax (£146,000) and Income Tax (£320,000). The balance carried to the Appropriation Account, together with the balance from the previous year, leaves available £492,793. Out of this the dividend on the Preference Stock and a 4 per cent. interim dividend on the Ordinary Stock have absorbed £89,100, and your board has decided to add £150,000 (compared with £100,000 last year) to general reserve. Out of the remaining balance of £253,693 your board now recommends payment of a final dividend of 6 per cent., making 10 per cent. for the year, the same percentage as previously, leaving an increased carry forward of £144,793.

Stocks and work in progress less cash received on account have increased since 1946 by £415,213. Tax Reserve Certificates have been reduced by £446,675, but bank balances and cash in hand show an increase of £863,754. Current liabilities and provisions show an increase of £415,316, partly due to increased E.P.T. liability arising on pre-1947 sales brought to credit in these accounts. Comparison of net current assets for 1946 and 1947 show an increase of £121,682. "Capital and Surplus," at £6,412,062, shows an increase of £209,868 on the corresponding amount at the end of 1946. The general reserve (£1,550,000) and the carry forward (£144,793) together exceed half the Ordinary Stock Capital.

The report was adopted.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD FIGURES

Sir William Palin Elderton, the president, was in the chair at the 186th annual general meeting of the Equitable Life Assurance Society held in London on the 26th instant. The following are extracts from his speech:—

I would like to refer to my predecessor in the chair, Mr. Desmond Abel Smith. He became president in 1940 and held that office with great distinction through the difficult years of the war.

The new sums assured written in 1947 exceeded £4,000,000—the largest total ever secured by the society. This reflects credit on all concerned. As a result of the alteration in values since the war, our existing policy-holders should ask themselves whether the amount of life assurance they have effected is sufficient. We hope that they will continue to bring the society to the notice of their friends.

Now that it is known that the British Transport Stock is at 3 per cent. the society faces a loss of investment income of £15,000 p.a. gross. There will be further losses in respect of other industries to be nationalised. For assurances effected after October 1, 1947, the rates of premium were increased for most classes of business, but the premiums for whole life assurances remain the same as before the war.

The net rate of interest earned on the funds is well over 3½ per cent. The expense ratio of a little under 5½ per cent. is still at a low level. Claims by death are at about the same level as in 1946 and each £1,000 of original assurance under whole-life major profits policies which became payable in 1947 had on the average been increased to £2,225. We now look forward to the valuation to be made at the end of 1948.

The report was adopted.

JOHNSON AND PHILLIPS, LIMITED

EXCELLENT FIGURES

The 43rd annual general meeting of Johnson and Phillips, Limited, was held in London on the 20th instant.

Mr. G. Leslie Wates, J.P. (chairman and joint managing director), said that they lived in times of anxiety, strain and stress. Crisis followed crisis, and it all seemed so uncontrollable that the individual was dwarfed by the magnitude of the forces against him. Whatever satisfaction or pleasure they would in ordinary times have had in presenting such excellent figures of profits and assets was largely qualified by wondering what problems would have to be faced.

The dividend distributed only represented a return to the shareholders of approximately 3.3 per cent. net on such capital figure, not, he submitted, an extravagant return having regard to the uncertainties and the present difficulties of trading.

Of the sale price of their products and other income the larger proportion was spent in providing raw materials and supply services. That accounted for 38.4 per cent. of the total. Salaries and wages and other payments for the benefit of their employees represented 27.3 per cent. The amount provided for taxation represented 6.8 per cent. They retained in the business by way of profits ploughed back and reserves for future contingencies 4.5 per cent., and only the modest sum of 3 per cent. net was divided among the shareholders. That represented approximately 7d. in every £1 of sales. They had joined with other manufacturing companies in supporting the report of the Federation of British Industries on prices and profits which was forwarded to the Chancellor of the Exchequer in March in response to his invitation for co-operation.

The report was adopted.

GOVERNMENT RETURNS

For the week ended May 22, 1948, total ordinary revenue was £40,670,000 against ordinary expenditure of £39,443,000 and issues to sinking funds £370,000. Thus, including sinking fund allocations of £1,374,000 the surplus accrued since April 1st is £147,471,205 against £208,672,666 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to May 24, 1947	April 1 to May 22, 1948	Week ended May 24, 1947	Week ended May 22, 1948
ORDINARY REVENUE					
Income Tax	130,915	129,810	139,335	12,540	10,312
Sur-tax	90,000	9,110	13,550	1,290	800
Estate, etc., Duties	160,000	24,868	27,150	3,350	3,200
Stamps	55,000	6,470	8,700	800	800
Profits Tax	250,000	4,005	12,000	290	600
E.P.T.	1,000	31,730	26,700	3,970	1,300
Other Inland Rev.	50,000	60	60	...	10
Special Contributions	...	...	...	...	...
Total Inland Rev.	191,510	206,053	227,495	22,240	17,022
Customs	820,600	121,199	119,764	17,077	14,492
Excise	726,550	86,400	120,800	8,900	7,600
Total Customs & Excise	1,547,150	207,599	240,564	25,977	22,092
Motor Duties	50,000	4,897	3,306	...	...
Surplus War Stores	102,000	26,511	1,196	17,807	...
Surplus Receipts from Trading	57,000	...	826	...	826
P.O. Net Receipts	11,000	4,000	4,760	700	200
Wireless Licences	1,000	800	800	...	...
Crown Lands	1,000	160	160	...	...
Receipts from Sundry Loans	14,000	109	1,920	...	...
Miscellaneous Receipts	68,000	127,414	11,778	11,275	530
Total Ord. Rev.	3,765,500	577,342	492,804	77,999	40,670
SELF-BALANCING					
Post Office	150,200	18,300	19,600	2,600	3,000
Income Tax on E.P.T. Refunds	16,000	4,353	1,194	221	263
Total	3,931,500	599,995	513,598	80,820	43,933

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to May 24, 1947	April 1 to May 22, 1948	Week ended May 24, 1947	Week ended May 22, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	72,343	69,729	2,553	2,603
Payments to N. Ireland	26,000	2,089	1,529	696	...
Other Cons. Fund Services	8,000	286	293	...	...
Total	534,000	74,719	71,550	3,249	2,603
Supply Services	244,167	292,692	272,408	33,580	36,840
Total Ord. Expd.	297,567	367,411	343,959	36,829	39,443
Sinking Funds	...	...	1,374	...	370
SELF-BALANCING					
Post Office	150,200	18,300	19,600	2,600	3,000
Income Tax on E.P.T. Refunds	16,000	4,353	1,194	221	263
Total	314,187	390,064	366,127	39,650	43,076

After increasing Exchequer balances by £251,348 to £3,339,459, the other operations for the week increased the gross National Debt by £4,150,323 to £26,665 million.

NET ISSUES (£ thousand)	
P.O. and Telegraph	400
E.P.T. Refunds	320
Overseas Trade Guarantee Act, 1939, sec. 4 (1)	1
Local Authorities Loans Act, 1945, sec. 3 (1)	3,550
Finance Act, 1946 and 1947, Post-war Credits	485
	4,756

Statistical Summary.

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	505
2½% Def. Bonds	505
Other Debt	...
Internal	...
Treasury Deposits	35,500
NET REPAYMENTS	16,863
Treasury Bills	...
3% Def. Bonds	400
3% Conv. Loan	...
1948-53	50
3% Ter. Annuities	1,618
Tax Reserve Certs.	106
Ways and Means Advances	8,750
	31,862

* Including £3,633,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap			
1947					
May 24	2190-0	2620-1	327-5	1463-5	6601-1
1948					
Feb. 7	2170-0	2351-5	301-6	1329-5	6152-6
" 14	2160-0	2307-4	366-4	1274-5	6108-3
" 21	2160-0	2346-8	447-6	1236-5	6190-9
" 28	2160-0	2342-4	492-7	1201-0	6198-6
Mar. 6	2160-0	2667-5	446-3	1259-5	6533-3
" 13	2160-0	2692-2	416-7	1239-5	6514-4
" 20	2160-0	2712-5	403-8	1249-5	6546-3
" 31	4910-2	334-8	6-1	1291-0	6542-0
Apr. 10	2160-0	2752-0	328-9	1326-5	6567-4
" 17	2160-0	2750-0	324-4	1340-5	6574-9
" 24	2170-0	2716-9	322-5	1349-5	6558-9
May 1	2180-0	2689-3	322-9	1346-5	6558-7
" 8	2200-0	2643-2	310-2	1346-5	6558-7
" 15	2210-0	2643-5	301-0	1346-5	6558-7
" 22	2210-0	2626-6	297-8	1346-5	6558-7

TREASURY BILLS (£ thousand)

Date of tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1947					
May 23	160-0	284-6	160-0	10 1-45	43
1948					
Feb. 21	170-0	266-0	170-0	10 0-16	52
" 27	170-0	236-8	170-0	10 2-41	68
Mar. 5	170-0	292-7	170-0	10 1-10	40
" 12	170-0	286-3	170-0	10 1-48	45
" 19	170-0	266-5	170-0	10 1-74	54
" 26	170-0	300-5	170-0	10 2-49	30
Apr. 2	170-0	285-1	170-0	10 2-49	42
" 9	170-0	281-2	170-0	10 2-62	44
" 16	170-0	287-8	170-0	10 5-15	55
" 23	170-0	285-1	170-0	10 2-51	42
" 30	170-0	287-9	170-0	10 1-34	45
May 7	170-0	290-3	170-0	10 1-24	43
" 14	170-0	290-7	170-0	10 1-36	45
" 21	170-0	294-5	170-0	10 1-26	43

On May 21st applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 43 per cent. of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for May 28th. For the week ended May 29th the Banks will be asked for Treasury deposits to the amount of £35 million (maximum).

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals, May 17 to May 15
	May 17, 1947	May 15, 1948	
Savings Certificates:—			
Receipts	3,350	2,300	16,450
Repayments	1,700	3,350	16,250
Net Savings	1,650	Dr 1,050	200
Defence Bonds:—			
Receipts	2,190	875	5,810
Repayments	563	763	6,054
Net Savings	1,627	112	Dr 244
P.O. and Trustee Savings Banks:—			
Receipts	11,901	12,492	82,816
Repayments	11,187	12,394	76,451
Net Savings	714	108	6,365
Total Net Savings	3,991	Dr 880	6,321
Interest on certificates repaid	340	603	2,831
Interest accrued on savings remaining invested	2,247	2,291	14,759

BANK OF ENGLAND RETURNS

MAY 26, 1948

ISSUE DEPARTMENT

Notes Issued:—		Govt. Debt	
In Circulation	1244,201,467	Other Govt. Securities	11,015,100
In Bankg. Department	56,046,366	Other Govt. Securities	1288,374,750
		Other Secs. (other than gold)	603,472
		Issue of Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	6,678
			1300,000,000
			247,833
			1300,247,833

BANKING DEPARTMENT

Capital	£ 14,553,000	Govt. Secs....	£ 344,319,291
Rest.....	3,411,656	Other Secs.....	
Public Deps.*.	10,677,740	Discounts and Advances.....	9,784,318
		Securities.....	22,562,143
Other Deps. :-			
Bankers	311,754,147		
Other Accts.....	92,964,858		32,346,461
	404,719,005	Notes.....	56,046,366
		Coin.....	649,283
	433,360,401		433,361,401

The list is so impressive that there may be some temptation to complacency. But it is entirely out of place. One year after Mr Marshall's initiative is a fitting occasion to measure not only the ground that has been covered but the immense tasks that lie ahead. In almost every field the Western Powers have committed themselves to policies revolutionary in implication, which involve quite new relationships between each other and which must of necessity take years to carry out. The fact that the Powers have taken the first step is little or no guarantee that they will as certainly finish their course. The new Western strategy demands that the Sixteen Nations pledge themselves to associate in a new type of co-operative community, that the Americans persist in their present willingness to enter into long-term relations with that community, and that the problem of integrating the recalcitrant Germans into it will be satisfactorily solved. It is difficult to imagine a more ambitious programme, and it is inconceivable that solid and lasting success will be achieved unless the Powers concerned remain completely unwavering in their determination to work together. And this in turn demands a high measure of confidence and mutual trust which has not been evident in recent weeks.

*

Two issues have thrown a shadow of uncertainty across Western relations—the Russian “peace offensive” and the Palestine crisis. One may speculate for ever on the real inner meaning of the Russian initiative, but one or two points are clear. The Marshall Plan put a stop to the spread of Communist influence and restored a measure of confidence to the non-Russian world. The Russians declared war on the Plan and spent nine months using every device to destroy it. During that time each new act of violence, each new savage attack of propaganda, stiffened the determination of the West in general and of Congress in particular to make the Plan the basis of their policy. The culmination of this “dialogue” between East and West was the Communist *coup* in Prague, which had the effect of sending the Economic Co-operation Act through Congress with unlikely speed and equally unlikely majorities.

It must be assumed that the Kremlin is no more friendly than a year ago either to the Plan or to the consolidation of Western Europe. But violent attacks and opposition have had the effect of hastening both. Like the wind in Æsop's fable, Russia has huffed and puffed to remove the cloak of Western solidarity, and each blast has led the Western Powers to gather the cloak more and more closely around them. But what might not a little Russian sunshine do? It seems that the sun may now have been switched on, and the Russians need not be altogether dissatisfied with the effects of the first four weeks of diplomatic ultra-violet rays. The urgency which drove the Economic Co-operation Act through both Houses is noticeably absent in the leisurely discussion of the actual allocation of the money in the Appropriations Committee, which is even considering a cut in the total for the first year. No one should underestimate the deep underlying desire of the American people to reach an understanding with Russia, which would then leave them in peace. Only a relatively small and sophisticated minority realise that Russia's apparent willingness to talk is conditional upon the new firmness shown by the United States in the field of Western relations and defence and that the maintenance of the Western Powers' “grand strategy,” far from being an obstacle to a settlement with Russia, is a condition of it.

In Europe, it is France, now the most uncertain and internally divided of the Western States, that appears to be most unsettled by the Russian peace offensive. The press—and not simply the left wing press—has in recent weeks made uncomfortable reading. M. Bidault has come in for heavy criticism on the charge that he is conniving at the “American determination” to divide Germany and that if Russia reacts violently, it is France that will bear the brunt. The crazy rumour is allowed to circulate that American defence plans aim at using

Britain and Spain as advance bases while leaving France to be the battlefield.

These extravagances reveal the extent of the strong strand of neutrality in French thinking. Russia and America are dismissed as “rival titans” and commentators talk of France's mission to mediate between them while keeping clear of both. The more the Russians press their offer of a settlement, the more French criticism may batten on the United States for refusing to come to terms. America may wake up one day to find a chorus from France denouncing it as a “warmonger.” It is hardly necessary to point out that these criticisms undermine the whole strategy of Western consolidation. How can Western policy survive successfully the full five years of the Plan, and the longer years necessary to achieve Western Union, if one of the key member states is for ever wavering on the brink of a decision to abandon association and go off to the old fruitless pursuit of “building bridges between East and West”?

It is precisely because sustained decision to work together is the condition of a successful Western strategy that the Palestine issue has such disturbing implications. In the United States, the revulsion against Britain was fanned by every conceivable accusation of hypocrisy and double dealing, and newspapers which for months had given every support to the idea of Western association switched in a day to denouncing America's principal partner in the enterprise as utterly untrustworthy and irresponsible. In Britain, the anti-American reaction, though less vocal and less visible in print, was instant and angry. In France, the Right's bitter memories of France's exclusion from the Levant, coupled with the Socialists' traditional Zionism and the Communists' support for the Russian line at Lake Success, produced that unique phenomenon—complete unity in the French press. Unhappily, the theme was a bitter attack upon Great Britain.

*

The lesson of the last three weeks for the West is that there are moral and psychological pre-conditions of success. It is therefore entirely appropriate that Mr Marshall, whose initiative launched the West on its new strategy, should have brought the first year of his Plan to a close with a speech in which he underlined the intangible elements of will and dedication without which no strategy can be sustained. His speech in Oregon reminded a worldwide audience that Europe was plagued

by constant fear that we cannot be depended upon, that we will change our minds, that we will turn from a formally adopted policy like the European Recovery Programme without notice and without regard for the devastating effect of such vacillation.

But vacillation in any of the key nations of the plan will have an equally deplorable effect, and again Mr Marshall spoke for all of them when he added that

it is essential that we debate the pros and cons of each proposed line of action; but once we have decided upon it, it is even more important that we do not quickly weaken . . . in our support of that policy.

Mr Marshall's Harvard speech brought the strategy of the West into being. His Oregon speech lays down the conditions—constancy, single-mindedness and confidence—which alone can give that strategy a chance of success. Admittedly, these are the intangibles. They may seem less important than the billions that Congress is appropriating and the concrete plans which are being laid down in Brussels and Paris and Frankfurt. But in reality they determine all the rest. No group of separate nations has ever in peacetime, embarked on such a prolonged experiment in co-operation. No comparable test has therefore ever been set for their staying power. Behind all problems of supply and availability, of finance and indebtedness lies the much more simple and fundamental question: have the Western powers the will and the courage to finish the job?

Too Much Equality?

IT is all to the good that the efficiency of the newly nationalised industries is being kept under a fierce scrutiny of public opinion. Sometimes the Boards are criticised for what is their fault—such as the shocking blunder of the Coal Board in spending \$8 million in importing from America belting that turned out to be unneeded, a mistake that it is difficult to imagine private enterprise making. Sometimes they are criticised for what is not their fault—such as the recent breakdown of the electricity grid or the increases in charges for electricity. But in either case it is a good thing that they are kept under constant pressure for maximum efficiency. It is good news too—if it is confirmed—that the Government are contemplating a full-dress inquiry into the methods of organisation of the Boards.

It should not, of course, be imagined that any such inquiry will prove anything, one way or the other, about the virtues or defects of public ownership. It has always been clear, ever since nationalisation was first talked about, that nationalised industries would suffer from the defects that afflict all large-scale organisations. That has always been one of the entries on the debit side of the Socialist account, and nobody should be at all surprised that it is now being presented for payment. To condemn public ownership as such because the Coal Board is unwieldy is no more justifiable than to condemn joint-stock enterprise as such because the South Sea Bubble burst. Private joint-stock enterprise had faults in its irresponsible youth that experience has largely cured, and national enterprise has not been proved incapable of outgrowing its awkward age. But willingness to learn is essential; and success in learning is less easy to estimate for public than for private enterprise. The private entrepreneur who refuses to learn goes broke; the similarly recalcitrant office-holder in public enterprise merely inflicts the results of his incapacity on consumers, workers and taxpayers.

It would therefore be foolish to expect that the argument for and against public ownership will ever be conclusively settled by “efficiency auditing.” But it is essential none the less that the efficiency auditing should be undertaken and that its principles should be worked out. For otherwise there is a risk that the Boards will forget that they have any responsibility at all for efficiency. The other pressures upon them are insistent and often wholly hostile to efficiency. It was pointed out in an article in *The Economist* two weeks ago that the trade union wing of the Labour Party does not support nationalisation as a means to greater industrial efficiency but as a device for securing to themselves greater control over the conditions of work of their members—which is almost, if not quite, the opposite. Moreover, in the other wing of the party, the specifically Socialist wing, it was not for efficiency that nationalisation was invented. Its purpose, when it was first thought of, was to secure greater equality of income and welfare among the citizens of the state, even at the cost of some reduction in the total income available to be divided among them. To the extent that fair compensation is paid for the property taken over, of course, nationalisation does not in fact succeed in reducing the inequality of wealth. But that was its original purpose and the doctrine that it could also serve the objects of economic productivity is a latter-day gloss upon the doctrine.

Socialism was born of the desire for economic equality, and there cannot be any doubt that the passion for equality is still by far the dominant psychological force that holds the Labour Party together and drives it along. People can come by the passion for equality in different ways, and there are many different sorts of Socialists. In the Labour Party of today, for

example, at least four main types can be distinguished. There is Type A (the Attlee type), which graduated to Socialism from humanitarian work in the slums and from a hatred of other people's poverty. There is Type B (the Bevan type), the poor boy of commanding ability, who has had to fight all the way up and is determined to come out on top. There is Type C (the Cripps type), which is impelled into Socialism by a philosophical, almost a religious, conviction that a good society can not be founded on selfish motives of gain. And there is Type D (the Dalton type), which appears to be mainly concerned to revenge itself on the society into which it was born. No doubt there are many other types of Socialist, leading eventually to type Z (the Zilliacus type), whose psychological mainsprings would be difficult to identify. But the one thing that holds them all together is the common desire to reduce the inequalities of a non-Socialist society.

Nor is the passion for equality peculiar to the Labour Party. It spreads over wide sections of the British public and is shared even by many whose own standard of welfare would suffer if the ideal of equality were ever achieved. It is, inevitably, reinforced by the bureaucratic organisation of so much of the nation's affairs, since any problem of administration is immensely simplified if the objects of it can all be treated exactly alike. What is perhaps not so widely recognised is that this passion for equality is felt far more strongly—or at least is practised far more assiduously—in Great Britain than anywhere else in the world. There may be countries where there is less inequality of money incomes—even after tax—than there is in Great Britain. But it is safe to say that there is none where there is less in equality in the real conditions of life. There is probably no country in the world today—certainly not Russia—where the food or the clothes that the rich can buy differ so little from the food or the clothes that the poor can buy as they do in Great Britain. There is no country where all the restrictions of a wartime economy have been administered with such fairness between income groups as here.

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There is much in all this that is very good—or at least that seems very good to the great majority of people. The equalisation of food habits that has occurred in the past eight years, for example, has shown a great balance of advantage. The poor eat more and the rich eat less; and it is difficult to say which of the changes has been the more beneficial. It may be, as the critics allege, that the total food supply of the community is not fully adequate; but no one (except, sometimes, the Mineworkers' Union) argues that it would be an advantage to distribute it less equally. Most people in present-day Britain would be disposed to agree that the grosser degrees of inequality—or at least of undeserved inequality—that have existed in the past were in themselves an evil. Nor can it really be argued that in prewar Britain, where so many of the inequalities of wealth and status depended simply on the accidents of birth and inheritance, inequalities of welfare corresponded to inequalities of merit. That it has been possible for the British people, without very much open class conflict, to make such large strides towards greater equality is undoubtedly, from the moral and social point of view, a good thing.

Nevertheless, when all this has been said, it is still necessary to ask whether the community can afford the economic cost of all the admirable progress towards equality that was made in wartime—and even more whether it can afford the very much less admirable steps towards equality that have been made in the three years since the war ended. That there is a large

economic cost it is becoming daily more difficult to deny. It can be seen in the sluggishness with which the economy responds to any stimulus, because the doctrine of "fair shares for all" makes it worth nobody's while to try to enlarge the cake in order to get a larger slice for himself. It can be seen in the cost of that large part of the apparatus of control that would be unnecessary, or could be greatly simplified, if the Government would permit a restoration of the price mechanism, which may be unfair but is certainly effective. It is impossible for an Englishman to visit a country like Belgium or Switzerland without reaching the conclusion that a willingness to tolerate inequality, however much it may offend the moralist, certainly pays large economic dividends.

Moreover, there is not much room for doubt that the moral justification of the strivings after equality in Britain has seriously deteriorated in the last three years. This is partly due to the different circumstances of peace and war. For example, the "percentage of prewar," by which so many industries are still rigidly governed, had some justification during the war. To continue it into the postwar period and to keep it in force year after year is gradually becoming more and more indefensible; the economic harm it does by stifling all initiative progressively mounts as the moral justification for petrifying the *status quo* dwindles. But the pollution of the spring of equality is also very largely due to the deliberate injection into it of party poison. Far too many of the Labour Party's actions seem to be inspired, consciously or sub-consciously, by mere envy and malice. The pursuit of equality ceases to be good when it becomes merely destructive, when it levels down without levelling up, when it pays more attention to pulling down the mighty from their seats than to exalting the humble and the meek. This trait of envy can be seen in the Labour Government's fiscal measures, which have "soaked the rich" without regard to the economic consequences or to the elementary justice of so doing. It can be seen in their administration of the national educational system, which has to date destroyed more values than it has created. It could be seen in its fullest flower in

some of the incredible follies that were perpetrated during the fuel crisis fifteen months ago, when it was apparently the official belief that it was better for all to starve and freeze in perfect equality than that anybody should enjoy the unfair advantage of surviving. And it is only necessary to read the back-bench speeches in favour of any nationalisation Bill to realise how large is the part played by the nasty desire to punish the successful and the fortunate.

The present Parliament has passed its watershed and the tendency is apparent on all hands to begin to think about the next election. In all probability the country has two full years in which to make up its mind what verdict it shall pronounce on the present trends of policy. And the Labour Party has two years to decide what defence it shall make before that assize. The verdict will be the fairer, and the more helpful to the country, if in the meantime there can be some clearing of minds on this question of equality. A greater equality of economic welfare is certainly one of the three great aims of any economic policy; the other two are productive efficiency—which means maximum production at minimum real cost, not simply output at all costs—and stability, or freedom from the damaging ups and downs of boom and slump. The difficulty is that these aims are often contradictory; equality and efficiency often pull in opposite directions, as they are doing now. The task of sound policy is to keep a judicious balance between them. On which side should the balance be cast in the next few years? Which policy would better serve the interests of the community, one that concentrated on the maximum production of wealth at the cost of allowing individuals to enrich themselves, or one that concentrated on re-distributing wealth at the risk of limiting the national output and lowering its power to compete in the world? There are times, and places, when either answer is the sounder. But in this time and place, can there be any doubt? It is proclaimed on every hoarding and in every newspaper that the British economy is in mortal peril. From what? From too much inequality? Or from too little economic efficiency? The answer is obvious, and the inference should be clear.

Danger Signals in South Africa?

THE shock of General Smuts's defeat has been softened with suspicious speed. Plausible apologists have been busy giving an air of verisimilitude to their otherwise bald and unconvincing arguments that nothing very much has gone wrong in South Africa. Are the arguments justified? Or is there indeed reason to believe that the personal defeat of General Smuts and the general defeat of his United Party at this time are major tragedies for South Africa and for the Commonwealth?

There appear to have been three reasons for the defeat. First and foremost it was due to the defection of the Afrikaans voters, who distrusted the Hofmeyr policy of more liberal treatment for the natives. Secondly, it was due to the greatly increased immigration from Great Britain and Europe which was supported by the Government, and which gave rise to the old Boer fears of foreign intervention. Thirdly, but to a much lesser degree, it was due to General Smuts's sudden recognition of Israel which, though it gave pleasure to the large Jewish community, offended the anti-Semitic feelings which are latent in many parts of South Africa, particularly on the Rand. If the popular votes are totalled, General Smuts's United Party received the support of a clear majority of the electorate. But in South Africa, as in many other countries, the rural constituencies are smaller than the urban, and General Smuts had evidently not taken sufficient care to court the farmers. He lost his own seat at Standerton, and the United Party and their electoral

allies, the Labour Party, won only 65 and 6 seats respectively against the 70 and 9 seats of the Nationalist and Afrikaner parties. The Speaker is usually chosen from the winning party, while the three European representatives of the natives usually vote for General Smuts. No independents were successful. This leaves Dr Malan, the leader of the Nationalists, with a probable working majority of four.

Of the reasons for General Smuts's defeat, the first two reveal what has always been, the greatest danger in South Africa—the possibility of a final split between the rural Afrikaners and the anglicised urban communities. The founders of the Union, Louis Botha, General Smuts himself, and Lord Milner, were well aware of the racial hatreds which could be aroused, and they tried to provide against the danger. But, in spite of surface harmony, the fundamental discord between the two white races has remained. It is based on memories of the Boer War, which are resurrected with Irish persistency, and on intense jealousies between town and country. The chief harm done at the elections last week was to reveal how powerful these emotions still are when they are brought out into the open, and how easily they could still divide South Africa against itself.

In recent years, under the Hertzog-Smuts coalition, and under General Smuts alone, South Africans had moved a long way from the partisan feelings of the Boer War. South Africans of British descent had come to regard South Africa and not England as their home. They shared with the Afrikaners

a feeling of contempt for the *rooinek*, the immigrant from Europe, and a strong spirit of nationality based on geographical location rather than on race had sprung up. The consequences of undoing such healthy progress can bring nothing but evil to South Africa. It is the one great danger, far more real than a Bantu rising, which South African statesmen have hitherto sought to avoid. Few elections have laid bare so clearly and so rudely the deeper emotions of the electorate. Moderate South Africans of all parties must hope that they will be decently covered up again as soon as possible. That is why the apologists have been cabling such comforting messages.

Still, the case for the apologists is based on something more than wishful thinking. Dr Malan's majority is far too small to enable him to do anything drastic. The Senate, even if re-elected as it may be within four months, will probably still be against him. Although its powers are limited, it can prevent any of the big changes which Dr. Malan may be contemplating, for such changes would mean altering the South Africa Act, and that requires a two-thirds majority of both Houses. Moreover, if Dr Malan follows the guide of reason, he will refrain, as his former leader, General Hertzog, did, from antagonising the goose which literally lays the golden eggs.

The farmers in South Africa are utterly dependent on the gold-mining industry for the subsidies which keep them going. Even if the market for gold should fade away, they will still be dependent upon the new industries which are now being developed with British and American capital. The Afrikaans farmers are indeed capable of disregarding such hard economic arguments, accepting instead the emotional inspiration of republicanism but, to judge from the experience of government under General Hertzog, their leaders are not likely to fan emotions which would lead to their own destruction.

But it is more difficult to calm emotions than to arouse them. For the past ten years Dr Malan's party has been preaching the gospel of a Republic, with a State President answerable only to God and his conscience and not to parliament. They have promised to reduce English to a secondary language, to be accorded equal status only when such a move is deemed to be "in the national interest." They have committed themselves to a native policy which will reduce Bantu, Indians and Coloureds (half-castes) to a helot status inferior even to their present one. And, though it should not be taken too seriously, the students at Pretoria University, mostly Nationalists, ended the election campaign by cheering the memory of Hitler.

It is important to understand that these extravagant policies are still only emotional. Few practical schemes have been evolved. During the election campaigns Dr Malan himself kept the Republican ideas of his followers well in the background, and the fate of small, independent countries during the past ten years has probably contributed much to the slackening of Republican fervour by other Nationalist leaders.

There is, therefore, still time to stop the split between the rural Afrikaners and the rest of South Africa. Dr Malan has shown himself to be a believer in constitutional rather than fascist methods. If, as well, he is genuinely concerned for the future of South Africa as a whole and not merely for a section of the population, he can redeem an ugly situation with comparative ease by forming a coalition government. Not only is a coalition government the only practical method of ruling a country with such a tiny majority, it is also the most effective means of stopping the reciprocal hatred which will be aroused in the other half of the European population if the fanatics in his party continue their emotional campaign. So far the followers of General Smuts—and they outnumber the Nationalists—have kept admirably calm. It would be disastrous if they, too, were carried away by the emotions of racial hatred. It is to be hoped that Dr Malan and his electoral ally, Mr Havenga, will see the grave dangers of a too-partisan government for South Africa and that they will adopt the safer, saner solution of co-operation with their fellow South Africans.

South Africa has, during the past three years, moved into a peculiar relationship with the rest of the Commonwealth. Like Canada, it is now virtually a hard currency area, and, although Britain is still its biggest market, British restrictions on hard currency imports must sooner or later take effect. From the political point of view, British moves in the African colonies—particularly the development of the Africans—is not too well received in the Union. There has been no clash with Britain yet, but many responsible and liberal-minded South Africans think that the political development of the native races has been too fast and may lead to dangerous repercussions. South Africans also resent their partial exclusion from the big colonial schemes for industrial and agricultural development in Africa.

These factors have caused South Africa to be less intimately connected with Commonwealth affairs than, say, Australia. Under the guidance of General Smuts the drift away from Britain would and could have been stopped: under Dr Malan it might become the easy way out of his dilemma of reconciling opposing policies. The effect on the Empire might not be great, but it would weaken the economic strength of the central Power which Mr Bevin is trying to build up between Russia and America. The acid test will be not so much whether Dr Malan accepts the invitation to the Commonwealth conference this year—he can hardly refuse—but rather whether he shows himself at that conference willing to combine actively with the other partners of the Commonwealth.

There is thus ground for the hope that Dr Malan will keep in check the fanatical members of his party. But it is stupid to try to conceal the real dangers which exist. All is not well in South Africa, but the disease is not yet so far advanced as to be beyond cure. Moderates of all parties must combine to restore the unity upon which South Africa's life depends.

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NOTES OF THE WEEK

Uncertainties Over Defence

One consequence of the Six Power talks on Germany is to leave the world in no doubt about France's concern for security. The search for it which dominated French policy in the twenties and thirties is as urgent today, and public opinion in France is reacting unfavourably to the news that, at the London talks, M. Bidault failed to secure definite guarantees of America's readiness to deal with the possibility of Russian aggression.

The curious point is that, on the face of it, the outlook for an American guarantee of the integrity of Western Europe has never looked so good. The Americans have reminded the French that the presence of thousands of Americans in occupied Germany would automatically involve the United States in a war if the Russians were foolish enough to start one. On May 19th, the Senate Foreign Relations Committee took a step which, in its unprecedented historical importance, has received strangely little publicity in Europe. The Committee agreed unanimously to a resolution proposing in principle the association of the United States with regional and collective security arrangements within the framework of the United Nations. This step is likely to lead to Congressional approval of American participation, in peace time, in such arrangements as the Brussels Pact.

It is true that no formal guarantees have yet been given by the United States to Europe, but the Western Powers might well ask themselves whether they are not in some measure to blame. The Americans have moved so far in their defence policy since 1946 that they greet with surprise and some chagrin the complaint that they are not prepared to underwrite Western Europe. And they in turn are inclined to turn the tables and reply "What assurance have you given us yet that you are seriously engaged in building a watertight regional defence scheme? What are your plans? What are your arrangements for collective defence? You ask us to join, but what should we be joining?"

This American reaction may be quite unjustified. Observers report that the military agreements reached under the Brussels Pact are concrete and far reaching. But if they are, the Americans have not yet been made aware of the fact, and they are not likely to be reassured by the omission from recent statements, both by Field Marshal Montgomery and the French Minister of War, M. Teitgen, of all mention of collective arrangements under a working western defence pact.

France's Continuing Crisis

The Schuman Government is tacking unsteadily between the Scylla of the civil servants' dismissals and the Charybdis of the church schools. Both issues throw light on the fundamental weakness of political life in France today. The Centre parties, which make up the government, and which offer France the only real hope of continuing republican and parliamentary rule, are threatened with disintegration, and have to judge every issue in the light of the effect it may have on their chances in the local elections in October.

The Socialists derive much of their waning support from the civil servants, and the fear that mass dismissals would destroy their loyalty has led the Socialists to resist M. René Mayer's demand that, in the interests of economy and stability, 150,000 redundant officials should be dismissed. It now seems that M. Mayer has had very largely to give way, which in turn weakens the other wing of the Coalition—the MRP, who will lose more of the middle-class vote to General de Gaulle if economic conditions go off into another landslide.

The issue of the church schools (which was discussed in an article in *The Economist* of May 22nd) has a similar effect. If the MRP cannot secure some subsidies for the church schools, more of their Catholic vote will go to the General. But if subsidies are given, traditional anti-clerical feeling among the workers will still further weaken the Socialists.

This weakness and instability in the Centre parties are making France today the most divided and ineffective parliamentary system in Western Europe. The Italians, even after twenty years of Fascism, are managing their affairs with infinitely more skill. If one reason more than any other explains this peculiar contrast, it is that the Italians are mercifully free of any "Saviours," generals or otherwise. The Right vote solidly for Signor de Gasperi and thus reinforce the Centre. In France, General de Gaulle's authoritarian, anti-Communist *mystique* has undermined

all hope of MRP fulfilling the rôle of the Christian Democrats in Italy. When, last week-end, President Vincent Auriol indirectly criticised General de Gaulle for talking so much of the State's authority and doing so much to undermine it, he laid his finger on one of the main causes of political confusion and weakness in France.

Truce in Palestine

The agreement on a four-week truce for Palestine has rightly been claimed as an achievement, but it has still to be implemented. And if it is not to be wasted, it must be followed up. Even if a truce is obtained, the shooting may be touched off again at any minute. An accident might do it; further United Nations evasion certainly will. By their actions since May 15th the Arabs have improved their bargaining position, but that is all. The fact of partition has to be faced. They are too weak and the forces against them too strong.

But if the United Nations—and that means America—want peace in Palestine, and not merely a Jewish victory, they too have a fact to face. It is that their original partition scheme must be formally torn up. With its absurd patchwork it was never anything but a plan for the eventual conquest of the whole of Palestine by the Jews. Even though they accept partition, the Arabs cannot be expected to accept this form of it without a further struggle. The only kind of partition which has a chance of averting further hostilities is one with a continuous frontier separating the Jewish from the Arab zone. A line, however irregular, drawn from, say, Samakh, south of Lake Tiberias, to Majdal, on the coast south of Tel Aviv, would now be a possible basis of argument.

It would raise a host of problems. The chief of these would be Jerusalem, Jaffa and Haifa. The only acceptable regime for Jerusalem is still an international one. The city must be completely demilitarised together with the surrounding area; the Irgun and Haganah boys who have been terrorising their fellow Jews and looting the Arab houses must be sent back into the Jewish zone; the religious Jews of the Old City and the Arab refugees from Zatonon (now housed in the Government Arab college) should be allowed, if they wish, to return to their homes, and the Arab Legion must be withdrawn. None of these things can be done until the United Nations provide an international force, and this fact too must be faced. Indeed, King Abdullah would do well to propose some such solution himself and to offer to hand over to the force when it arrives. The problem of provisioning Jerusalem may not prove so difficult to solve as it now seems. The problem of the free access to the city now claimed by the Jews can be solved in only one way: to make militarisation possible requires that the international authority should impose restrictions on access for Jews as well as Arabs.

All this will need time and patience, but the first steps must be taken quickly. The questions of Haifa and Jaffa, as of the other towns from which the original Arab inhabitants have been expelled, will have to be bargained about. The Jews, wanting Arab labour, may try to be conciliatory. The Arabs, wanting jobs and houses, may some of them put their pride in their pockets. Arab Palestine needs port facilities, Haifa needs Arab labour in the refineries.

One cannot tell how much these points will weigh, but they will not weigh at all unless the United States and Britain come together in a genuine attempt to reach an acceptable compromise. The gap between their policies has been temporarily bridged by the truce. Only a real agreement can turn the truce into a settlement.

Israel and Russia

"The foundation of the State of Israel, amid the struggle against Arab feudalism and American oil men, added to the fact that the Jewish State can count on international support only from the USSR and the truly democratic countries, is a matter of great significance. There is no doubt that an independent Palestine can exist only if it orientates itself towards the progressive forces of the world." Here, quoted from a Polish newspaper, is the theme song of Russian propaganda about Israel. How much of it is wishful thinking? How great is the response to it in Tel Aviv and the rural settlements? Any man who can

answer these two questions possesses the key to the unknown quantity in the new equation now developing in the Middle East. On the surface the response looks good enough. Gratitude for help given is inevitable. After all, the Russians, unlike other Great Powers, decided without flinching that of the two contestants in Palestine one was worth backing and the other was not. Contacts with Warsaw have been developing apace. Warsaw is the spearhead of the Kremlin's Zionist policy. Over 40 per cent of the Jews now in Palestine are of Polish origin, and it is therefore a centre in which ties of language and culture function without effort. An active Jewish Agency representative is stationed there. Not only the avowed Communist and workers' leaders, but the left wing opportunist Dr Moshe Sneh have visited it in the last two weeks.

But when the link is examined more closely, flaws are detectable at the Russian as well as the Jewish end. In Palestine itself, the Stern gang is showing many people too strong a red light. It has attacked the election of Dr Weizmann as president because "to repeat such mistakes may lose us Soviet support." It has nothing but praise for the USSR, "friendship with whom will bring us victory." But to countless factions inside Israel, what the Stern gang advocates is, axiomatically, neither prudent nor right. In Russia, too, there are well founded misgivings about the complexion of some of the Jewish socialist leaders. "The situation in Palestine must not be allowed to cloak the fact" the quotation is again from a Polish newspaper, and was written the only two days after the Russo-Polish recognition of Israel—"that the Jewish government is far from being a workers' movement, and ideologically has nothing in common with such a movement."

The Cabinet Changes

The return of Dr Dalton to the Cabinet as Chancellor of the Duchy of Lancaster, after only six months as a back-bencher, is an eloquent tribute to his adroitness as a politician and to the success of his policy of catching the public eye. He succeeds Lord Pakenham in an office shorn of its administrative duties, elevated to Cabinet rank, and considerably increased in emolument. Just what his duties are to be will presumably be determined after severe internal jockeying within the Cabinet. It is hard to believe that his advice will be welcomed in the Foreign Office or in the Treasury, or that he and Mr Morrison will make a happy team in planning the political strategy of the Labour Party. Though he may be welcome as a visitor to the Ministry of Health, it is ironic that the financial and economic measures which he initiated should be largely responsible for retarding the improvements in social conditions and amenities which he has so much at heart. The conditions and amenities which he has so much at heart. The real point, however, is not that Dr Dalton is a valuable addition to the Cabinet, but that the Cabinet must take account of his enhanced prestige within the Labour Party if they are to maintain the appearance of unity which is so essential as the elections loom nearer. No one, on the other hand, can be more relied upon to alienate the middle-class voter. Labour's dilemma remains unresolved.

With Lord Pakenham's succession to Lord Nathan at the Ministry of Civil Aviation, the Foreign Office campaign to swallow the administration of the British zones of Austria and Germany is completed; there is now no Minister specifically charged with their problems. Lord Pakenham has not perhaps achieved a great deal in his year of office, but he has done his level best, and his enthusiasm, energy and understanding have given the Germans much-needed proofs of the honesty of British intentions as well as easing some of the rigidity of the administration. Without a specifically responsible Minister, German and Austrian questions will cease to get the attention they deserve. Unless Lord Pakenham is replaced by a junior Minister, or at least by a first-class representative to a future government of Western Germany, the change in Government organisation can only be regarded as a retrograde step in the development of this country's relations with Europe.

The Lords and the Death Penalty

As was expected, the House of Lords has thrown out, by 181 to 28, the clause in the Criminal Justice Bill abolishing the death penalty for murder for an experimental period of five years. Since the second reading of the Bill in the Lords had been largely devoted to the subject, this week's debate added little to the arguments on either side. The opponents of the death penalty were able to find some reinforcement in the statistics contained in a White Paper [Cmd. 7419] on capital punishment; but the statistics, so far as this country is concerned, are not worth very much, for they refer only to convicted murderers who

were subsequently reprieved and not to the total number of murders.

The main interest now lies in what will happen when the Bill returns to the House of Commons. All the indications are that the Government will insist on the clause being retained, thus making the abolition of the death penalty into a Lords v. Commons issue. This would in the circumstances be quite unjustifiable. Not only was the clause put into the Bill against the Government's own wishes, but, in the recent White Paper on the reform of the House of Lords, the Government declared that the function of the House was to give the Commons a chance to change their mind, in the light of the expression of public opinion in the meantime. In so far as public opinion has revealed itself by polls, it has shown itself quite definitely against abolition.

The state of public opinion does not, of course, mean that the Government has to abide by it. If government were always carried on after deference to public opinion polls, it would get nowhere—there would certainly be no penal reform. But it does mean that the Commons should have a real chance to change their mind, in other words, that the question should be settled by a second free vote on its own merits and not as something secondary to the need to uphold the supremacy of the lower House. It also means that, in view of its own original convictions, the Government should see if some compromise could not be achieved. What, after all, the public opinion polls really reveal is not so much a popular feeling in favour of the death penalty as popular disquiet at the number of crimes of violence at the present time. The best course for the Government would therefore be for it to propose an amendment to the clause enabling the Home Secretary to bring it into force by Order in Council when he thinks fit. In the meantime he could continue to exercise the prerogative of mercy in the same sort of cases as he has in the past, keeping the death penalty for the murders that are at present causing public alarm.

Grants or Loans?

Washington reports of the discussions on the detailed allocation of the first quarter's Marshall assistance emphasise how severe a test of good relations between the United States and the recipient countries the European Recovery Programme is likely to prove. The Economic Recovery Administration, in publishing the tentative allocations for the first quarter, has divided the totals for each country into grants and loans. This division is largely arbitrary. It cannot have been based on a detailed study of the goods covered under each of these two categories. Some countries, such as Greece, are deemed so poor as to deserve the whole of their allocation in grants. Others, like Eire, are expected to take the whole of theirs in loans. Britain is offered \$300 million in grants and \$100 million in loans of which the terms have not yet been specified. Already these appropriations are being questioned. Eire has said that it would remain outside ERP rather than accept loans which it did not feel able to repay. British officials in Washington have been pointing out to the ECA that Britain can accept no dollars in the form of loans unless they are intended for self-repaying projects.

The issue calls for honest thinking and reasonableness on both sides. Britain and the other recipients must beware of slipping into the all too easy attitude of expecting as of right and on their own terms the assistance provided by the United States. The United States, for their part, must realise that in the long run it will do the cause of European reconstruction much more harm than good to create a mass of new dollar indebtedness which the debtors will have very little chance of repaying. The British objection to using loans for consumer goods can meet with no serious objection on the American side. Nor should it be difficult in the very near future to allocate to loan account an adequate volume of capital goods required from the United States and thus ensure the full use of any likely allocation of ERP loans to Britain. Congress has required that \$1 billion of the \$5.3 billion authorised for the first year's ERP expenditure should take the form of loans. Some arbitrary juggling with estimates may be required to fit requirements of consumer and capital goods respectively into this framework. But the ratio is not unreasonable. It is to be hoped that ultimately the proportion of consumer to capital goods imported under the ERP will prove much smaller than the figures of 4½ to 1 envisaged for the current year.

Markos in Trouble

There is no end to the innovations introduced by Communists into diplomatic procedure. General Markos has now made peace

overtures to the Greek Government in a morse broadcast from his radio station, which his own supporters were not intended to hear. Neither the overtures nor the accretion are surprising in view of the turn in rebel fortunes which has occurred in the last three months and of the Greek's Army's readiness to launch its heaviest attack of the spring offensive. It is unlikely that General Markos is just playing his part in the general Russian peace offensive, for there is reason to believe that his affairs were in bad shape as long ago as last February. In fact, it now seems that stern British and American warnings to Belgrade and Sofia of the consequences of their recognising Markos's "Government of the mountains" had their effect. And it was doubtless noticed in Moscow how Mr Bevin, in his speech of January 22nd to the House of Commons, addressed to Greece's neighbours this sentence: "In all solemnity I would advise great care."

There have, of course, been other factors in the situation. Greek Government forces have been decisively stiffened in morale and equipment by American aid and the tough exhortations of General Van Fleet, head of the American military mission. The force of 132,000 men began their offensive on April 15th, and have cleared much of central Greece. Lately they have had notable minor successes in western Thrace and eastern Macedonia. Public feeling in Greece against the Communists generally has stiffened, and there is a general wish to get quickly down to the task of working a new economic policy. From the Greek share of Marshall aid \$50 million have been authorised for the quarter ending July 1st. Prices have been for some time turning downward, road construction is going ahead, and Mr Griswold, head of the American Aid Mission, has said that inflation was checked and held about the beginning of the year.

There is nothing at all conciliatory in the tone of the Markos peace overtures; they may well be intended as much to alarm Moscow as to relieve Athens. Their generalities, reduced to concrete terms, seem to demand withdrawal of British troops and American advisers and a Communist share in the Government. If the General's backers in Belgrade and Sofia have recommended these terms they are doing him a grave disservice. Having pushed him into military action just short of world war, they are now pushing him into diplomatic action just short of defiance. Thereby they are reducing the chances of his rescuing anything from the ruins of Greek Communist policy.

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Vote to Order in Czechoslovakia

The Czechoslovak elections have brought the expected overwhelming majority for the Government—90 per cent in the Czech lands and 86 per cent in Slovakia. This familiar type of result is of very little interest, and provides no evidence of the state of opinion. The absence of opposition candidates; the official propaganda campaign denouncing the use of blank papers as treason; the house-to-house canvassing by Communist or fellow-travelling agitators; the encouragement to voters to vote openly on the grounds that the screen provided in the booth was "not required by true patriots"—all show how bogus the election was. Whether votes were falsified, whether Communist "mobile voting squads" voted many times over (as last autumn in Hungary), whether some special device or trick enabled the authorities to discover and record those voting "no," is uncertain and unimportant. It was enough that the electors should believe that these methods would be used, for them to decide that they had better vote for the regime. No doubt Mr Gottwald can count on enthusiasm from the Communist cadres, passive support from the majority of industrial workers, and apathetic acquiescence from a large part of the nation. In any case, the familiar road of Sovietisation through "Popular Democracy" lies ahead, and no obstacles will be provided from inside Czechoslovakia.

The only question to which it would be interesting (though impossible) to have an answer, is this:—Has Communist propaganda persuaded most Czechs that the Western Powers are set on reviving an aggressive Germany, against which only Russia can protect Czechoslovakia? Or has it occurred to Czechs, firstly that the German Communists under Soviet patronage are agitating for a powerful united Reich; and secondly that the Soviet-sponsored Communist regime in their own country may be quite as oppressive, and quite as alien to the Czech tradition, as was the Nazi yoke?

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At Loggerheads in Belgrade

After three years of "liberation," the Yugoslav Communist Party has announced that it will hold its congress in July—the first since the war and the fifth in the party's history. The six

names announced as principal spokesmen at the congress do not include Zujovic or Hebrang—the two prominent Communists whose dismissal from their ministerial posts was discussed last week—but did include the Slovene leader Kidric and the comparatively obscure Serb, Neskovic. This makes it quite certain that the dismissals were a mark of disgrace, and that there is serious dissension within the party. No doubt it has been, or will be, overcome by Mr Rankovic's secret police, and will be hushed up. But Communist Party congresses are curiously outspoken affairs, and it will be surprising if the debates in July do not provide a clue to the nature of the disagreements.

Meanwhile Sovietisation goes ahead. Nationalisation has recently been intensified, and further measures have been taken against private shops. In principle, private enterprise in trade is still allowed, but in practice any shopkeeper who does well, risks an accusation of "speculation" or "profiteering." Discussions in the Communist press on agricultural organisation emphasise that, though membership of existing collective farms must remain voluntary, and there must at present be no pressure on peasants, yet the aim of State policy is in fact collectivisation. Officials who underestimate the value of the "labour co-operative," and show undue deference to private property, are guilty of a "right-wing deviation" quite as culpable as those who show "left-wing sectarianism" in pushing too rapidly forward. All this suggests that Jugoslavia, the most "advanced" (i.e., nearest to the pure Soviet model) of the new popular democracies, is approaching the end of the NEP period.

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Commonwealth Conference

The Nationalist victory in South Africa in no way lessens the arguments in favour of an early meeting of Commonwealth Prime Ministers in London, and the British Government has rightly proceeded with its soundings in the Dominion capitals on the matter. Though there is no reason to believe that Dr Malan would oppose the Conference on grounds of principle—he was a Minister in the Nationalist Government of 1926 which sent General Hertzog to London—there may be difficulties in the way of his leaving the Union for any length of time so early in his period of office. This, however, strengthens the argument, put forward in these columns last week, for the holding of two Commonwealth Conferences, or at least for holding one which could do its work in two distinct sessions. There is a powerful case for an early if brief discussion by all the Prime Ministers of the Commonwealth on the immediate issue of Western Union, followed by another and more elaborately prepared meeting on what is wanted is primarily an exchange or clarification of views, particularly on the issues of trade and defence—issues which face all the countries concerned, whether they intend to remain within the Commonwealth or not.

More elaborate preparation would, however, be needed for a later Conference to face the constitutional problems which have been raised by the postwar developments in the Commonwealth, and particularly in India and Pakistan. There might even be a case for re-examination, if not of the wording, at least of the interpretation, of the Balfour declaration of 1926, which later became the foundation of the Statute of Westminster. A step in this direction has already been taken by the Government's proposed amendment to the British Nationality Bill, now before the Lords; this makes the terms "Commonwealth citizen" and "British subject" interchangeable. The discussion of the Bill, which was to begin in the Lords early this week, has been delayed pending, it appears, the provision of information called for by Lord Altrincham about the attitude of the different parts of the Commonwealth towards the proposed change.

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Protocol in the Car Parks

Ambassadors today are no longer quite the exalted beings they were in the days of Metetrnich and Talleyrand, but they still enjoy privileges denied to ordinary mortals. Among these is access to car parks specially reserved for them on important occasions, when the common man has to struggle for survival in a noisy turmoil of clashing mudguards, angry drivers and baffled policemen. The sleek cars of the *corps diplomatique* can glide in and out through the confusion like denizens of another world, with other laws of motion than our own.

But what about the cars of High Commissioners of the

Commonwealth? Are they to be numbered in the ethereal company? Problems of protocol as severe as any which ever arose over the precedence of an Archduke's morganatic wife now trouble the authorities responsible for looking after the vehicles of the very important. How to relate the status of High Commissioners to that of Ambassadors is a question which has long been ignored, shelved or resolved by elusive ambiguities; but in the battle of the car parks, now rising to its height at Epsom, Wimbledon and Ascot, the issue is squarely put in a manner which admits of no evasion. The public has little idea of the strains on the unity of the Commonwealth which can occur when the representatives of the Dominions must envy the facilities of movement accorded to San Domingo or Siam. But the Foreign Office insist that diplomatic privileges only belong by right to the representatives of sovereign states and that, if a High Commissioner were to be classified as an Ambassador, it would mean that the King had a representative accredited to himself. This argument, however, seems to show a lack of legal resourcefulness. Why should it not be in order for the King of Canada to be represented at the court of the King of Great Britain and Northern Ireland? If it is not yet in order, it ought quickly to be made so.

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Australia's Warning to Labour

Mr Chifley's government has been sharply rebuked by the Australian people. Their decision by referendum against permanent control of prices and rents has revealed the internal political tension in yet another Dominion. The transitional stages through which the domestic politics of Canada, South Africa and through which the domestic politics of Canada, South Africa and now Australia are seen to be passing may make the Commonwealth conference planned for this year less effective than might be hoped. If the Dominion leaders who come to London enjoy only uncertain support in their own countries, they will be all the more loth to make far-reaching decisions.

The referendum last week was on the question whether the Australian Constitution should be amended to allow the Federal Government to exercise a permanent control over prices and rents. Its result was awaited with particular interest, not only as an indication of the popularity of the Labour Government, but also as a measure of the extent to which Australians in the states would concede further powers to the administration in Canberra. Since federation in 1901, only four proposals to change the Constitution have been accepted by electors in the 25 referenda put to them. This last proposal was rejected by 58 per cent of the total adult population of Australia.

The result shows first that Mr Chifley will have to work hard if he is to retrieve the position of his party in time for the general election next year. Since their defeat in a number of state elections last year the popularity of the Australian Labour Party has been steadily waning. Discontent reached a climax over the Act to nationalise the banks, and many voters used this referendum to express their feelings. Second, the result shows how firmly Australians cling to their written Constitution. The Federal Government's powers are defined within fairly narrow limits, and there is clearly no intention of letting the men at Canberra get out of hand.

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Development Charges

On July 1st, when most parts of the Town and Country Planning Act come into operation, all development values in land will be transferred to the State and partial compensation for their loss will eventually be paid to private landowners out of the £300 million fund set aside for this purpose. This means, or is intended to mean, that the free market value of any piece of land will then become equal to its value for its existing use, whatever that may happen to be. Any private developer, who in future wishes to build on land or otherwise to change its use, must first obtain planning permission from his local authority, and must also pay the "development charge" specified by the Central Land Board, which has been appointed by Mr Silkin under the Act.

The general principles according to which this development charge will be assessed by the Board were presented last week for Parliamentary approval. They represent a complete change of mind on the part of the Minister since the debates on the Act. Then he envisaged that the Board would act largely as an ordinary commercial vendor, albeit a monopoly one, with something to sell—namely, the right to develop, except that in many cases it

would vary the charge according to public considerations of what development should be encouraged and where. This plan would have caused frequent and obscure haggling between the Board and would-be developers, and it is as well that it has been abandoned. The new policy now proposed is as rigid as the old one was flexible. It stipulates with one minor exception that the Board must always charge a private developer the full 100 per cent of the difference between the "existing use" value of the land and its enhanced value under the proposed development.

* * *

A Brake on Enterprise?

The acceptance of a uniform principle for the buying of development charges is to be welcomed. It enables private enterprise to know where it stands, and it steps up the more obvious dangers of individual favouritism and inequity. The 100 per cent rule contradicts, however, the recommendations of both the Uthwatt Report and the Coalition White Paper that some margin of profit should be allowed so as to stimulate desirable development. This concession has been refused not simply on ethical grounds, but because of technical considerations advanced by the Central Land Board, and apparently accepted by other expert bodies, to the effect that any other course would upset the Act's workability.

This fact does not alter the possibility that the proposed system of development charges may act as a serious deterrent to private enterprise. Mr Silkin argued with some plausibility that a developer will have to pay no more for his land under the new system than under the old one—since "existing use" value *plus* development charge should be the same as the old market price. But the case is rather different with those owners who do not themselves carry out development. A farmer, for instance, may very well be extremely reluctant to sell his fields for factory building at their agricultural value. The Labour benches countered this argument by saying that the land could always be compulsorily acquired. But such a threat is hardly the way to get the effective co-operation of private enterprise in working the Act.

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The Doctors Join Up

Last week's representative meeting of the British Medical Association showed that there is still considerable opposition to the National Health Service among the medical profession, and the council received some hard knocks for having, so it was alleged, given way to Mr Bevan. But Dr Dain, chairman of the council, in a forthright and statesmanlike speech, urged the meeting to face the facts of a public opinion won over to Mr Bevan by his concessions and of a change of mind on the part of a large section of the profession. Thereafter the council had its main recommendation—that doctors should co-operate in the new service—carried by a large majority.

The decision to co-operate is conditional upon Mr Bevan's agreeing to continue negotiations with the profession on matters still undecided. That he will be willing to negotiate is not in doubt, but it is worth pointing out that although the service is due to start in a month's time, the promised amending Bill has still to be introduced, the Central Health Services Council and the Medical Practices Committee have still to be appointed. Areas considered over-doctored have still to be defined, and—most extraordinary gap—the pay and conditions of service of specialists and consultants have still to be made known—indeed, the Spens Committee's report on specialists' salaries has still to be published. It seems reasonably certain, in fact, that the regional boards will not be able to offer contracts to the medical staff of the new hospital service by July 5.

Since the BMA's meeting, however, general practitioners have been signing on in increasing numbers. Dr Dain reported that up to last week 26 per cent of panel doctors in England, 37 per cent in Wales and 36 per cent in Scotland had placed their names on their executive councils' lists. Later figures for various areas are as follows:—in central London by Tuesday of this week 935 doctors had signed on (this is about 50 per cent of the total of panel doctors, but it may, of course, include doctors who at present only do private practice); in Middlesex county on the same day the percentage was well over 50 per cent; in Surrey it was 40 per cent; and in Essex it was well over 50 per cent. Middlesex and Surrey can be considered rich areas, where the

opportunity for private practice is good. The proportion of doctors who have already signed on in provincial areas is likely to be larger. It may well be that, in spite of the diehards' protests at last week's meeting, by July 5th the numbers joining in the country as a whole will have reached the 17,900 total on which the estimate of compensation for the loss of goodwill in doctors' practices has been based.

Exercise Britannia

Lord Montgomery deserves congratulations for having chosen civil defence as the subject of next year's exercise for senior officers at the Staff College. The prospect of having to contribute papers to "Exercise Britannia" should have a tonic effect on the numerous Whitehall departments now interested in the subject. For there argument is still painfully worming its way through files whose contents and titles recall the controversies of 1938-39.

It was decided some time ago that the Army should provide the main force and mobile reserves for the work of rescue and restoration after air raids, and it was therefore logical that Camberley should start studying as quickly as possible the new tasks falling to the War Office. It remains for logic to lead to further important results: to convince the Cabinet that the Civil Defence Joint Planning Staff should be responsible to the Ministry of Defence and not to the Home Office, whose Minister has no seat on the defence committee of the Cabinet; and to convince individual ministers that it is their duty to attend in person meetings of the Civil Defence Committee of all departments which are at present left to the permanent civil servant.

The Services have been little quicker than civilian departments to understand that civil defence is fundamental to the national strategy, and that it needs its *cadres* and regular forces just as urgently as do the three fighting branches. Between 1938 and 1944 these were largely furnished by the local government authorities and police. It is doubtful whether they can shoulder the whole of this burden again. In any case, it is intended that new civil defence areas should be created to correspond to the military command areas, and the sooner these are given their full-time heads the better. Ultimately, of course, military and civilian control will have to be centralised in something like the GHQ Home Forces of wartime.

On all these matters the lessons of the last war are clear and have been under study for three years. It is unnecessary to assume—as Lord Montgomery last Saturday seemed to assume—that a "civil defence doctrine" cannot be worked out until next year. A good tactical doctrine already exists and could be examined by the Services experts now. What does not exist is a strategical doctrine adapted to and helping to shape the general framework of Commonwealth defence. Also to be borne in mind is the fact that London is for Paris, Brussels and The Hague the centre and model for civil defence planning.

Tidying up the Black Country

Two million people live in the 269 square miles which comprise Birmingham and the Black Country. They inhabit what is really a single urban concentration, whose industrial life is varied and thriving but whose amenities are surprisingly poor and whose living and housing conditions are far from satisfactory. The area is a complete example of how to misuse limited land resources. Over half the land is undeveloped, but so considerable is the dereliction and waste that most of it is of little value for the purposes of either agriculture or recreation. It is not surprising that the West Midland Group, in their handsomely illustrated and documented field study of this "Conurbation" (Architectural Press, 30s.), conclude that radical physical replanning of the whole area and of the surrounding countryside, into which it threatens to sprawl, is urgently required.

The plan put forward is not, for once, one of green belts and satellite towns. Instead it is proposed that the conurbation should keep strictly within its present borders, and cleanse itself from within. To do this will be practicable only if the net immigration of population into the area is stopped, which in turn means turning away factories which have no valid economic reason for entering the conurbation or remaining within it. Granted this condition it will be possible in time to house the existing population at high standards and give them an ample sufficiency of open space and other facilities within the area of the conurbation.

But it will be a long, slogging process of piecemeal tidying up and cleaning up, of rehabilitating waste and derelict land, of clearing slums and putting a limit on ribbon development, before the Group's vision of an archipelago of individual towns of various sizes framed against a continuous green setting approaches anything like reality. The mess which has taken over a century to accumulate cannot be cleared up in less than a generation; and long before then, impatience for pleasanter living conditions may disperse citizens all over the surrounding countryside, while sheer lack of economic resources may keep the redevelopment plan from getting off the mark. Physical planning of this sort, which must start by putting right the sins and omissions of the past, involves a very real and considerable cost. The gains to posterity would be enormous. But is this generation prepared to shoulder the work? Theoretically, its answer is always yes—and the rash of blueprints such as this for a better Britain have aroused real enthusiasm. But in practice? To keep the wheels turning at all seems the limit of present exertion. There is little energy yet available outside the planning room for reshaping the nation's social heritage.

Poor Persons Procedure

The Law Society has now published its annual report for 1947 on the work of the Poor Persons Committees for which it is responsible. It is the 22nd yearly report, and it shows that the bulk of the work falling on these committees still concerns matrimonial disputes of one kind or another. Not all; for example, the West Surrey Committee reports the recovery of £1,800 damages for a poor person whose husband was killed by an Army lorry.

The Law Society has two responsibilities. First, it supervises the work of some 76 local Poor Persons Committees, whose function it is to provide legal advice and assistance to those whose means do not enable them to pay for it. That work is done on a part-time and charitable basis by practising solicitors and barristers up and down the country. Its second responsibility is more direct. During the war it set up, at the request of the Services, its own department to supplement the voluntary work of solicitors, and was authorised to maintain a salaried staff for that purpose. This department, as the Services Divorce Department, handled in 1947 12,247 Service cases (below its 1946 peak of 13,879) at a total cost of £15,097, which cannot be considered as excessive. As the pressure of Service work diminished, this Department was authorised to assist in civilian cases as well, and over the year 2,585 cases of this kind were assigned to it. But in all civilian cases the old means test remains. Its effect is summarised in the Report thus: "The income limits prescribed by the Rules are such as now to render nearly all persons in employment ineligible for assistance." In short, there is no financial obstacle to divorce if you are out of work or underpaid, nor again if you have a substantial income. But if you are merely a wage-earner the normal costs are probably beyond your means, and the present system can give you no assistance.

It is precisely this problem that the plan outlined in the Rushcliffe Report was designed to meet, but the Rushcliffe Report is still safely in its pigeon-hole. In the eyes of the Cabinet, apparently, there is no parliamentary time available for this kind of legislation, yet the need for such a plan is only too clear. The Law Society and the legal profession generally are prepared to play their part—quite substantially a charitable part—in carrying the plan into action. All that is lacking is a Government Bill and the necessary Government finance. The Government remains inert and uninterested, although this is exactly the kind of maladjustment of civil equality in which they profess to be so keenly interested.

The National Minimum

The financial part of the social security scheme, which starts in exactly a month's time, has been completed with the publication this week of the National Assistance Board's draft regulations on the scale of assistance payments—though the regulations still have to be approved by Parliament. These regulations are of great importance to the social security scheme for they lay down what the Board—and Parliament—consider to be the minimum sum of money necessary for a person to maintain a certain standard of living. The scale laid down is quite unconnected with the contributions and benefits paid under the national insurance scheme,

but it means that if a person's benefit under that scheme fails to reach the minimum laid down by the Assistance Board, he can apply to the Board for supplementary assistance to bring his income up to that level. Similarly, if a person does not qualify for insurance benefits, he can apply for national assistance payments instead.

The main scale rates proposed by the new regulations are shown in the following table and compared with the existing rates and the benefits paid under the national insurance scheme:—

	Scale Rates for Requirements other than Rent			National Insurance Benefits
	Current Rates		Proposed Rates	
	Unemployment Assistance	Supplementary Pensions	National Assistance	
	Per Week s. d.	Per Week s. d.	Per Week s. d.	Per Week s. d.
Husband and wife	31 0	35 0	40 0	42 0
Single householder	18 0	20 0	24 0	26 0
Dependent children:				
Under 5	7 6	7 6	7 6	7s. 6d. for first child;
5-11	9 0	9 0	9 0	5s. paid for subsequent
11-16	10 6	10 6	10 6	children under the
				Family Allowances Act.

In addition to the scale rates, the Board pays a rent allowance which for a householder is usually the net rent actually paid.

When the national insurance benefits were fixed, in 1946, they were, for a single person or married couple without children, just about on the level of subsistence laid down by the Board after an addition has been made for its rent allowances. That is, most people were to be assured of an income sufficient to meet their minimum needs during unemployment, sickness or old age without having to undergo the very modified means test, rechristened needs test, applied by the Assistance Board. The proposed increases in the scale rates, however, which are the result partly of the higher cost of living and partly of a feeling that the minimum standard of life should be conceived more generously, mean that the insurance benefits fall below the minimum. For

instance, a couple with three children aged 11, 7 and 4 will be given £3 7s. plus their rent under national assistance; but if they are on sickness or unemployment benefit, they will only receive £2 19s. 6d.

Provided that people are willing to undergo the Board's needs test to have their insurance income supplemented, the fact that it has fallen below the minimum is immaterial. The danger, however, as the history of old age pensions has shown, is that a cry will go up for higher benefits—in particular, for higher pensions—to be paid as of right without a test. This cannot be allowed. If there is any case for increasing benefits, it is in respect of children. But old people in need must be willing to have their needs tested. The state cannot afford to subsidise without limit its unproductive members merely because they are old and not because they are in want.

Awards to Inventors

The award of £100,000, free of tax, to Air Commodore Whittle for his work in the development of jet propulsion, besides being an example of unusual imaginativeness and generosity on the part of the State, represents an interesting development of public and official thought. In the first place, it shows how very important the jet-propelled engine must be to the future of the RAF. The award is obviously made in recognition of the future of jet-propulsion to national defence, for its contribution to the late war was slight, and the amount of the award exceeds by more than eight times the sum given to the inventor of that handmaiden of victory—the Bailey Bridge.

In the second place, it is a recognition of the enhanced importance in modern war of the machine over the man. Marlborough was given Blenheim, Wellington Strathfieldsaye, the Nelson family the Trafalgar Estate, and Haig £100,000. But in this war the cash prize goes to Whittle, the inventor, and not to Montgomery, Cunningham or Alexander, the commanders. This perhaps is in accordance with the realities of modern war, and the thanks of the nation would be due to Air Commodore Whittle were it not for the fact that, thus amply endowed, he now becomes, if Mr Bevan and others are to be believed, an enemy of the social democratic order.

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JUNE NUMBER

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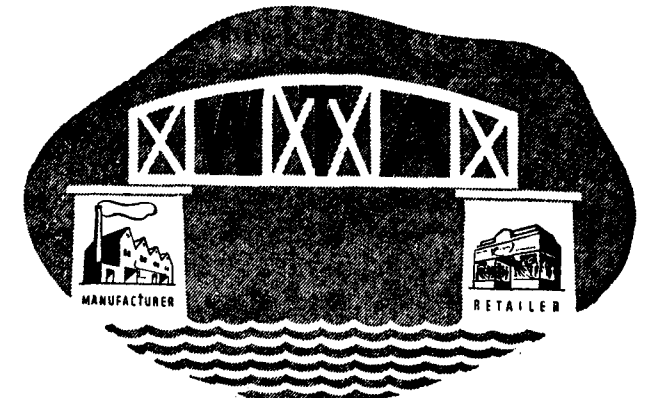
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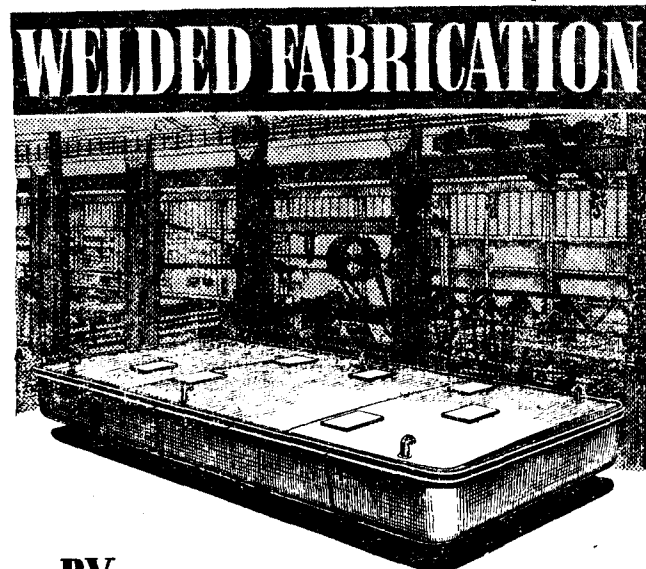
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AMERICAN SURVEY

The Definition of Treason

(From Our US Editorial Staff)

BEHIND the clamour that surrounds the Mundt-Nixon Bill, passed last week by the House and now under debate in the Senate Judiciary Committee, lies a dilemma that has plagued the American people at intervals ever since, in the eighteenth century, they discarded the definition of treason as an attack on the person of the king. How can a free people be secured against the dangers of disloyalty without imperilling the right of loyal opposition? The dilemma is not so phrased, but the more thoughtful recognise that as its substance, and it is more than coincidence that Miss Rebecca West's "Meaning of Treason" has recently won high praise from press and public.

The Bill's proponents believe that the nation's present course should be to make any attempt to set up a Communist dictatorship in the United States a punishable crime, to require public registration of Communist organisations, and to deprive Communists of the possibility of government employment or of passport. Those who oppose the Bill argue that the cure is worse than the disease, that it endangers the very existence of the liberties it professes to protect, and that, in any case, its procedures would not work.

In the House of Representatives the debate was distinguished more for heat than for light, and the majority by which the Bill was passed—319 to 58—testified at best to the political awareness of the debaters. The Senate discussion cuts deeper, but neither Senators nor Presidential candidates are averse to making capital out of an issue which, because it involves the fundamentals of the political system under which Americans live, touches new fears as well as old faiths. Mr Clark, the Attorney General, has recently come forward with a second little list of organisations he believes to be suspect, and these new thirty-two should be a help in time of need to politicians who find the muddy waters supplied for so long by the lists of the House Committee on Un-American Activities to be running dry. The defeat of Mr Stassen in Oregon and his subsequent shift of position on this issue, like Mr Dewey's discovery that "you can't shoot an idea with a law," suggest that Communist-baiting may not be as easy to exploit as it appeared to be at first, but there are few demagogues who will refrain from trying.

The Communists, in the person of their chairman, Mr William Z. Foster, say that they will not obey this Bill or any other requiring registration. Their desire for martyrdom is hardly a help to non-Communists who oppose the Bill on grounds they think more commendable. Mr Wallace denounces it as "a declaration of war on American rights," claims that it "reeks of hypocrisy" in that, while pretending to guard the United States against dictatorship, it gives the Attorney General the right to dictate to every organisation in the land. "For every Communist who might be registered there would be a thousand liberals silenced whose voices are vital to the preservation of democracy," he thunders, and many a silent liberal agrees. Senator Taft, who seldom turns his head to see eye to eye with Mr Wallace, is seriously concerned over the Bill's threat to fundamental American rights, and a quiet Quaker voiced before the Senate Committee the traditional belief that "Any citizen who wants to change our form of Government should be allowed to say so, and Congress ought to act only if he wants to do it by violent means."

The attempt, in an age when disloyalty is a cultivated tactic of a foreign power, to square the right of loyal opposition with the need for loyal support, has so far taken the form of imposing tests of loyalty on Government employees and "loyalty screening" of those who seek to enter Government service. These

have been worked out and applied, and sensitive areas—the State Department, the Defence Departments, the Atomic Energy Commission—have been delineated. Applicants for employment must now declare whether they are or have been members of Communist or Fascist organisations or groups advocating overthrow of the government by force; the pertinent data and finger prints are subject to check by the Federal Bureau of Investigation. To safeguard those who may be charged with disloyalty after entering government service, a twenty-member Loyalty Review Board to hear appeals has been established within the Civil Service Commission.

It is the affiliations of the general public which the Mundt-Nixon Bill is now intended to check. Beginning with a series of definitions which set forth the existence of a world-wide Communist movement—interrelated, directed from abroad, committed to the establishment of totalitarian dictatorship—the Bill provides fines, imprisonment and loss of American citizenship for any attempt to establish such a dictatorship in the United States. Members of Communist organisations must not be employed by the Government nor be granted passports. Communist organisations, political or "front," must register with the Attorney General, naming their officers, the sources and disposition of their funds. Material mailed from a Communist organisation must be so marked on its face. Tax deductions and exemptions are denied.

How effective such legislation may be is one question—the evidence that Communist activity shows above the surface in the same proportion as icebergs is considerable, and there are many who think that such restrictions would merely force more of its bulk below water. The effect of such legislation on the active danger with which it tries to cope is equally debatable. Treason is defined in the Constitution as consisting "only in levying war" against the United States "or in adhering to their enemies, giving them aid and comfort. No person shall be convicted of treason unless on the testimony of two witnesses to the same overt act, or on confession in open court."

In the whole history of the United States there have been hardly more than two-score treason trials. After 1799 no convictions were returned by Federal Courts on this charge until World War II, when two naturalised citizens of German birth were proved to have aided an escaped Nazi prisoner and a Nazi saboteur. Where death sentences were imposed by the Federal Courts they were afterwards commuted. This minimal record is due to a deep concern lest the innocent be convicted through perjury, inadequate evidence, or the passions of critical times, and lest established authority pervert itself to repress peaceful political opposition. This concern was voiced early by Chief Justice Marshall in the trial of Aaron Burr, and later in writings of Mr Justice Holmes. If it seems to languish in the present Congress, there is still a reasonable certainty that it will find fresh vigour in the courts.

On the other hand, few Americans would find Supreme Court sanction of Communist nibblings desirable. The postwar attempt to control activities which appear to be preludes to treason is based on the conviction that Communist tactics of infiltration and disintegration do in fact represent the "clear and present danger" which Mr Justice Holmes warned must be proved. Admiration for Coke's dictum that "words may make an Heretick, but not a Traitor" has been tempered by experience with the power of the Hitler lie and the flexible virulence of the Communist line. It remains to be seen how much of the ground won for free men by Anglo-Saxon law can stand against such German-Slavic attack.

be raised by at least 50 per cent from the present level of \$25 a month will be received gratefully by the more than 2,000,000 people who find that their benefits buy less than half what they bought in 1940. The crisis in education is attested both by teachers and parents. The attack on the TVA in Congress has so aroused the South that Senator McKellar, its almost hereditary enemy, has buried his hatchet and is leading a non-partisan defence movement.

If Mr Truman still hopes the Roosevelt magic will work, the Republicans are willing to fight him on this chosen ground. In the first report of the Joint Economic Committee the majority takes its stand on lower taxes and spending, no revival of controls, and an end to the centralisation of authority in Washington which grew up during the New Deal and the war. If Mr Truman's opponents were not so confident that this is a Republican year they could hardly afford so negative a programme, or allow the President to make social welfare his undisputed monopoly.

* * *

Civil Rights for Margarine

Some weeks ago the Republican leaders chose the anti-lynching Bill as the ground on which they would force a decision in the Senate on the question of civil rights. But the Bill has been held up in the Judiciary Committee by doubts on the constitutionality of certain points; almost the only hope of embarrassing the Democrats by this means before the election now lies in the possibility of attaching some civil rights clauses as a rider to a measure on which action is essential. The Bill for the repeal of the Federal taxes on margarine, which favour butter at the expense of its competitor, hardly falls into this category: if Senator Ferguson succeeds in his declared strategy of linking the anti-lynching Bill to the margarine Bill, he is more likely to secure the defeat of the latter than the passage of the former, a consideration which may have entered into his plans.

Tactically his move is a good one, since it would force the Southern Democrats to choose between their economic interests

and their political principles. Peanut and cottonseed oils are leading cash crops in the South and their importance has been increased by the war and postwar demands for fats and oils, just as has that of soyabean oil in the North: these three oils are the chief ingredients of American margarine. The margarine manufacturers are therefore receiving greater support than in the past from farmers and pressure for repeal of the margarine tax has been reinforced by the desire of many Congressmen to prove to their urban constituents that they have done something to reduce the cost of living. As a result the margarine Bill has been passed by a big majority in the House and has a good chance of success in the Senate, in spite of the present congested state of business. But this progress, after sixty years of frustration, has been achieved at the cost of an unprecedented split in the Congressional farm bloc, where the representatives of the dairy states are now threatening reprisals against the tobacco, cotton and peanut interests of their Southern colleagues.

The bitterness of the dairy farmers is explained in part by the steady decline in annual production of butter, in spite of a growing population and the equally steady increase in that of margarine. Butter now sells at nearly \$1 a pound, compared with about 43 cents for uncoloured margarine, and this, coupled with the wartime shortage of butter, presumably explains the preference of consumers. The Bill before Congress repeals the Federal taxes of 10 cents a pound on coloured and ½ cent a pound on uncoloured margarine and also the licence fees which discouraged most margarine distributors from selling the coloured product.

If the Bill passes, housewives in about half the states may be relieved from the labour of mixing the white margarine with the yellow dye provided by the manufacturers, but the fight has only just begun in the states where the sale of coloured margarine is prohibited by state law. The "butter bloc's" defence of this discrimination has always been that the consumer must be protected against the deceptions of unscrupulous distributors, and this point has been recognised by the Senate Finance Committee, which has unanimously passed the Bill removing the colour bar from margarine, but has stipulated that public eating houses must publish the fact that they serve it.

Letters to the Editor

Sterling Devaluation

The Struggle for Germany

SIR,—It seems to me that, in your note on sterling devaluation, you overlook one point of the first importance, namely, the effect of devaluation on the allocation of productive resources within Britain.

Devaluation, by raising the sterling price of British imports, would increase the attractiveness of the import-competing industries to producers besides, of course, reducing the pressure of demand for imports. On the import side, that is, there would be a direct beneficial reaction on the balance of payments.

As to exports, it is by no means certain that Britain is exporting to the fullest extent of her power. Exporters at present sell abroad under compulsion. If their most profitable markets were, in fact, situated abroad, they would have an incentive to sell all they could there and not merely the percentage of output laid down by the Government.

Devaluation could raise the profitability of foreign markets over that of the home market. For the prices of British goods abroad would not simply fall in proportion to the depreciation of sterling. If Britain were overwhelmingly the greatest producer in the world market this might be so, but as it is she can do no more than influence world prices. After she had reached the limit of her power to supply world demand at a given price, that price would have to move upward to a point at which other producers were willing or able to sell. The result would be that the (say) dollar prices of British exports would fall, but less than in proportion to the depreciation of sterling.

Exporters, that is, would obtain larger sterling receipts and would be able to bid higher for productive resources at home. Exporting would become attractive and the energy and expense at present necessary to prod producers into the export market could be diverted to other purposes.

The spontaneous increase in the volume of exports might well atone for the drop in prices as expressed in foreign currencies and the home economy would certainly be in a much less artificial condition than at present.—Yours faithfully,

J. KENNY
The Graduate College, Princeton University,
Princeton, N.J., U.S.A.

SIR,—I wish to congratulate you on your leading article on Germany of April 17, 1948. So far I have searched in vain for an impartial statement, on the Anglo-American part, on the sources of the much commented on German-French "Erbfeindschaft," the adjustment of which is of basic and vital importance for European peace. The realisation of a peaceful Europe requires a frank—though perhaps a tacit—self-confession on the part of all nations, including Germany, of their own wrongs committed in the past. Only this can be the basis for a constant and durable peace in Europe and a true understanding among the European peoples, for the want of which all present endeavours to revive European economy and to stimulate European co-operation will be fruitless. The dangerous spark of national and personal ambition is glimmering under the ashes and might be fanned into a flame. There is easy work for anyone who wants to revive this spark, based on qualities which are no more deeply rooted in the German nation than in other more fortunate nations and which are being deliberately humiliated. Your article clearly points out what chaos this could result in not only for Europe, but possibly for the whole continent.

Therefore, everyone should find the mote in his own eye and hold out his hand to his neighbour. And if it cannot be a friend's hand right now, let it be the hand of an honest and truthful partner. Make an appeal to Germany by admitting us as equal partners to co-operate for European recovery without a long testing period. This would mean the only effective remedy against the so-called "threat" of a new German aggression. A "threat" which virtually—though it is always emphasised—does not exist, and the constant mention of which can only be designed to aggravate the aforementioned humiliation. If you cannot bring yourselves to give us full confidence in all spheres immediately, we might find it possible to appreciate this hesitation; but limitations and controls should not be extended over too long a period, and should be subject to fair considerations based on Germany's part in European industrial recovery and not be liable to be suspected as aimed at economic oppression.

Be honest and frank with us, and never make promises you

don't intend or are not in a position to keep. Here we are—perhaps—super-sensitive, and hence all this present talk of the "perfidie Albion." In general, we can more easily forget a big blow than continuous pin-pricks. Germany is eager and has all goodwill to co-operate. Don't make it more difficult to us than the great cause of Europe would justify.—Yours faithfully,
Hanover, Fritz-Beindorff-Allee 3 HEINRICH C. SUIRE

The Supply of Savings

SIR,—It is not quite correct to assert that out of the gross savings of the community in 1938 (including depreciation) of £774 million, £620 million was under the control of business firms. The allowance for depreciation included in the latter figure (£450 million to be exact) covers not only wear and tear allowances and obsolescence claims under Schedule D and repairs allowances under Schedule A, but the amount received by business insurers in respect of claims for damage to fixed capital goods and the increase in assurance reserves to meet business claims of all kinds. In addition, sums repaid to lenders and transferred to sinking funds by local authorities are treated as the equivalent of depreciation allowances and expenditure by public authorities on maintaining highways and bridges is also classified as depreciation. The 1946 White Paper on National Income and Expenditure [Cmd. 7099] analyses total depreciation as follows:—

	£ million
Business enterprises	340
Local authorities	100
Central government	10
	—
	450

As regards the Income Tax Act, 1945, the only real improvement provided is in relation to depreciation allowances for industrial buildings. So far as plant and machinery are concerned, businesses receive in the long run exactly the same allowances as they did under preceding legislation. The only change is in the timing of the allowances. Now a large proportion of the original cost is written off in the earlier years of operational life, leaving less to be written off later on. Many firms are just beginning to realise this, and to discover that the charge for taxation can be distorted in any one year by excessive allowances for depreciation. In many instances this has led to the transfer to a depreciation suspense account of an amount equivalent to the tax saving caused by the operation of initial allowances for depreciation on new plant and equipment so as to spread the tax saving over the life of the plant.—Yours faithfully,

R. W. MOON
Littlecroft, Pullens Lane, Headington, Oxford

Quantity or Quality in Coal

SIR,—The March 27th issue of *The Economist* calls attention to a phase in the British coal supply situation which has puzzled me for a long time and which discussions with both my American and British friends, who are familiar with the coal situation, have failed to clear up. It is the passivity with which the British coal user has acquiesced in a gradual deterioration and possibly adulteration in quality of British coal while the price of coal has increased. In your comments in the issue of March 27th you point out the disheartening condition of the industrial consumer when told that the exigencies of the coal export programme require him to put up with inferior coal since a fall in quality is the



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same as an increase in price. As a matter of fact the increase in price is more than is represented by the loss in the British Thermal Unit value of the coal as a result of deterioration in its quality since inferior coal is more difficult to burn, reduces the capacity of mills and furnaces, and creates additional costs in erosion of boiler surfaces and in ash handling.

On the other hand, just as long as a ton of coal is treated as a ton of coal, regardless of quality, and there is a direct economic incentive to deteriorate its quality and its thermal value, just so long will you find quality of coal deteriorating. The remedy for it is so simple that it is surprising that all British coal users haven't insisted on it and, as a matter of fact, that the Coal Board hasn't proposed it as an example of fair dealing by a newly nationalised industry. Obviously all you need to do is to place the price of coal on a BTU basis with suitable further adjustments for quantity of ash and moisture above normal values and the situation will remedy itself in a reasonable time.—Yours faithfully,

PHILIP SPORN, President
American Gas and Electric Service Corporation
30 Church Street, New York 8

Ebb Tide

SIR,—Your article of May 8th states "there cannot be any general excess of the supply of Textiles over the rationed quantity."

I believe you may be wrong. There are at least two factors which may have caused such an excess.

(1) Garment-makers receive, for certain types of garments, coupons slightly in excess of the coupon value of the material used in the garment. These small coupon profits have been immediately re-invested in the purchase of more cloth to make more garments. This process has been going on since clothes' rationing was introduced and may by now have led to the accumulation of stocks in excess of the coupon holdings of the general public.

(2) There is considerable doubt in the trade as to whether allowance has been made for the very large yardages of textiles imported from France, Belgium, Italy and Switzerland in coupons issued to the public. In fact, it is difficult to see how such an allowance can have been made. Coupons are valid in terms of yards but import quotas are arranged in terms of value or weight and the yardage involved cannot be accurately assessed by taking an "average" price.

I believe at present, there are stocks in excess of the coupon-spending capacity of the public and your leading articles are so often taken as being authoritative that I feel it may be useful to draw your attention to a statement which seems to me to be open to question.—Yours faithfully,

W. E. VENN
157-161 Regent Street, London, W.1

Europe's Manpower

SIR,—In view of the Ministry of Labour's explanation of the ERP Manpower Conference Report, I am glad to withdraw the last paragraph of my letter dated May 15th.

May I, at the same time, inquire if there is not a considerable difference between the terms "skilled worker" and "experienced worker"? A woman experienced in the burling and mending of woollen cloth works faster than the inexperienced, but she remains an "unskilled" worker. It is this type of worker who is required in British industry in considerable numbers, with or without experience. The wording of the ERP Manpower Report gives the opposite impression.—Yours faithfully,

JOAN DICKINSON
Barnett House, Oxford

THE FEW MORE...

A few more visitors were with us for Whitsun than came for Easter, and a very good time was enjoyed by all.

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Books and Publications

Commonwealth Prospects

"Twentieth Century Empire" By H. V. Hodson. Faber and Faber. 186 pages. 15s.

It is always easy to underrate the rôle that ideas have played in the development of the British Commonwealth, especially in the last 50 years. Many of those ideas have been worked out in that circle of imperial debaters and thinkers of which Mr Hodson is a distinguished younger member—the group associated with *The Round Table* and *All Souls*. In this highly stimulating, and in places cryptic, book one finds ample evidence of their influence. In the sense that he wants to see the power of the Commonwealth efficiently organised and effectively exercised, Mr Hodson is an imperialist of a kind little trusted in the Dominions and little understood in the Mother Country. For, in spite of his wide administrative experience, he is in this book a little given to pattern-weaving and to building up structures of ideas which outranges slow, empirical English way of thinking.

This tendency leads the author to produce sentences which are teasing and rather Teutonic. Speaking of the internal weakness that threatens the Commonwealth wherever there are nations within nations—for example, in Malaya and Burma—he says:

If the problem of political independence in plural societies can be solved internally by some constitutional device for sharing power, this will automatically modify and mitigate their external nationalism. They can bridge the antithesis of their own racial or communal structure only by appealing to a higher synthesis, some wider community to which their constituent communities both severally and jointly belong.

This criticism of style apart, there can be nothing but praise for the range and wisdom of much of this book, covering past and future policies in India, the problem of defence, the forms of Commonwealth association in the future, the pros and cons of large-scale emigration, and the lack of vision and determination in the policies framed by London in the past.

There are curious gaps: there is no satisfactory discussion of the Commonwealth's relationship to the United States (for example, in the case of South Africa), and strikingly little is said on economic matters—certainly not enough to explain to the average reader what is gained economically by Commonwealth membership. Likewise a number of important arguments are not properly documented. Criticisms of the Dominions' contributions to defence, for example, need some statistical illustration. None the less, coming at this moment, Mr Hodson will give home and Dominion readers at the higher level plenty to think about. He should next address his message to the non-experts in the simple, factual language through which British political ideas have always gained currency.

The Structure of Industry

"Investment, Location and Size of Plant." By P. Sargant Florence. Cambridge University Press. 200 pages. 18s.

"The Location of Industry." By Walter Scott Elliott, M.P. National News Letter, 162 Buckingham Palace Road, S.W.1. 46 pages. 1s. 6d.

THE notions of internal and external economies, of the relation of scale to technique, of the forces making for localisation, are familiar to anyone who has read the most elementary of economic textbooks. But the empirical verifying of these notions, the clothing of them in statistical and descriptive flesh and blood, is another matter altogether. In these matters—as indeed over too much of the field of economic theory—it is a good deal easier to be elegant than to be realistic. Professor Sargant Florence's study of the structure of industry and the inter-play of the forces shaping it is as solidly realistic as anyone could wish, but it differs from the general run of similar works in displaying a certain willingness, once the evidence has been duly assembled, to speculate, to raise theoretical questions, to look for implications even outside the purely economic field. *Apropos* of the large firm's problems of management he says, for example.

"Political Science has hitherto been used to denote the philosophical theory of the State. With the trend towards large-scale plants and larger-scale staff it should take its place beside economics in the service of consumer and worker as well as citizen."

The narrower and more directly pursued task of his book is, in the publisher's well-chosen words, to "develop and test the hypothesis that there is an important relationship between the

size of an industry's plant and its location pattern." From a close study of Census industries from this point of view there emerge a number of conclusions having an important bearing not only on the problems of general industrial efficiency but on those of strategic dispersal, town and country planning, the survival of the small man, and the policy of "bringing the work to the workers." All of these, it is discouraging to report, appear considerably more complicated and difficult when Professor Sargant Florence has finished with them. The interconnections of size, locality and intensity of capital investment appear, under his microscope, both more definite and more complex than they do to the naked eye. This is a valuable book for all students of economic affairs; to any who fancy themselves as planners, officially or unofficially, it is indispensable.

Mr Walter Scott Elliott, it is reasonable to assume, has not read "Investment, Location and Size of Plant." His brief report, sketching the process of localisation in the past and discussing in a little more detail the schemes, actual and projected, for the development of the Development Areas, is well written and factually useful, but in the light of Professor Sargant Florence's conclusions it shows a pathetic innocence of the forces involved.

Shorter Notices

"A Bank in Battledress." Printed for Private Circulation by Barclays Bank (Dominion, Colonial and Overseas.)

THE great commercial and industrial corporations of the country are, one by one, producing the records of their war service. Inevitably there is about most of them a certain sameness in the telling, heroic though the details often are. But this is not true of Barclays Bank (Dominion, Colonial and Overseas), which is no ordinary bank and had no ordinary war. The reader of this very handsome volume will gain an insight into a number of banking curiosities, such as the encashment of a traveller's cheque of which the "less essential" portions had been eaten by a shipwrecked sailor on a raft, or the problems of acting as banker in Cairo to twelve different armies simultaneously, or the hazards of banking in Addis Ababa, where a normal day's deposits might weigh five tons.

"Register of Research in the Social Sciences." Published by the Cambridge University Press for the National Institute of Economic and Social Research. 104 pages. 12s. 6d.

THIS most useful compilation, which is produced by the National Institute with the assistance of a representative committee, has hitherto been available only for private circulation. With the present edition, which is the fifth, it is placed on public sale and will be of great value not merely as a guide to the research work that is being done in the social sciences, but also as a directory of the institutions engaged in it.

From The Economist of 1848

June 3, 1848

OUR readers need scarcely be reminded of the disastrous consequences which attended the attempt, which was made in Ireland, last year, by the Government, to find work and wages, for a vast number of men, whose ordinary resources were destroyed by the potato failure.

The experiment was the greatest of the kind ever made, and it will remain on record, a monument and a proof of the evils and folly of such an attempt. Idleness, fraud, insubordination, disorder were developed on a gigantic scale, and at a fearfully accelerating rate, so that the Government were compelled hastily to abandon a plan of relief, which was rapidly generating evils greater even than those it sought to remove.

Such a result might have been, indeed was by many, anticipated, yet the experience of what actually happened must have taught a lesson to many, which there seems no little tendency to forget. Those who talk of always securing a fair day's wages for a fair day's work, of the right of every man willing to work to get it, seek to cast a duty on the community of finding work and wages for everybody, which it cannot fulfil; for this simple reason, that it is impossible.

The very attempt to do it stimulates and increases the evil, the deficiency of other means of employment, which is thus sought to be remedied. The means which are taken from the taxpayers, to be squandered by the Government in making holes and filling them up again, and in paying a host of people to see this properly done, are a diminution, to an exactly equivalent extent, of the means which those taxpayers otherwise would possess, and would use in giving employment to independent and productive industry.

THE WORLD OVERSEAS

Italians Face the Future

(From Our Rome Correspondent)

EVEN before the official statement of the Government's programme, which was read by the Premier to both houses of Parliament last Tuesday, it was possible to discern what the important issues would be. In foreign affairs the question is whether Italy is to involve itself politically as well as economically in the union of the West. In home affairs the questions are: whether the sure and certain hope of Marshall aid justifies an expansionist economic programme; how the programme is to be administered; whether the opposition of the General Confederation of Labour should be foiled by the powers of the State or overcome by political suasion; and finally whether a major land reform should be carried out to make more room in the peninsula for the teeming population.

A clear and binding answer to these questions cannot be expected. The bright façade of postwar Italian life, which makes the visitor to Rome and Milan ask himself time and again if it was not Italy which won the war, masks a deeply divided national mind. On Italy's place in Europe it is only a shared horror of the Eastern leviathan that produces a common language of enthusiasm for the West. In a political situation dominated by fervent sons of the Church, it is worth remembering with what reluctance the diplomacy of the unarmed Holy See came to the point of an actual breach with a power that has earned its condemnation. The present Government has come into power in consequence of an overwhelming distaste for the domestic and foreign aspects of Communism, but it is the Roman tradition to defer blunt and final acts until action is forced upon them. It is certainly uncomfortable to be attached to the West without being integrally engaged in the Western system of alliances, but weighing the disadvantage of a more rigid opposition to the East against the gain in security which might come from an alliance with the West, the disadvantage seems to many more solid than the gain. For the moment, the limitation of Italy's armaments by the Peace Treaty gives an alibi (for how could a State, kept forcibly weak, be asked to pledge its strength?), and it will be a definite change in policy should the Italian Government seek to join the Brussels Pact. If Signor de Gasperi's plan to make Count Sforza President of the Republic had succeeded, he would, it seems, himself have taken over the Foreign Office. While using the strongest language against local and international Communism, Signor de Gasperi has hitherto always sought to hold Italy outside the contests of the major Powers. There is at present a feeling at the Italian Foreign Office that this position is better understood in London than in Washington.

Cheerful Anarchists

The major local problem confronting the de Gasperi Government is unemployment. Taken together, the officially unemployed, those on part-time work, the redundant hands carried on factory payrolls and the superfluous members of peasant families, total five million Italians out of work. Meanwhile the race is growing at the rate of nearly half a million a year.

Italy's great weakness—that it is living on charity or near-charity for about half of its imports—suggests at once that these five million involuntary idlers ought to be producing a substitute for these imports or something to sell against them. But Italy, like other countries, is not endowed with the coal, oil and mineral deposits which could render the bulk of the charity shipments superfluous. Any programme for throwing sufficient exports into markets which would earn the hard currencies must—like all great economic transformations—be achieved by dint of hard sacrifices and bitter uprootings. These are going to be laid to the book of the government which orders them, and such a government, to be stable, must convince the people by winning sympathy or by forcing respect. The holiday maker in Italy may well get the impression that this cheerfully anarchic people, with

its irrepressible belief in good luck, the main chance, and Providence, will never be got to make a self-conscious collective effort. This view, however, underrates both the impatience which the Italians feel with their own volatility, and the capacity which the Italians have shown in the past for self organisation. In 1848 the prospect of a tolerably smooth-running United Italy appeared at least as dim as does the prospect today of an economically balanced and socially healthy Italy in ten years' time.

Divided Opinions on Use of ERP

Meanwhile, it is clear that the Government is united in the desire to make of the Marshall Plan a cure for the nation's weaknesses and discontents. What deeply divides the ranks of the Government's supporters is how the 700 million dollars' worth of products to be received in the first Marshall Plan Year, and the corresponding quotas in later years, are to be used. Is this new wealth to provide the existing Italian economic system with the strength necessary to face the task of its own adaptation to the new national and world conditions? Or, as the other school holds, is this wealth a unique opportunity for the state, as the supreme planner, to direct the reshaping of the economic structure by granting or withholding publicly owned supplies?

To employers of the traditional outlook, planners would be busybodies intent upon destroying the great opportunity of a natural economic recovery offered by the coincidence of American aid with the weakening of labour truculence through the elections. To the planners it seems clear that the organised working classes are going to determine what can and what cannot be done in Italy in the next five years. If they are to be won away from the destructive rebelliousness with which the Communists and official Socialists, dragging the Trade Unions with them, preached the rejection of ERP, that can only be by showing that social and economic objectives are being simultaneously pursued with the wealth which the Communists have refused to handle.

It is typical of the present conditions of Italy that in a month largely devoted to ceremonial proceedings, the debate on the ideology of ERP should have been conducted in grand style in the newspapers, while hardly a Minister or a high official could be found with time to attend to the detailed list of ERP requirements. Zealous junior officials appear to have saved millions of dollars while Alcide de Gasperi was mustering the strength to assign to the planners, mainly represented by the Independent Socialists, sufficient places and authority in the Government to obtain their co-operation, upon which he sets great store. So far as the share obtained in the Government truly foreshadows the influence which they will be able to exert, the planners have done well. Signor Ivan Matteo Lombardo as Minister of Industry and Trade, and Dr Tremelloni as Minister without Portfolio and Vice-President of CIRERP (Interministerial Committee for Reconstruction through ERP) hold two of the commanding positions. (The President of CIRERP is the Premier.)

Control of Marshal Dollars

There are two stages at which the flow of ERP wealth is centralised in the hands of CIRERP, or of the Ministry working through it. The first stage is that of the drawing up of the periodical lists of requirements. The second is when the financial proceeds of the goods received and sold to the nation flow into the coffers of the State and are free for spending within the categories required by the ERP Agreements. The amount of money available at the second stage depends upon the extent to which the dollars are spent to procure goods which are resold in Italy at a "political price" (as in the case of cereals) thus passing the bulk of the benefit directly to the private consumer.

While the more robust planners cry out for the purchasing programme to be planned without any regard to the advice and

THE BUSINESS WORLD

Soft Pedal for the Deficit

SIR Stafford Cripps has appeared this week in a new role—and one which befits neither his character nor his record. The high-priest of austerity, the stern prophet who believes in the healthy doctrine that the public ought to know and understand the worst, has assumed for the moment the mantle of the public relations officer. The clumsy tailoring of this garment had indeed been evident for some weeks past. The Government has lately shown a new sensitiveness to criticism of its economic policy or to any tendency by public commentators to present the picture in too sombre a hue. Only a fortnight ago, after the April trade returns had shown a further disquieting rise in imports which a few press comments had misinterpreted, the Treasury's public relations department rushed into action with a particularly gauche explanatory statement. Each of its points was reasonable in itself, but its clumsy technique created the worst possible impression. *Qui s'excuse, s'accuse* was the only possible comment, and people were left wondering how such a document could have escaped the vigilance of the Chancellor. When, therefore, it became known that Sir Stafford himself had summoned a full-dress press conference on the balance of payments, the natural assumption was that the blunder was to be obliterated by a dose of honest realism. Yet the Chancellor's long statement proved to be little more than an amplification of the original departmental version—more elegant and diplomatic, it is true, but still all too reminiscent of it in tone.

Its primary purpose, plainly, was not to underline the dangers of the trend in the balance of payments, but simply to make sure that the progress (or lack of progress) towards the Government's targets is not misjudged by too close an alignment of two sets of statistics which are not in fact comparable—the monthly trade returns on the one hand and the "Economic Survey" estimates on the other. No full-dress conference was needed to drive home the points, which the Treasury statement had made quite plain, that the former always value imports cif and take no account of the moment at which the goods are paid for, whereas the "Survey" valued them fob and related to actual payments. Two months ago the Government suspended publication of the monthly gold statement which the Treasury had inaugurated last autumn to ensure that false conclusions were not drawn from the scrappy information that was filtering through about gold shipments. The suspension was defended on the ground that monthly statements would be misleading during the opening phase of the European Recovery Programme; and the retort that any misapprehension could easily be removed by supplementary explanation was brushed aside. Now, in the course of precisely such an explanation—made for a purpose which suits the Government—the original defence is repeated, and the only additional excuse is that some of the gold Britain is now losing may later be refunded under ERP. The Government, it seems, wants to reserve news of progress in the battle of the balance of payments for its own spasmodic communiqués. It suppresses the gold figures, gives no information about the probable course of invisible items or about sterling area demands on the central pool, and then says, in effect, that

public and press should in this context ignore the trade returns. If the Government is really so concerned at the dangers of public misapprehension, its only remedy is to publish more and better statistics, regularly and in standardised form. Irregular and variable statements, such as those issued this week, may be valuable supplements to a regular series; but if they stand alone they are all too likely to become mere instruments of propaganda—and always there will be the suspicion, whether well-founded or not, that this is their only purpose.

It is to be hoped that the Chancellor will give further thought to these matters, for they are far from trivial. As it is, the new drift of policy is hardly less disquieting than the trend of the balance of payments itself. After all the official qualifications have been made, it is clear that the total deficit for 1948 will exceed the £250 million which the "Economic Survey" projected, and unless there is a sudden change in the terms of trade the excess may be very large. The really disturbing feature is that this prospect arises despite the quite healthy

	Last Four Months, 1947			First Four Months, 1948			Difference
	Imports	Exports	Net	Imports	Exports	Net	
W. Hemisphere	229	69	-160	187	80	-107	+53
Sterling area	175	211	+36	228	244	+16	-18
Rest of world	146	153	+7	194	176	-18	-25
Totals	550	433	-117	607	500	-107	+10

	Imports (f.o.b.)		Exports		Visible Balance		Difference
	Jan.-April (6-Monthly Rate)	"Economic Survey" Forecast	Jan.-April (6-Monthly Rate)	"Economic Survey" Forecast	Jan.-April (6-Monthly Rate)	"Economic Survey" Forecast	
W. Hemisphere	280	257	120	105	-160	-162	+2
Sterling area	339	313	366	355	+27	+42	-15
Rest of world	291	212	264	245	-27	+33	-60
Total	910	782	750	705	-160	-87	-73

Commodity and Unit	Jan. April 1947 £	Jan. April 1948 £	Increase %
Wheat, cwt.	1.068	1.113	4.2
Maize, cwt.	1.094	1.152	5.3
Barley, cwt.	1.267	1.495	18.0
Cotton, raw (excl. linters), cental of 100 lbs.	6.285	10.569	68.2
Meat, cwt.	5.360	5.550	3.5
Raw Rubber, cental of 100 lbs.	5.849	5.899	0.9
Crude Petroleum Oil, 1,000 gallons	20.702	26.296	27.0
Copper Ore, ton	97.089	97.015	-0.1
Tin Ore, ton	203.605	278.056	36.6
Lead (unsmelted), ton	61.867	79.289	28.2
Zinc Ore, ton	10.839	13.002	20.0
Timber (softwood), standard	37.540	53.020	41.2

* Average values per unit derived from the Board of Trade monthly returns.

performance of exports in recent months. In the first four months of this year, total exports were £500 million, compared with £433 million in the last four months of 1947, and they were actually running at an annual rate some £90 million better than the "Economic Survey" estimate for the first half of this year. Most of this excess was, of course, attributable to the rise in prices, but even in terms of physical volume the performance has been well up to expectation. Nor does the deterioration in the visible deficit, by comparison with the estimates, arise from the availability of Marshall Aid. The "Economic Survey" made it plain that, if such aid were not eventually forthcoming, the rate of imports would have to be cut drastically from the level of the programme planned for the first half year. But it also stated that Marshall Aid had not been taken into account in the statistical estimates. Most people assumed, therefore, that the launching of ERP would mean that Britain this year would be importing some goods not included in the original programme so that, apart from any other grounds for revising the estimates, the forecast of the year's total deficit would be correspondingly raised. Sir Stafford now says that this is not so. So far as the influence of ERP is concerned, the original estimate stands.

The whole cause of the upsetting of the estimates of the deficit therefore lies in the expansion of imports. Table I shows the distribution of this expansion between the main currency areas. It reproduces the official figures, which convert cif imports, as shown in the trade returns, into fob values by deducting 10 per cent for freight and insurance—a conservative allowance—but they are not adjusted for the fact that imports are not necessarily paid for in the periods covered by those returns. Despite the drastic cuts in the import programme, the total cost of imports in these four months was £607 million, or £57 million more than in the previous four months. This represents an annual rate of no less than £1,820 million, which exceeds the annual rate assumed in the "Survey" by £236 million. Allowing for the improvement in exports upon original estimates, the visible deficit is running at £320 million per annum, or £146 million worse than the estimate. If the "Survey's" estimates of net invisible outgoings were realised, the indicated total deficit on current account would be roughly £400 million. The official comparisons of performance with estimate are shown in Table II.

There is no doubt that most of this deterioration arises from the worsening of the terms of trade. At the time of the issue of the "Economic Survey" the Chancellor assumed that its estimates contained a large margin in hand, because the forecasts were based on prices ruling at the end of 1947, whereas by February the break had occurred in American grain prices and further declines were widely expected. Since then, however, the tide in the markets has turned. The price index for British imports in April was 6 per cent above the end-1947

level, while the export index had risen by only 3 per cent. Despite this rise, last year's cuts in the dollar import programme have produced a substantial decline in the total cost of imports from the Western Hemisphere, as Table I shows. But, in contrast with the saving of £42 million in expenditure in the Western Hemisphere, there has been an additional expenditure of roughly £100 million elsewhere—divided almost equally between the sterling area and the rest of the (mainly soft currency) world. Most of this expansion results from higher prices, but, especially in the rest of the world—imports from which exceeded estimate by 33 per cent—it also reflects the policy of trying to diversify Britain's diet by making additional purchases of food in soft currency areas.

The one heartening aspect of this sombre picture is the significant narrowing of the gap in the hard currency account. During the four-months period, the deficit with the Western Hemisphere has been reduced by £53 million to £107 million—which represents an annual rate roughly equivalent to the amount of Marshall aid expected in the first year. At this stage, there is no need to labour the critical importance of the dollar problem, but the official attitude does seem to assume that any progress in this direction excuses deterioration elsewhere. It has been a large deterioration. Whereas in the last four months of 1947 Britain was running a visible surplus at an annual rate of £130 million on trade outside the Western Hemisphere, now the account is in equilibrium. Measured in rates per annum, the surplus with the sterling area has run down from £108 million to £54 million and the surplus of £21 million with the rest of the world has turned into a deficit of £54 million. Sir Stafford commented that the fall in the surplus with the sterling area was "small enough to be capable of correction by the normal monthly fluctuations of trade." But is this a mere fluctuation? The Chancellor gave no reason to suggest that this may be so. On the contrary, he admitted that, unless the terms of trade improve materially, there can be no hope of achieving the target of overall equilibrium by the end of this year.

The trend of import prices, indeed, is now the decisive consideration. Sir Stafford, in reply to a question, said he was satisfied that the Government is pursuing a consistent policy designed to restore equilibrium before the reserves and external aid run out—but his confidence, it seems, is subject to the proviso that providence is kind: the Government "could not guarantee" that the terms of trade would move in such a way as to ensure the success of its policy. There is one consideration, and one only, which can justify such an attitude—the possibility of good harvests this year. If present hopes are realised, they could have an important effect upon food prices, though they would offer no relief from the pressure in the markets for basic raw materials. But the worsening of the terms of trade have imposed such a huge strain upon Britain's



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economy in the past two years that the relief from quite a moderate change would be substantial. Given the fact that further import cuts now would have very grave effects upon production and the export drive, it is reasonable to wait a little while to see whether the hoped-for alleviation can be expected.

The Film Agreement

THE tax on foreign films, imposed by Mr Dalton last year in a tardy effort to stem the dollar drain, has not proved a happy expedient; stop-gap expedients, addressed to a situation which is already out of hand, rarely do. Its purpose was to reduce the net dollar cost of films to this country from about \$70 million to about \$17 million a year. In March, after long and acrimonious negotiation, the Board of Trade and the American film industry reached an agreement which, at first sight, appeared to achieve the purpose. The text was published this week. It does not answer all the questions that are being asked. Controversial points are still under negotiation, nearly two months after the agreement was signed, and the memorandum now published is preceded by a cautionary statement:

Discussions are proceeding on various points of interpretation in connection with this text, and on the methods of giving effect to its provisions. As agreement is reached on these points, it will be recorded in a schedule of interpretations attached to this Agreement. These undisclosed "points of interpretation" are no trifles. If the direct conversion of American film earnings from sterling into dollars is to be limited, the surplus will remain to be invested in this country or converted by indirect means, and the agreement implies the further entry of American capital into film production and distribution in Britain. Naturally the British film trade is anxious to know what degree and kind of American intervention it has to expect. It has had from the President of the Board of Trade a statement in Parliament on April 30th that in the negotiations "the figure of something like twelve films a year was freely mentioned by the American representatives" as the number of films they thought of making in Britain. It has a vague reassurance in the agreement itself that the permitted American expenditure in Britain for film business purposes "shall not go beyond the limits of fair competition, or be otherwise harmful to the legitimate interests of the British film industry." How are statements of this kind to be interpreted? Do the American producers accept Mr Wilson's recollection of what was intended? It is not clear. Would the parties concerned automatically agree on the point at which American competition ceases to be "fair" and British interests begin to be "legitimate"? It seems unlikely. The agreement is published at last, but still nobody knows what will happen. Light is shed here and there, but only at random. The agreement cannot be described as a triumph of negotiating skill. It leaves too much to subsequent argument. It is only possible to deduce from the agreement—and from the situation, still essentially unchanged, which produced it—an estimate of probabilities.

The situation which has given rise to the agreement is simply that Britain, though unable to afford American films, is not prepared to do without them. To talk of "the very serious effect on the morale of our workers and on industrial production" if cinemas had to be closed is merely a rather solemn way of saying the same thing. Last autumn the American film companies, in protest against the import duty, stopped sending films to Britain; the British film industry, if it had been strong enough, could have stepped in and filled the screens. But the British industry was not strong enough, its productive resources were too small and its finance depended largely, as the events of the winter showed, on box-office takings which fell away as the supply of American films dried up. Production costs in the British studios had reached a point of inflation at

Sir Stafford, despite this latest effort to put the best face on the figures that can be contrived, is obviously alive to the realities of this particular problem. If, he declared, the terms of trade continue to deteriorate, "we shall obviously have to examine our import programmes again." We shall, indeed.

which a foreign market was essential even to make the difference between financial failure and financial loss. And the best potential foreign market was virtually closed, for (so long as the dispute continued, at least) few British films had any chance of reaching American screens. Financial backing became harder to get than it had been for many years, and British production too began to die away. The choice before Mr Wilson in February was, therefore, to obtain a resumption of imports of American films or to face the prospect of closing cinemas and upsetting the cinema workers' union. He chose the former alternative, and the American companies, in agreeing to send their films again, agreed also to various restrictions on the use they could make of the earnings.

They had been withholding their films altogether rather than lose three-quarters of their British earnings in tax; they now accepted \$17 million a year as the basic rate of remittance. But it would be too simple to suppose that they had become reconciled to receiving only a quarter of the earnings of their films. The agreement provided ways in which their effective receipts could be substantially greater than \$17 million. There seems no reason for supposing that those receipts will not involve outgoings from the British economy; the payment may be postponed a little, or it may be made in unobtrusive and indirect ways, but it can hardly be avoided.

As a beginning, the American companies may convert into dollars—over and above their basic \$17 million a year—an amount of their British earnings equal to the dollar revenues accruing to British interests from the showing of films in the United States of America, its territories and possessions and the Philippines. The British film industry might be expected to derive some hope and comfort from this clause, which gives the Americans a certain interest in promoting the distribution of British films in the United States. But other features of the agreement make it a questionable hope. Three schedules of permitted uses for the remaining sterling earned by American films are attached to the agreement. The first refers to uses "arising from the normal operations of the film industry." These include the purchase, construction, leasing, or equipment of studios. They cover most of the requisites for the production and distribution of films. They also cover the acquisition of domestic or foreign rights of films produced in the sterling area, "either by outright purchase or by participation in whole or in part in the cost of production of the films in question." This is worth studying. If any British film earns dollars in the United States, those dollars will be, in effect, a dollar gain to the American film companies. They will not benefit the British balance of payments, though the extended distribution of British films should (if they are good enough) make it easier to sell British films in the future.

The American producer can, however, get his dollars out in other ways if he prefers to do so. To an undefined extent (an extent which, Mr Wilson has said, will be limited) he can produce films in Britain himself. But he can also—without entering production directly—invest money in British film production, receiving as his payment the foreign rights in the product, or merely the dollar rights, or any rights he chooses. Two American producers, Mr Selznick and Mr Goldwyn, have already made arrangements of this kind with Sir Alexander Korda. Others will follow, no doubt; few British film producers—perhaps none—would cheerfully turn down an offer of finance

as things are at present. And it is hard to believe that the investment of money will carry with it no rights of control and supervision.

One consequence of the agreement will clearly be that the line of demarcation between British films and films produced in Britain on American initiative or under American control will become almost hopelessly blurred. The significance of the Films Act which recently passed into law, the task of the new Films Council, the meaning of the quota system—none of these can be unaffected by this tendency. What is a British film? Definitions for quota purposes depend on where the film is made and on the nationality of the bulk of the persons employed in making it. Under the agreement, films will be made in the United Kingdom with American capital and under American supervision as a means, primarily, of converting sterling into dollars. Will they be accepted for registration for the British quota? The point has been under discussion, and the trade is now assuming that they will. If this is merely a matter of a dozen feature films a year, it may not have any great significance. But the signs are that the total may be greater, and that American participation may take various forms apart from direct production by American teams on location. British production is desperately short of money, and the American companies whatever their embarrassments on Wall Street, can look forward to having ample funds to invest in film properties in Britain. The amount of such investment is not limited by the agreement, though investments in the other enterprises described in the second schedule are limited to £2,500,000. "Investment in film properties" is a wide category, though for certain uses (the purchase of cinemas is one) the prior consent of a Control Committee, representing the British Government and the American film industry, will be required. By implication, the purchase of studios, the acquisition of film rights and other copyrights, and the production of films do not need the prior assent of the Control Committee; control will be after the event.

It would be a mistake to project too far the possibilities latent in an agreement which has yet to be "interpreted." But a strong possibility, at least, is that a greatly extended American influence in film affairs in this country will be one of the first penalties to pay for the innocent desire to have American films without paying dollars. If the film business is considered as an employer of labour only, this may have advantages. To those who are interested in an indigenous and independent British film-making activity, it will be less welcome.

Investment Seesaw

With the opening of the new Stock Exchange account, the investment markets seem to have returned to their condition of a month ago. Gilt-edged securities have now taken up the running, and equities are once again on the falling plank of the seesaw. This might be called the basic market trend, and its temporary interruption owes much to the force of reinvestment of Argentine railway moneys. That factor has not completely spent its force—further repayments have to be made in due course to junior stockholders—but obviously it has failed to stimulate any sustained demand for ordinary shares. For their restraint, equity investors can find plenty of good reasons. First, there is the impact of further limitation on bumper earnings (though that has not prevented some modest gleams of joy in the oil share market this week, if only because the Anglo-Iranian results were so incredibly good). Secondly, the weight of new industrial finance seems to be regarded as a threat to the industrial share market. Indeed, the calls are likely to be heavy, and they will absorb much money which would otherwise seek a home in the broader avenues of the industrial share market as a whole. Yet there is some sense of doubt about the capacity of investors to provide the needed

Considered as a device for saving dollars, the agreement is open to question at other points. The claim made for it is that it reduces the country's net dollar expenditure on films to \$17 million a year for the next four years. Is this so? The American companies may use the remainder of their sterling to buy "literary, dramatic, and musical properties and rights"—some of which, it may be supposed, they might otherwise have bought for dollars. They may buy radio and television rights. They may use their sterling to meet travel, freight and shipping charges and the cost of communications between their various offices "in so far as they can be paid in sterling"—services which are, perhaps, among the dollar-earning assets of Britain. They may pay sterling debts and mortgages. They may pay off obligations owed to persons or corporations resident in the United Kingdom: in so far as the latter are under an obligation to offer such payments for sale to the British Government if paid in a foreign currency, the British Government will take the necessary steps to permit payment in sterling. And what of "motion picture patents and processes," which may also be bought with the Hollywood balances? Are they not likely to produce dollar claims in the future? These are the more obvious examples. It is, indeed, optimistic to suppose that the whole body of property which may be acquired in this country—real estate, industrial equities, hotels and the rest—will not come home to roost, sooner or later, as dollar claims.

The cost of American films will not, then, be trifling over the next four years; the Board of Trade has extricated itself for the moment from an undignified scrape, but it has not got away scot-free. It is time now to consider what is to happen when the agreement comes to an end: is the British film industry to be as hapless then as it has been in the last few months? The future may require some original thinking in the film world. The new Films Act has become law, the new Films Council has been nominated, and the trade is waiting anxiously to see what quota the Council will recommend for the coming year. The figure which the trade thinks most probable is 30 per cent; and neither the present state of film production nor the high total of defaults on last year's quota appears to justify anything higher. But, if the American agreement works in the most obvious and probable ways, the Films Act and the fixing of the quota will cease to have any decisive importance for the future of the British film industry. They could protect it, within severe limits, from straightforward competition in the familiar sense. But against financial infiltration only its own energy and character can now preserve it; and they have yet to be demonstrated.

Business Notes

funds—doubts which, at this stage, can hardly be rationally accepted. This tenderness, however, was marked by a general rumour on Wednesday that the new Imperial Chemicals issue (of one new share for five, as it was disclosed after last week's issue of *The Economist* had gone to press) might be offered at 40s.—a figure which lacked any official confirmation, though it quickly depressed the leading industrials.

There is little doubt that professional dealers see no reason to change their bearish mood. They observe the less favourable experience of some companies at home—a disinflationary forerunner, perhaps, to the shape of industrial company reports to come. In the flood of bumper earnings and handsome company reports, there are some rocks below the surface—difficult selling conditions in the consumers' goods trades at home, the absorption of an ever-growing volume of working capital in inventories at ominously high prices, and perhaps some threat to the supply of industrial raw materials, despite ERP.

In these conditions, the response of gilt-edged stocks is natural enough. British Electricity stock is again at 99½. But perhaps the best indication of the change in spirit is the conclusive success of the Australian conversion. Holders of the £14.6 million of 4 per cent loans called for redemption converted £8,000,000 into

the new 3 per cent 1964-66 stock, and the balance was handsomely covered by cash subscriptions amounting to between £10 million and £11 million. This success will provide an auspicious background for New Zealand's conversion-cum-repayment of the outstanding £19,225,465 of 4½ per cent stock, 1948-58. Mr Walter Nash, the Finance Minister, indicated last week that the New Zealand Government intends to repay about one-fifth of the outstanding amount, and to convert the remainder.

* * *

South Africa's Boom Borrowing

City imagination has been fertile this week in its effort to guess what financial measures Dr Malan's government might devise to advance the cause of Union nationalism or parade its independence. This exercise has encompassed the formal departure of the Union from the sterling area, the devaluation of the South African pound (either with or without a relinking to the dollar), and a ban on further imports of British capital. While so much is obscure about the new Government's intentions, speculation on such matters is unfruitful. But whatever the Government's political wishes may be, its financial and economic policy, if based on sober judgment of what is desirable and necessary, is likely to be narrowly conditioned by the hard facts of South Africa's balance of payments. They are harder facts than they were ten days ago. General Smuts's government had latterly shown increasing realism in its economic policy, but it had still not been forced to confront the full problem, which for two years has been blurred by the huge inflow of funds from overseas. The political shock which Dr Malan's advent has caused abroad, and especially in London, may or may not drastically reverse that movement, but it will certainly curtail it greatly. There will be no blurring of the external problem which he confronts. It will be one of compelling urgency.

South Africa's postwar boom has been founded upon a lavish import programme which, like Britain's more austere programme, has been sustained only by heavy borrowing abroad. If rough allowance is made for the contrasting sizes of the two economies, South Africa's borrowings or drafts upon reserves have been comparable, in each of the past two years, to the scale of Britain's borrowings last year. No official figures of the Union's balance of payments and capital imports are available, but some estimates made by a well-informed contributor to the current issue of *The Banker* can probably be accepted as a reliable measure of the approximate shape of the problem. During the seven years 1939-45, it is estimated, the Union had a cumulative surplus on current account of £294 million which, after the expenditure on repatriation of overseas debt, permitted an addition of £212 million to gold and exchange reserves. In the first two postwar years this strongly favourable trend was abruptly reversed. After taking credit for the whole gold output (i.e., treating it as if wholly exported) there was in 1947-48 a visible deficit of £100 million which, the writer estimates, was raised to £217 million by invisible payments (some of which were non-recurring). Yet in these two years the reserves of gold and foreign exchange declined by only £35 million. This vast two-year deficit, in short, was supported by a capital inflow which, on these estimates, must have exceeded £180 million—and a significant part of that sum represented "hot" money which sought South Africa as a haven of refuge from the troubles which beset capital in Britain.

In the past twelve months, the trend of the current account has been even less favourable. *The Banker* puts the deficit for that period (to mid-May) at £140 million, and guesses the capital inflow at £200 million. If the visible deficit in 1948 runs at the same rate as in 1946-47, the total deficit for 1948, after allowing for the non-recurring invisible payments in the earlier period, might be of the order of £85 million. The gold reserve stood at £109½ million on April 30th, but the reserve ratio, at 40 per cent, showed only a moderate margin over the present legal limit of 30 per cent. To promote a Bill to reduce the limit would hardly be the best way of relieving the shock to confidence, nor would it be regarded as good salesmanship for a gold-producing economy. There are, of course, substantial reserves in sterling, which are available to meet the deficit with the sterling area, whether on current or capital account; but they would run down quickly if the tide of funds were reversed. And the problem of the Union's dollar deficit would remain—unless the undertaking not to draw on the sterling area dollar pool were to be waived. Dr Malan, it seems, cannot escape the unpleasant task of drastically pruning imports, with all the repercussions which that must involve for an economy geared to a boom rate of development.

South African Shares Now

In the markets, second thoughts on Dr Malan's victory have had little effect on prices either of gold shares or South African industrial issues. If the more extreme reactions to the election results have been somewhat tempered this week, they have not wholly disappeared, and there is still the same absence of any tangible evidence about the new Administration's intentions which explained, in such a large measure, the initial sense of shock. Opinion seems fairly sharply divided, in London, between the spokesmen for the Rand mining industry and the banks. The former, clinging to their conviction that eventually the price of gold in South Africa must rise if the mining industry is to make any progress in surmounting the ever-rising level of costs and the heavy burden of taxation, argue that devaluation of the South African pound has been brought nearer by the election results. The latter argue that even a Nationalist Government in South Africa would not lightly contemplate the severing of links with the sterling area—perhaps under-emphasising the extent to which those links had already been weakened by the agreement of last October.

But there is general agreement, at least, on the proposition that the boom in industrial shares in Johannesburg has received a rude check from which it will be difficult to recover. The new

SOUTH AFRICAN GOLD AND INDUSTRIAL SHARE PRICES

	1945-47		May 26, 1948	May 28, 1948	May 30, 1948	June 2, 1948	Fall this Week
	High	Low					
Blyvoor Gold Mining Ord. 10/-	11 1/8	5 1/2	10 1/4	9 1/4	9 1/4	9 1/4	1/8
East Geduld Mines Ord. £1...	12 1/8	8 1/4	10 1/4	10 1/4	10 1/4	10 1/4	—
S. African Townships Ord. 10/-	38/9	20/-	22/6	20/7 1/2	20/7 1/2	21/6	1/-
Western Holdings Ord. 5/-	143/9	37/6	60/7 1/2	56/3	57/-	57/-	3/7 1/2
Atkinson-Oates Motors Ord. 5/-	56/3	28/9	44/4 1/2	42/6	41/3	42/6	1/10 1/2
O.K. Bazaars "A" Ord. 5/-	71/3	33/4	57/-	52/6	55/-	55/-	2/6
S. African Distilleries Ord. £1...	111/10 1/2	60/7 1/2	96/-	91/6	90/-	90/9	5/3
Union Steel (of S. Africa) Ord. 5/-	16/10 1/2	8/9	16/-	15/-	14/6	14/6	1/6

administration, whatever else it may do, is not likely to regard with favour some of the cruder manifestations of that market in the last year or two. But, if it decides to impose stronger checks on the influx of capital into the Union, it would exacerbate the problem of the deficit. Indeed, it has yet to be revealed whether steps in the opposite sense—of blocking "flight money" in the Union—may be taken. The gold mining industry may not be directly threatened, but its labour problems are not likely to become any easier, and its gains from devaluation—if indeed that step were taken—might well be partial and only transient. As for the industrial boom, its foundation on a large external inclination to accept the implications of large capital imports than the old, and those with balances in other parts of the sterling area will have less inclination to transfer further funds to the Union. On these arguments, the prices of South African industrials must still be reckoned to be vulnerable.

* * *

Bumper Oil Profits

As the holder of a majority interest in the Anglo-Iranian Oil Company, the British Government has this week itself suffered the consequences of voluntary dividend limitation. There is to be no increase in the dividend on the £20,137,500 ordinary stock of £18,564,857, and are nearly double those of the previous year. A final dividend of 25 per cent is to be paid making 30 per cent for the year. The prosperity of the oil companies over the past year has been well advertised, but few observers can have expected such convincing evidence of it as the profits of Anglo-Iranian, Burmah Oil and Venezuelan Oil Concessions have now output, from 19,189,551 tons to around 20,000,000 tons over the year; last year's results, therefore, can be regarded as a mere foretaste of the ultimate rate of expansion and of the advantage of cheap production.

Undoubtedly the most important factor in the results has been the steep rise in crude oil prices last year. Some optimists in the City believed that the company would raise its dividend to mark such obviously excellent trading results. But this was never a serious possibility in view of the interpretation that would have been put on such a move by other companies, such as Union-

Castle which has recently revealed an even more striking rise in its rate of earnings. In fact Anglo-Iranian will need all the funds it can put by—and probably more—to finance the expansion of its activities both in Iran and in the distributing and refinery branches of the business. Anglo-Iranian has been able to plough back no less than £11,452,373 as a result of its operations in 1947 compared with £2,512,454 in 1946. These are enormous reserves, and they will go a good way towards meeting capital expenditure in the next year or so.

The profits of Venezuelan Oil Concessions and Burmah Oil are dwarfed by comparison with Anglo-Iranian, yet they represent equally remarkable achievements. The net profit of VOC was trebled in 1947, and the board, though uninhibited by any Government-nominated directors in its midst, decided to make no change in the dividend. Burmah Oil Company, which has at present to confine its activities largely to distribution, virtually trebled its operating profit. It will be some time before production can be restarted in Burma, and the completion of the refinery is expected to be delayed another year until 1951.

* * *

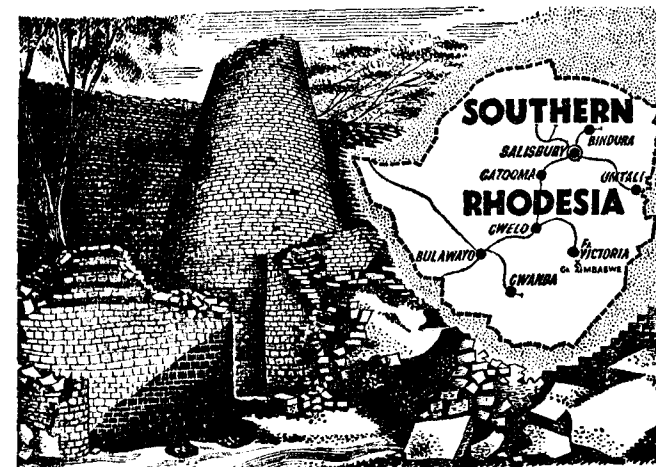
Falling Bank Deposits

At last the volume of money is beginning to reflect the change in the budgetary position. In March and April the underlying trend of bank deposits was obscured by the distorting effects of the redemption of the 3 per cent Conversion Loan and, more largely, by the payment of the Argentine rail purchase moneys to the companies concerned—operations which raised net bank deposits in March by nearly £150 million. Last month was free from any such distortions, so that the Government's budget surplus was able to exert its effects through repayment of indebtedness to the banking system. Indeed, this deflationary influence upon the volume of money may have been reinforced by the first stages of reinvestment of the Argentine rail funds, for during the month the companies completed their disbursements to holders of the debenture stocks. The impact of these influences upon the clearing banks is clearly shown in their statement of the "make-up" of May 19th, which reveals a decline in net deposits by £32.2 million, to £5,868.8 million. Published deposits, it is true, were actually £8,000,000 higher than in April, but this was wholly due to the temporary increase in items in course of

collection in consequence of uncleared payments to the Argentine rail stockholders.

Necessarily, the main counterpart of this cancellation of credit is to be found in the items which reflect Government borrowings from the banking system. Bill portfolios have been reduced by £55.5 million, call money is down by £8,600,000, and Treasury deposit receipts are up by £8,000,000. The net contraction in these three items together is therefore £56 million—actually a somewhat smaller movement than might have been expected, for, during the four weeks most nearly comparable to the period covered by the banks' statements, the Government's above-line surplus amounted to no less than £140 million, and only about £60 million of this was offset by net outgoings below the line—without allowing, of course, for the undisclosed net receipts in sterling from sales of gold. The increase in TDRs reflects the first stages of the unwinding of the Argentine operation, for, as the railway companies disburse the large moneys temporarily immobilised on their accounts, the special bill issues made to the recipient banks last March are being redeemed, and are being refinanced by issue of TDRs allocated to the banks in the usual way. The greater part of the decline in the banks' bill holdings may therefore be presumed to reflect a reduction in tap bills; during the period covered by the banks' statement, the total issue of tender bills rose by £50 million.

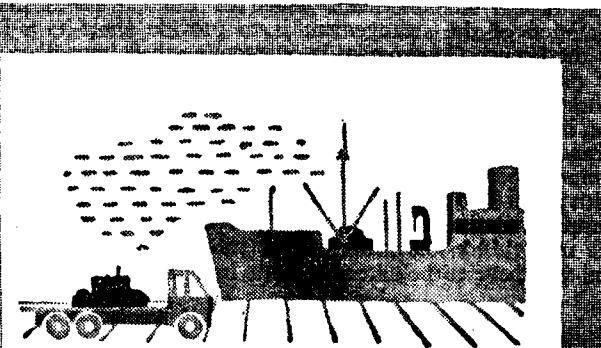
It has been suggested in some quarters that this change of trend in deposits ought to be regarded as an inflationary tendency, on the ground that the deposits created in March were formerly immobilised but are now going into general circulation; the published figures of deposits showed an increase of £88 million in current account balances and a decline of £80 million in those on deposit account (this last movement of course reflecting the withdrawals by the railway companies). This looks a sophisticated comment, but in fact it is not sophisticated enough. The banks' statements were made up in the very midst of the process of disbursement to stockholders, so that only a very small part of the funds could have already found a permanent home. Even so, the expansion of bank advances, at £18 million, though much larger than in the previous month, was far smaller than in the corresponding month last year; and the banks' investment portfolios were further reduced, by £5,000,000. Both these movements suggest that re-employment of the Argentine proceeds is producing some cancellation of the initial creation of money



The spectacular ruins of Great Zimbabwe present archaeologists with an intriguing puzzle. When and by whom they were built has yet to be finally established, but all observers agree that the ruins are surrounded by extensive workings where once the mining of gold took place on a large scale. A pleasingly romantic explanation suggests that round Zimbabwe lay the greatest goldfields of the ancient world—King Solomon's Mines—from which was obtained the gold used in the adornment of the Great Temple in Jerusalem. Another theory identifies the ruins as Bantu work of the 14th or 15th century A.D. when Zimbabwe may have served as a centre for the gold trade with the Mohammedans of the coast. Whatever their origin, the ruins remain an interesting link in the history of mining in Southern Rhodesia, for today the mining of gold, chrome and of coal continues to contribute to the prosperity of the country. Full and up-to-date information from our branches in Southern Rhodesia, covering the mining industry and other commercial activities, is readily obtainable on request.

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which the purchase operation involved. The money which still remains uninvested will have inflationary effects only if the recipients divert their capital to current consumption or embark upon capital developments which would not otherwise have been undertaken and which are not reckoned in the programme assumed by the Chancellor in his recent budgeting.

Credit to France

The negotiations for an urgently needed sterling credit to the French Government have been two-thirds successful. The original intention was to open a credit of £15 million, of which £10 million was to be provided directly by Great Britain and the other £5,000,000 was to be made available out of the sterling balances accumulated by Belgium. Provisional agreement on both aspects of the operation was reached when the three Finance Ministers met in Brussels last month. The triangular credit has, unfortunately, fallen through. There appears to have been some misunderstanding on the exact nature of the sterling which Belgium would make available to France. Britain thought the sterling would come out of Belgium's current account, which for so long has shown a chronic tendency to grow beyond the gold convertibility ceiling of £27 million. A reduction of £5,000,000 in this account would, therefore, have been particularly welcome in London. Belgium, however, saw the position in a different light, and wished to make its part of the credit to France without encroaching on the sterling held in the current account. For the time being, therefore, this part of the French credit negotiations has reached a deadlock. The matter may be revived later as part of an extension of the wider intra-European clearing scheme.

The direct credit of £10,000,000 to France was finally arranged this week. It will take the form of sales of sterling by the Bank of England, acting on behalf of the British Government, to the Bank of France up to an amount of £10,000,000 at any time between now and September 30th next. The Bank of France will resell this sterling for forward delivery not later than September 30th. This forward exchange operation will put sterling immediately at the disposal of the French Government and will provide for repayment of the credit by a specific date. It will also protect the British Government from any exchange risk in respect of the francs it will acquire through sales of sterling. There is a clause in the agreement providing that the currency of the credit may be extended if both parties are willing. The official announcement issued in London states that "the intention of the arrangement is to provide short-term facilities to the French Government in overcoming their immediate balance of payments difficulties during the next few months until the work of the Organisation for European Economic Co-operation can have effect." It was estimated recently that the deficit which France was running with the sterling area as a whole would amount to about £70 million for 1948. France began the year with about £40 million in hand. Unless, therefore, a considerable improvement takes place in the French balance of payments in the near future, the facilities just granted will prove insufficient, and will have to be extended both in time and amount.

Finance Bill Amendments

Two amendments—one from the Government and the other to be moved by the Opposition—have been tabled to the Finance Bill. The first gives relief to whole time working directors of private companies in respect of their income from shareholdings, and thus recognises the force of the criticism about the inclusion of such dividends as "investment income" for the purpose of the Special Contribution. The relief is limited to £2,000 or 15 per cent of the profits (up to a limit of £15,000, corresponding to profits of £100,000 or more) divided by the number of working directors. Any salaries or other emoluments will be offset against these allowances in computing "investment income" of working directors. This is a material improvement to the original Finance Bill, and covers the main point of complaint, though it does not meet the case of the private company which earns large profits through the skill of its working directors but may have only modest assets.

The second amendment—it has yet to be seen whether it will be called—is intended to rectify a gap in the Income Tax Act of 1945 to which the British Overseas Mining Association has lately called attention. It seeks relief for taxation purposes for oil and mining companies, registered in the United Kingdom but operating abroad, in respect of capital expenditure which is exhausted in the course of working a mineral deposit. Such depletion is not covered by the Income Tax Act; expenditure incurred on prospecting is allowed, but not the amortisation of

capital expended in acquiring mining properties. Again, if a vendor accepts a royalty instead of a capital sum, the royalty is allowable for income tax purposes. As the law now stands, a mining company can only amortise its expenditure on acquiring mining properties from its taxed profits. The logical case for the Opposition amendment is clear enough, and it deserves sympathetic consideration in the interest of British mining development overseas.

Dunlop's Reserves

The increase from £8,263,279 to £9,426,396 in the operating profit of the Dunlop Rubber group for 1947 provides an impressive background to the chairman's statement which accompanies the full accounts for 1947—these are analysed in detail in the *Records and Statistics Supplement*. As the company has subscribed to voluntary dividend limitation, none of these additional earnings is distributed and the group as a whole has been able to increase its reserves by about £2,500,000 to a total of £13,882,297. Ploughing back is a familiar policy of the Dunlop group. In the past ten years some £21½ million has been placed to reserves out of profits. In addition, £5,000,000 of debenture capital was raised in this period, making a total of £26½ million of extra capital available for new investment. Of this amount £15½ million has been spent on fixed assets and the remainder used as working capital. The 110,000 shareholders of its various classes of capital must derive satisfaction from the impressive financial strength of the group, though ordinary stockholders may be excused a touch of chagrin that they cannot immediately share in the increase of profits. The wisdom of the group's reserve policy has in fact been amply justified by the ease with which it has been able to finance a wide expansion in its activities in recent years. There are now seventy-one subsidiaries, of which thirty-seven are situated in this country. The total sales turnover, including inter-group transactions, has risen from £40 million in 1937 to £102 million in 1947, of which 45 per cent represented sales in the United Kingdom and 55 per cent in overseas countries.

But the accounts are beginning to reflect the dual strain of carrying the cost of expanding inventories at rising prices and financing a heavy programme of capital development. The value of inventories increased from £16,443,912 to £22,549,114 last year while some £4,770,000 gross was expended on capital projects. Finance was comfortably provided from internal resources but at a rate which even Dunlop Rubber might find it difficult to maintain if prices continued to rise. The assurances given by the chairman that there is no need at present to consider raising more capital are doubtless based on the knowledge that Dunlop Rubber has already carried out its major capital projects, and that any further rise in stock values is likely to be kept within bounds. Orders have so far been placed involving additional fixed capital commitments of £3,900,000, a sum which is not far below the present net cash balance of £4,337,733. Net current assets amount to nearly £22 million—a manifest source of strength, though the total is largely represented by working capital employed in the business.

Austrian Guaranteed Loan Position

Holders of Belgian, British, French, Netherlands, Swedish and Swiss tranches of the Austrian Guaranteed Conversion Loan, 1934-59, are to receive 79 per cent of the face value of coupons due on June 1, 1948. This is the same proportionate rate of payment which bondholders received last year. That the loan is not to be serviced in full, despite Austria's inability to meet external commitments, is due to Italy's attitude towards this, and indeed its other, sterling obligations. The Austrian loan, when issued in 1934, carried a joint guarantee for service and redemption by Britain, France and Czechoslovakia to the extent of 24½ per cent each, Italy 20½ per cent, and the balance by Belgium, Sweden, Holland and Denmark. The British part of the loan consisted of £10,163,900 4½ per cent guaranteed sterling bonds 1934-59, of which £6,836,900 is still outstanding, excluding bonds on which only partial repayment has been made.

The Czech Government was this year unable to meet its guarantee of redemption payments—as distinct from interest payments—on account of its own "urgent need for foreign exchange for food and raw materials" but by implication it subscribed to its obligation in principle to meet this payment too. Prior to the Italian elections Italy took the purely legalistic stand that Austria's inability to meet its obligations had not been proved, and therefore that the Italian guarantee had not become operative. However, it has now been announced that the Italian Treasury will shortly be sending a representative to this country for dis-

cussions regarding the Italian Government's attitude to the guarantee. To this announcement the Stock Exchange responded with a rise in the Austrian loan on Monday from 64½ to 69. It is to be hoped that the whole question of Italy's sterling debt obligations will be reviewed with the Italian representative when he arrives in this country.

Nationalised Sphinx

The second of the annual reports which the Bank of England, since its nationalisation, has been required to publish is even more disappointing than the first. The Bank had been given a great opportunity to provide authoritative analysis—and even comment—upon matters of public policy which properly fall within the sphere of a central bank, as well as a chance to fill some of the wide gaps in monetary statistics. Nationalisation itself was purely a political act; and since Labour had always assailed the Bank for its secretiveness, Labour Ministers might have been expected to make sure that these opportunities were not thrown away. Yet the only result seems to have been to make the Old Lady more Sphinx-like than before. As a private institution the Bank did at least hold a half-yearly General Court and submitted a profit statement which, in theory at least, could be challenged by any stockholder. But now that the proprietors are the whole body of British taxpayers, no information whatever is given of the financial results of the Bank's activities. In the accounting data the only novelty is the issue of a Bank return compiled in traditional form but dated for the last day of the Bank's financial year—which means that, in most years, there will be two Bank returns relating to that particular week.

The general material, though it extends to sixteen pages and provides a convenient summary of information already available elsewhere, could hardly be more pedestrian. Nobody would imagine, from a scrutiny of these pages, that in the period they purport to survey the whole climate of monetary and financial policy in Britain had changed or that in the gilt-edged market there had been a dramatic reversal of the violent trends of the previous year. Indeed, there is even a hint of deliberate obscurantism on this vexed question of cheap money: the table of comparative yields which appeared in last year's report does not reappear this time. But while the report is silent on these vital issues, it devotes two pages to listing the changes in Bank rate since 1927 and in the fiduciary issue since 1931, and to reproducing the clearing banks' classification of bank advances. Attention is drawn to the change of trend in the note circulation, but not one word is said of its probable causes; in this matter the only interesting fact which emerges is that, of the £144 million decline in the total circulation, £136 million occurred in the circulation of £1 notes. As for relationships with the commercial banking system, the Bank contents itself with the remark that there has been "close and intimate co-operation" and that the "credit facilities provided by the clearing banks have conformed with the general policy of the Government."

This year, as last, the only really useful section of the report is that which summarises the financial and payments agreements concluded during the year. But the dollar crisis and the dramatic failure of the convertibility experiment are dismissed in the colourless and formal language of exchange control, which relates in a dozen words that "the right of transfer from Transferable Accounts to American Accounts was rescinded." Is this really the limit of enlightenment that the public can expect of the authorities? Do objectivity and reasonable caution really demand such futilities of restraint? Must all official utterance upon the

vital economic and financial issues of the day be the close preserve of Ministers and their public relations officers? That is not the way to objectivity, or to informed discussion of public affairs. The Treasury, which presumably plays the larger part in deciding the nature and general content of this report, should reflect upon the publications of the Federal Reserve Board and upon the merits of revealing some of the fruits of official research. Indeed, it will find object lessons even in the activities of some of the youthful central banks of Latin America.

An Error by the Coal Board

But for the other troubles of the National Coal Board and the resentment felt by the press over the allotment of dollars for newsprint, little might have been heard of the costly error which the Coal Board made last year in estimating its needs of conveyor belting. This probability makes the incident the more alarming, and it underlines the question whether requests for dollars by public boards are scrutinised as closely as requests by companies and traders. On the reported facts, it is hard to credit that they are.

The programme of installing more belt-conveyors in the mines was begun by the Coal Board last year, in a hurry and under the influence of the coal crisis. No doubt it seemed, at the time, meritorious to make a quick estimate of requirements of belting for the following twelve months and to make it (as the Board admitted in a statement last weekend) "deliberately on the generous side." The estimate was 13½ million feet. Since the production of British belting available for the British coal mines in the first half of 1947 was less than 4,000,000 feet, the Board ordered 2,000,000 feet, at about four dollars a foot, from the United States. British production rose with a swiftness which upset these calculations; by the end of 1947 it had reached the rate of 10 million feet a year and was still rising. At the same time "the introduction of conveyors into the pits was not going forward as fast as had been hoped." The Coal Board decided that it did not need the American belting after all, and asked the American manufacturers to reduce the contracts; but few, it appears, were willing to do so, for the Board is taking delivery in 1948 and 1949 of 1,900,000 feet from America, which, apparently, it cannot at the moment use. The surplus will be put into stock until needed—but it could equally well have been bought in Britain when it was required.

That the Board should attempt a more rapid mechanisation than it could, as things turned out, achieve was natural enough in the circumstances of last year. The failure to estimate correctly what could be produced at home is less excusable. An estimate of that kind was, perhaps, for the Ministry of Supply to make, rather than the Coal Board. But where was the planner's eye which should, in a planned economy, look with equal sharpness at the inflated needs of the mines and the under-estimated possibilities of the engineering factories? Where was the vigilance of the foreign exchange control which might have been expected to scrutinise such precipitate demands for dollars? Large centralised boards have the disadvantage that their mistakes are liable to be large and costly. If planning has a virtue, it should surely lie in its ability to correct such mistakes in time.

Steel Companies Face the Future

A step which anticipates the possible nationalisation of the steel industry is being taken by Guest Keen and Nettlefolds. This company is to repay its 4 per cent debenture stock at 102, and

INFORMATION AND COMMENT

The services of *The Economist's* staff of specialists can be put at the disposal of business and other organisations in many ways. Below we give two examples.

Overseas Territories

To enable the paper to comment on events abroad, a regular flow of information from our overseas correspondents and contacts is required. This information, and the judgments that are based on it, can be applied to commercial problems.

Industries and Commodities

Our research staff and statisticians are constantly studying the world's chief industries and commodities. This specialisation, and the sources of information to which we have access, enable us to report with authority on these subjects.

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offers the holders an option to convert into new 4½ per cent cumulative £1 preference shares at the rate of 97 preference shares for each £100 of debenture stock held. When the offer was announced two weeks ago, no reason was given for the move which, on the face of it, would involve the company in an extra taxation charge, since the dividend on the new preference shares would attract profits tax, whereas interest on the debenture stock does not. In a circular now issued by the company the reason is made plain. It is the intention to make the parent company purely a holding concern, and to concentrate the producing side of the business in the subsidiaries. This object cannot be achieved while the 4 per cent debenture remains outstanding, since it is secured by a floating charge on the assets of the company. Before the transfer of assets to subsidiaries can be effected the debenture must be removed.

Steel companies—of which Guest Keen and Nettlefolds would hardly rank as the most vulnerable—are in fact becoming increasingly conscious of the possibility that the industry may be nationalised, and many are now making dispositions of assets and tidying up their capital structures while they are still free to do so. Thos. Firth and John Brown has recently entered into an agreement with its subsidiary, Firth, Brown Tools, to transfer to that company its assets engaged in producing tungsten carbide and allied industrial processes in consideration of a share issue. Although no mention was made of nationalisation in connection with the transfer, that may well have inspired it. Another group to indicate the way the industry is thinking was Vickers, which switched reserves from certain subsidiaries, notably English Steel Corporation, to the parent company, thus immunising considerable resources in the event of nationalisation being confined to operating companies alone. This assumption may not, of course, be justified by events. The Electricity Act provides a precedent for preventing companies from carrying on business after nationalisation, but in that case the structure of the industry and of the companies themselves was more clearly defined than in the case of steel. Obviously, the steel industry's calculations are based on a comparison with the position of the coal companies which are free to carry on business in other spheres, as indeed some are doing with success.

Trade With Japan

New arrangements have been concluded with the Supreme Commander of the Allied Powers in Japan for conducting trade between the United Kingdom and the Colonies and Japan in terms of sterling. Under these arrangements sterling acquired by SCAP in excess of the amount which "it can reasonably expect to be able to spend in the near future" will be convertible into dollars. These conversions will be made at regular half-yearly dates, and though the texts so far published make no mention of the amount of sterling which SCAP will be prepared to accumulate it may be assumed that it will in fact be no more than an adequate working balance. For all practical purposes, therefore, Japan remains a hard currency country, and the London announcement of the new arrangements emphasised that all proposals to purchase from Japan must be considered in the light of this contingent liability of sterling accumulated by SCAP being convertible into dollars.

The constraints which this provision may place on the expansion of trade between sterling countries and Japan are increased by the fact that for the time being exports of textile goods from Japan have had to be excluded from these arrangements. These textiles are manufactured with American cotton, the greater part of which is provided by the US Commodities Corporation. Since this raw material has to be paid for in dollars the USCC has made it a condition that Japanese textile exports must be sold in terms of dollars and the proceeds earmarked to repay the amounts due for raw cotton. At one stroke this removes from the new arrangements by far the biggest single item in potential Japanese trade with the sterling area. This, in other words, is an agreement from which little encouragement or gratification can be derived. If trade between Japan and sterling countries expands in the near future it will be in spite of and not because of the financial arrangements just announced.

Development Councils in Practice

The draft order for the Hosiery Development Council has been published, and suggestions for amendments have to reach the Board of Trade by June 30th. This follows close on the TUC's demand for action, but the response is a little bitter to trade union taste. The council is to have three representatives of the employees, six representatives of firms engaged in the industry, and three independent members. One of the independents will be chairman. Thus the trade unionists have not achieved "equal

representation" with the employers, and the recommendations of the dissenting minority on the working party have been accepted. But industry has been notoriously shy of the Industrial Organisation Act, and in the circumstances the TUC has been wise to concede the point of representation in order to get the councils into existence at all. When the Industrial Organisation Act was debated in the Commons, Government spokesmen gave assurances that every effort would be made, before a development council was set up, to get agreement within the industry concerned.

This is, indeed, essential if councils are to perform the task expected of them with the circumscribed powers they will possess. The process of seeking agreement is going on in a number of industries—in the hosiery industry itself it is, indeed, not yet completed—and accommodation will not be helped by muddled statements of the matters at issue. One such statement came last week from Dame Anne Loughlin, general secretary of the National Union of Tailors and Garment Workers, who suggested that a development council in her industry would have seen that the industry was "effectively organised" and would therefore have avoided the recent piling up of clothing stocks; the employers were opposing the establishment of a council because they were against "planned production."

If it is true that the employers are opposing, and the trade unions supporting, development councils in the belief that they have something to do with "planned production," then it is high time that both sides re-read the Act and the Government statements that explained it in Parliament. Development councils will not plan production. Their general object will be to promote the efficiency and usefulness of their industries, and the schedule of functions in the Act makes it clear that this is to be done primarily by such relatively modest activities as the promotion of research, the study of ways of improving industrial conditions, certification, standards, and the exchange of knowledge. Their powers are carefully drawn to exclude restrictive practices, and Sir Stafford Cripps (then President of the Board of Trade) made it clear in the debate early last year that if any council strayed in the direction of restriction it would quickly be brought back to its proper work. This was clearly borne in mind when the schedules to the Act were drawn up, and the effect was that any powers to direct or restrict production were excluded. This will need to be borne in mind if there is not to be exaggerated alarm among employers and, later, needless disappointment among the unions. No development council on the present model can turn an industry into a planned industry.

Cutting the Cake

A number of important companies now show how each pound of revenue which they receive is paid out in the various costs of manufacture or remains as profits. In the United States this technique has been widespread for many years and its adoption in Britain has largely waited until profits came under political fire. The attack on profits has always been based on their absolute size, not on their relation to costs of manufacture and selling prices. Hence the widespread notion that profits alone could absorb increases in wages or reductions in prices.

The accompanying table shows how far this idea differs from the facts. It shows the percentage division of the total revenue of some eighteen companies between cost of materials, wages, other costs, taxation, reserves and dividends. An industrial observer could in many cases give some explanation of the variation between the relative cost of materials and wages to different groups of industry. Mass production, as exemplified by Ford and Vauxhall, requires proportionately lower labour cost than the manufacture of precision tools and instruments, of which Coventry Gauge and Tool is a convenient illustration. Steel production, to judge from John Summers, Colvilles and United Steel, stand intermediately between the two extremes. The similarity in the cost structure of Rugby Portland Cement and British Portland Cement is noteworthy. In most cases, with the particular exception of Doulton, the incidence of taxation is remarkably consistent between 5 and 7½ per cent of total revenue. When excise and materials are separated there is probably little difference in the cost structure of the two breweries in the list.

The column provided for overheads and administration costs is rather a residual item and no attempt should be made to assess a company's efficiency from this—or indeed any other—percentage figure. The table is not an attempt at comparative cost accounting but it approaches more clearly the notions of the classical economists about the division of a product between the three factors of production—land, labour and capital. The table does indeed clearly demonstrate that the rewards of equity capital are the marginal item. The fairly wide variation shown

by the share taken by dividends is explained by many causes, including the relation between capital and turnover.

This factor division is like a "still" in a motion picture; the money absorbed by materials, wages, taxes, savings and all the other items, joins eventually in the main stream of the national income and represents its constituent shares. It would be useful if more industrial companies were to adopt this form of analysis of their total costs, and if some standard procedure could be adopted. Over-much detail is as baffling as the lumping

Company	DIVISION OF TOTAL REVENUE						
	Materials	Wages and Salaries	Sales, Depreciation, etc., Overheads, Administration	Taxation	Reserves	Dividends	Total
	%	%	%	%	%	%	%
Engineering:							
Ford.....	65.4	17.9	5.7	5.7	3.0	1.4	100
Vauxhall.....	65.2	23.4	2.1	5.5	3.0	0.8	100
Volves:							
Coventry Gauge & Tool.....	26.8	48.0	18.1	5.0	2.1	2.4	100
Johnson and Phillips.....	17.4	60.9	12.5*	6.8	4.5	3.0	100
Steel:							
Colvilles.....	52.9	25.0	13.2	7.0	1.6	0.3	100
John Summers.....	41.2	27.9	16.1	7.8	4.6	2.4	100
United Steel.....	53.3	30.9	10.1	3.1	4.3	1.4	100
Building Materials:							
Jenson and Nicholson.....	58.9	19.7	9.6	7.2	2.9	1.7	100
General Refractories.....	45.0	26.4	20.6	4.4	2.5	1.5	100
Rugby Portland Cement.....	62.0	18.8	7.5	7.1	2.5	2.1	100
British Portland Cement.....	62.5	21.0	7.4	7.4	0.5	1.2	100
Textiles:							
Pool Lormer and Tabbarer.....	61.5	17.0	10.3	5.7	2.1	3.0	100
Courtalds.....	30.9	29.4	27.9*	5.4	...	6.2†	100
Breweries:							
Taylor Walker.....	79.0‡	5.4	10.1	...	3.2	2.3	100
Whitbread.....	7.9	9.3	13.5	63.5	2.7	1.1	100
Miscellaneous:							
Doulton.....	42.0	40.0	...	13	2	3	100
Imperial Chemical ..	58.3	26.5	3.1	6.3	3.1	2.7	100

* Including reserves. † Including preference dividend. ‡ Including excise and taxation.

together of items that have nothing in common. Indeed, the accompanying table has involved some regrouping which a standard division of items would avoid. The chairman of Rolls Razor recently commented on the "practice which is finding some favour to give an analysis showing how the company's turnover is split into its component parts"; he decided against it because the conditions for any two companies even in the same trade are not sufficiently alike. That is a fair point—but it presupposes comparisons between the figures of different companies which should not be made without the most careful study of the facts behind the figures.

Accountants and the Companies Act

The Council of the Institute of Chartered Accountants is to be commended for putting a booklet on the new Companies Act* on sale to the public. The booklet contains recommendations of the Council and joint opinion of counsel on matters of

* The Companies Act, 1947. Institute of Chartered Accountants. 5s.

CANADA

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difficulty for accountants and auditors which may arise under the new Act; it has been devised for the assistance of members of the Institute, but it obviously concerns the whole profession and those outside it—directors, secretaries and investors—who are affected by the new company law.

The new accounting provisions govern all accounts presented in annual general meeting on or after July 1st, notwithstanding that they may be made up to an earlier date. There is no provision in the Act to cover the transition between the old order and the new; any accounts presented from July 1st onwards must conform with the requirements of the new Act, though it will be impossible to follow some of the latter—for example, the valuation of assets on July 1st—in accounts prepared before that date but presented after it. The Council proposes three forms of auditors' report to cover the several types of accounts which may be issued—first, where no group accounts are provided; secondly, where consolidated accounts are provided; and thirdly, where other forms of group accounts are provided. A modification has been secured to the simple division of all assets between "fixed" and "current"; certain assets do not naturally fall into either class (like advances to subsidiaries or a debit balance on profit and loss account); the Council has obtained authorisation from the Board of Trade to state that no objection will be taken to an asset not being described as "fixed" or "current" if to do so would not be a true and fair description, provided that the nature of the asset is clearly stated. This assurance from the Board of Trade may presumably be an administrative anticipation of their statutory power of amendment under Section 120 (1).

The section of the booklet on the valuation of fixed assets is of particular value. The underlying principle in the Act is that fixed assets are to be shown at cost or valuation, less the depreciation provisions which have been accumulated against them. For many companies, however, the separation of such figures may not be possible without unreasonable expense or delay. Hence the statement of fixed asset values may follow one of two methods—the normal method, as defined above, or the "net book amount basis," which the Act permits as an alternative. The Council suggests four different forms of statement for showing fixed assets. It is counsel's opinion, further, that where depreciation has hitherto been provided in one account, without dividing it among the various asset headings, such a division will be necessary in future—a point of some importance for companies which have set up central depreciation funds. An important series of opinions and recommendations on depreciation practice suggests that excess reserves must be shown separately, but that excessive writing-off in the past need not be written back. It is not clear whether in all circumstances additional sums for depreciation intended to cover the replacement of fixed assets at a higher price-level would rank technically as "reserves" or "provisions." The border line between the two classes of account is always difficult to draw, and the restricted definition of the latter word in the Act has caused the Council to amend certain earlier recommendations on the treatment of sums set aside for future income tax, which in future become "reserves."

Building Society Problems

Mr. Andrew Stewart's address from the chair to the annual conference of the Building Societies' Association last week celebrated a record year, measured both by the total resources entrusted with the movement and by its new mortgage lending.

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cent. of a much larger premium income.

The net interest at £427,796 has increased by £40,809, and exceeds the dividend by over £100,000. Including a transfer from the life department of £39,963 the net contribution from the trading departments amounts to £127,963.

The total assets now amount to £44,948,681, an increase of over £3,000,000.

The dividends require £310,532 as last year. The profit and loss carry forward, after transferring £500,000 to general reserve, is £1,135,320.

It has been a year of expansion in all departments, our premium income has increased by over £2,750,000 and we have opened 20 new home branches.

GUARDIAN ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING,
MAY 31, 1948

EXTRACTS FROM THE DIRECTORS' REPORT

CHAIRMAN: C. D. MEDLEY, ESQ.

LIFE DEPARTMENT

Net sums assured amounted to £3,419,026, being an increase over the previous year of £724,600. There was a profit from mortality during the year.

The net rate of interest earned on the fund was £3 14s. 4d. per cent. per annum.

FIRE DEPARTMENT

The net premium income at £2,220,702 showed an increase of £597,388 over the previous year, overseas business again contributing substantially to the increase. The loss ratio was 43.6 per cent. and the amount transferred to profit and loss £33,231.

ACCIDENT AND GENERAL DEPARTMENTS

The net premium income at £1,728,934, has increased by £457,702. The loss ratio was 49.4 per cent. and the amount transferred to profit and loss, after providing for unexpired risks, £31,897.

MARINE DEPARTMENT

The net premiums amounted to £853,845, an increase of £349,705 over the previous year, and the first year settlements were 27.2 per cent. of the premiums.

After transferring £90,000 to profit and loss the marine fund at the end of the year stood at £981,188, representing 115 per cent. of the premium income.

REDEMPTION ASSURANCES ACCOUNT

A valuation made at the end of the year reveals a surplus of £22,214, of which £10,000 has been transferred to profit and loss. The amount of the fund at the end of the year after making this transfer was £1,330,103.

PROFIT AND LOSS

After providing for all taxation, including that in respect of the profits for the year, and transferring £41,500 to the staff pension fund and £42,000 to the general reserve, and providing for the final dividend recommended by the directors of 2s. (less income tax) on each ordinary share and staff share, the balance of profit carried forward was £204,017.

BALANCE SHEET

A valuation of the Stock Exchange securities was made at December 31st last, and again shows a substantial surplus over the total figures at which they appear in the balance sheet.

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FRIENDS' PROVIDENT AND CENTURY INSURANCE OFFICES

RECORD GROWTH IN ALL DEPARTMENTS

The annual general meeting of the Friends' Provident and Century Life Offices was held, on the 2nd instant, in London. The chairman (Mr Herbert G. Tanner, J.P.) said:—

The year 1947 has, once again, shown record growth in all departments.

In the life department the new sums assured amounted to £7,015,569, an increase of 77 per cent. over the preceding year. We continue to make excellent progress in our group life and pension schemes, and many well-known firms in the United Kingdom and Eire continue to take advantage of the service which this well-equipped section of our life department can offer. Increasing numbers of members are taking advantage of our family income and personal security schemes.

Further very satisfactory progress has been made in the continuous disability department. The new business written made another record.

In the fire department net premiums for our group of companies exceeded £1,382,000, an increase of 30 per cent. on the preceding year. Members will note that our fire department reserve funds now exceed £900,000 representing more than 65 per cent. of the premium income.

The total premium income for our home and foreign accident business is more than £180,000 above the corresponding total for 1946.

The premium income in the marine, aviation and transit account has increased by £190,000 to a total of £706,132, and we are able to transfer £54,487 to profit and loss account.

Our subsidiary company, the Southern Industrial Trust, has again made marked progress and we are able to report a profit of £20,909 as against £8,476 in 1946, in both cases after charging interest.

The consolidated trading accounts show transfers of £64,712 to profit and loss.

INVESTMENTS

With regard to our investments, despite a rise during 1947 in the yield on British Government Securities by about one-half per cent. and some consequent improvement in yield on other securities, the return obtainable on new investments was such that we consider it very satisfactory that the gross rate of interest earned on the Friends' Provident Funds was, at £5 3s. 3d. per cent., very little below the rate of £5 4s. 7d. per cent. for 1946. I might also refer to the fact that the net return after deduction of tax shows an ample margin over the rate which we assume we shall earn when calculating actuarial liabilities.

Included in the balance sheets, however, were railway debentures and stocks, and electricity securities which have since been converted into British Government Guaranteed Stock; the difference will mean only a reduction in yield on our mean funds of 1s. 4d. per cent. gross.

Market values at the end of the year exceeded by a substantial margin, the amount at which these investments stand in our balance sheet.

Under our house purchase schemes we advanced in 1947 £740,000, an increase of £380,000 over the previous year.

The total profits of The Century, including interest and after deducting expenses but not income tax, were £182,860. A dividend of £150,000 has been declared (the same as the previous year) and a balance of £426,048 has been carried forward. The aggregate funds of the Friends' Provident and Century and Associated Companies are now over £28,000,000.

The report was adopted.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

PRODUCTION AND SALES RECORD

The forty-sixth annual general meeting of The Ever Ready Company (Great Britain), Limited, was held on the 31st ultimo, at the head office, Hercules Place, Holloway, London, N.7. The following are the comments of the chairman, Mr Magnus Goodfellow, on the report and accounts for the eleven months ended February 29, 1948, which was circulated to stockholders.

The accounts before you are drawn for the eleven months ended on February 29, 1948.

Your board found it necessary to secure a longer period of time for the preparation of accounts, which include stocktaking and accounts of ten mass production factories situated in greater London and the Midlands, depots throughout the country and various subsidiary companies. You will observe that we treat the eleven months of this year as if it was a full year for the purpose of dividends, and that in future our full year will end on the last day of February instead of the last day of March.

INCREASED PROFITS

The eleven months' manufacture and trading resulted in a net profit of £531,370, which compares with a net profit for the year ended March 31, 1947, of £381,968 (to which was added the claim for refund of excess profits tax of £150,000).

This welcome recovery in our business was achieved by an all-time record of production and sales on the home domestic market and on the export markets, and was only made possible by two years' work on the rehabilitation of our plants. After six years of war, when our plants worked incessantly and were maintained with greatly reduced maintenance staffs, this was essential, and we tackled it immediately after the cessation of hostilities. The cost was high as the plant is of a special kind and peculiar to our business. Broadly speaking this work was completed in the autumn of 1947 at a total cost, including buildings, of £1,248,670.

Costs of production again rose during the year and, as a consequence, profit margins contracted. We hope that costs will be more stable during the present year.

No settlement of taxation has yet been accomplished. Apart from purchase tax (which takes a large sum annually from our consumers on the domestic market), the taxes awaiting settlement include national defence contribution, excess profits tax, income tax, and, latterly, profits tax. I am hopeful that a settlement will be come to during the present year and, meanwhile, we have made the necessary provisions in the accounts before you.

INCREASED RESERVES

Turning to the accounts you will observe that reserves and carry forward have risen from £1,525,967 to £1,668,656. The balance of liquid assets over liabilities is lower than last year and is reflected in the expenditure on rehabilitation. Stocks are high, but this is rendered inevitable by the maintenance of the numerous raw material controls.

The report was adopted, and final dividend of 5 per cent. on 200,000 preference stock units of £1 each, making the maximum of 10 per cent. and final dividend of 25 per cent. on 4,041,609 ordinary stock units of 5s. each, making 40 per cent. for the period, were approved. At the subsequent extraordinary general meeting, the special resolution concerning directors' fees was also approved.

DAILY NEWS LIMITED

THE CUT IN NEWSPRINT SUPPLIES

MR L. J. CADBURY'S SPEECH

The annual general meeting of The Daily News, Limited, was held on the 26th ultimo in London.

Mr L. J. Cadbury (chairman of the company), in the course of his speech, said: Gentlemen,—Last year I was able to record the return of competition to the newspaper industry.

Alas! With the growing dollar stringencies of 1947 newsprint supplies were cut and we have returned to a state of stabilised sales. From July last year we have had to keep within a circulation quota of 1,623,000 for the *News Chronicle* and 1,070,000 for the *Star*.

These stationary conditions are not good for our industry. They are bound to affect the recruitment of the young men and women of ability and enterprise on whom the future of the Press depends. If we are to remain efficient we must get back to conditions where incentives are restored and the spirit of vigorous competition and initiative recovered. Otherwise the standard of the profession will be permanently lowered and the best minds will be discouraged from entering a field of activity so limited, and where the rewards are so uncertain.

It is a pity that the impact of short newsprint supplies on the prospects of the journalistic profession has received so little attention from the journalists in the House of Commons. They form a considerable professional body of 38, of whom the great majority are supporters of the Government.

But the shortage of newsprint is not only a matter of domestic importance to the newspapers. It is of the greatest public concern. The British public is definitely becoming an ill-informed public as many instances reveal, and this must be viewed as a major political and social question when we remember our problems at home and our responsibilities abroad.

FUNCTION OF THE PRESS

It is sometimes argued that the Press wastes its newsprint on sport and what some austere critics may call frivolous news. It is true both have their share of the small space available. And why should this not be so? "Humani nil a me alienum puto."

It is a function of the Press to mirror all aspects of life and to entertain all classes of the community as well as provide them with information and instruction.

As a matter of fact it is remarkable how much space is devoted to serious topics and how this varies with the size of papers. This can be illustrated by an examination of papers that was carried out when we were allowed an average of five pages (four and sixes on alternate days) from September, 1946, until July of last year. Between these dates the papers were also on free sale. The items that gained most over these nine months were political and foreign news, as well as the increased advertising area that was necessary to pay for the additional newsprint. In actual figures of measured space for the *News Chronicle*, *Daily Mail* and *Daily Express* (the *Herald* has a different size of column), we found that the space devoted to Parliamentary reports was two and a-half times as great when they had the extra page available.

A FEELING OF FRUSTRATION

Here may I mention one other point—the feeling of frustration that inadequate news space gives to the reporting staff. They are news gathering all the time and yet see little of what they send in appear in the paper. Those of us who have visited our foreign correspondents realise how in particular this applies to overseas staff. I fear that if this situation continues for a long time the news-

papers will gradually allow their overseas corps of correspondents to run down. That, from the public point of view, would be most regrettable, for we should lose the major guarantee against incorrect or biased reporting that is furnished by a number of independent correspondents sending in news. Further, if we are going to let the number of our overseas correspondents be seriously depleted then many varied facets of foreign news will cease to find their way into the Press.

Before making any more comments on the newsprint position, may I say a word about the Newsprint Supply Company?

Since 1940 this co-operative venture on behalf of the national and provincial Press has negotiated contracts, bought, transported, stored and arranged the allocation of our newsprint from overseas, in addition to supervising the task of rationing newsprint to all the newspapers of the country.

A REMARKABLE ACHIEVEMENT

I do not know of any other industry that has shown such a remarkable achievement, and I suggest that many of them now subject to bureaucratic buying by their respective Ministries might with advantage study its operation.

We may be in desperate straits for newsprint, but we should have suffered a great deal more acutely if it had not been for the N.S. Company's efforts, particularly in keeping the needs of the Press and reading public before the Board of Trade and H.M. Treasury.

As much of the work of the company is done in the room immediately adjacent to my own office, I know from practical observation what has been involved in the way of conferences, negotiations, visits, cables and telephone discussions. Those concerned with the practical running of the company and its committees deserve the most sincere thanks from the industry.

Our imports from Canada are subject to British Government control, and under that control the N.S. company has more than once had to repudiate its agreements. Despite this unbusinesslike treatment to which our Canadian friends have been subjected they have done all in their power to help us and adjust their British allocations of newsprint to the various changes British controls have forced upon them.

THE OVERSHADOWING PROBLEM

The securing of its newsprint supplies overshadows every other problem before the British Press. We are operating on a lower percentage of our prewar consumption than the newspapers of any other country in the world, excepting Japan and Hungary. Our papers on their standard basis of four pages are almost the smallest in the world and probably the only newspapers in the world that remain at their lowest wartime size.

The present calamitous position of supplies to the British Press is only partially due to world shortage of newsprint. There is a world shortage, but the disparity between world demand and world supply is not very great—probably of the order of 10 per cent. to 12 per cent.

The reason we get less than one-third of our prewar supply of newsprint, while almost every other country in the world gets a far higher proportion, is the low priority given to this particular import as compared with other necessary imports. The low priority was right in wartime and was accepted by the Press. But the conditions of peace are totally different.

The time has come when the relative priority of newsprint and pulp among Britain's necessary imports should be recon-

sidered, so that the long-term plans for the gradual enlargement of the newspapers and the unfreezing of their sales can be restored. The question of a re-arrangement of priorities is entirely in the hands of the Government.

It is sometimes suggested that the newsprint shortage is deliberately designed to oppress the Opposition and prevent them from putting their case to the country. This theory, however, ignores the fact that the newspapers of the Left suffer equally with the newspapers of the Right.

INTEMPERATE ATTACKS

But one is certainly not reassured about the readiness of the Government to play fair with the Press when one reads such intemperate attacks as those made recently by Mr Aneurin Bevan or the sweeping allegations of inaccuracy, made by Mr G. S. Lindgren. One begins to wonder if the attitude of some members of the Government to the Press is not that represented by the old couplet:—

"Thou shalt not kill, but need'st not strive
Officiously to keep alive."

I was glad to note that the president of the Institute of Journalists replied to Mr Bevan in a letter to *The Times*. He pointed out that it must have a damaging effect on our reputation abroad for a Cabinet Minister to say we had "the most prostituted Press in the world." Also that it is hardly fitting to make such an accusation when the Royal Commission is sitting.

By way of contrast to these exhibitions of hostility it is encouraging when important persons voice their appreciation of British newspapers and journalists. Mr McNeil, for example, told the World Conference on Freedom of Information at Geneva that "there may be imperfections in the British Press, but it is as free and vigorous as any other Press represented at this conference." I have had the honour this year to be chairman of the Newspaper Press Fund and presided at their annual dinner a short time ago. Our principal guest was Mr Justice Birkett. In the course of his remarks he said "I cannot but deplore that a great instrument like the Press, of such immense value not merely in our national but in our international affairs, should be hampered because they lack the space to report those matters which it is so vitally important should be known."

In the House of Commons debate that has just taken place the President of the Board of Trade adopted an attitude on the newspaper situation that appears to modify the severity of the recent letter from Sir Stafford Cripps. Mr Wilson now holds out hopes that there will be no further cuts in paper supplies; there is even a faint hope that we may get back to occasional 6-page papers sometime during 1949.

If supplies of paper are to be secure, the Government will have to recognise that Canadian newsprint has a permanent and integral part in the British supply system. For security reasons and for reasons of Empire policy we must have long-term Canadian contracts for paper, and they must be kept.

The hope of some improvement which Mr Wilson holds out is welcome, but we would like something more specific. What is needed as a minimum is the allotment of £3,000,000 worth of dollars for the priority purchase of Canadian paper. Out of the hundreds of millions that we spend in the dollar area, this is surely not too much to pay for ensuring the future of the British Press.

THE ROYAL COMMISSION

During 1947 the Royal Commission on the Press began its hearings and is now nearing the end of its list of witnesses.

Those who have read the evidence so far given to the Commission will have found it very enlightening. The inquiry should result in many misconceptions concerning the Press, its proprietors and how it functions, being removed.

The report and accounts were unanimously adopted.

H. P. SAUCE, LIMITED

FINANCIAL STABILITY OF THE GROUP

The twenty-third annual general meeting of H.P. Sauce, Limited, was held at the Queen's Hotel, Birmingham, on the 27th ultimo. Sir Patrick Hannen, M.P., the chairman, in the course of his speech said:

The facts set forth in the consolidated balance sheet indicate an eminently satisfactory situation from the shareholders' point of view. The fixed assets have been valued on a rigidly conservative basis and are shown at cost less depreciation. Investments and current assets less current liabilities and provisions amount to £1,536,827. In the consolidated account the total interests of the shareholders, including paid up capital of £911,427, are shown at £2,219,520. These figures will be regarded, I am confident, as a wholesome and stimulating indication of the financial stability of our group of companies.

YEAR'S RESULTS

The total trading profit and other income of the group amounts to £562,165. After deducting United Kingdom, Dominion and Foreign Taxation at £281,632, directors' fees, depreciation, etc., and including £40,000 income tax recoverable in respect of prior years under conventions for the avoidance of double taxation, the net profits of the group amount to £268,365. Of this figure £48,553 is attributable to outside shareholdings of the two subsidiary companies, the shares of which are not wholly owned; and of which £60,882, representing excess of net profits of subsidiary companies over dividends declared, have been retained in the accounts of the subsidiary companies. The net profit of £158,930, brought into the accounts of the parent company, is £10,300 less than for 1946. The profit appropriation statement for the year 1947 is self-explanatory and the recommended appropriations of £15,000 to reserve for re-equipment and development, and £107,484 to final dividend, leave a balance of £107,119 to be carried forward to next year.

The substantial premiums for the maintenance of comprehensive staff and works pension schemes have been charged against trading profit. It is anticipated that in future years the financial obligation involved will be met partly from revenue and partly from reserves accumulated consequent upon appropriations made in previous years. Allocations in subsequent years from profits available for dividend and reserve are therefore not contemplated.

The acquisition of Macks Limited, Walsall, and Fletchers Sauce Company Limited, Selby, has been attended with favourable results, and business activities of all subsidiaries are very satisfactory, subject only to limitations of supply of raw material. Lea and Perrins Inc., in the U.S.A., retains its high standard of prestige. Our Australian company makes steady progress.

SUBSTANTIAL INCREASE IN EXPORTS

I think it desirable to emphasise the fact that the last year was in every branch of enterprise a difficult and embarrassing time. Business expansion in the presence of restrictions is an acute commercial problem, but I am proud to report a substantial increase in the export, largely to dollar markets, of the products of both the parent company and Lea and Perrins, Limited, notwithstanding exchange difficulties and import regulations.

The accounts as presented indicate that we have been in accord with proposals submitted by His Majesty's Government for the reduction or stabilisation of dividends, and are therefore recommending a total distribution of 2s. per unit, less tax, corresponding with a total distribution last year of 1s. 9d. less tax, plus 3d. tax free.

The report and accounts were adopted unanimously.

LANCASHIRE STEEL CORPORATION, LIMITED

NATIONALISATION THREAT

The eighteenth ordinary general meeting of The Lancashire Steel Corporation, Limited, was held at Warrington on the 31st ultimo.

Mr John E. James, chairman and managing director, in the course of his speech, said: The earnings from operations for the year 1947, which included the earnings of the subsidiary companies, Rylands Brothers, Limited; Whitecross Company, Limited; and the Pearson and Knowles Engineering Company, Limited, amounted to £1,562,468, from which fell to be deducted income tax thereon of £515,000, together with £180,000 to cover the full liability for profits tax. The net earnings, therefore, amounted to £867,468. The accounts for the previous period were for fourteen months, and the net earnings amounted to £960,486, representing, if brought to a yearly basis, £823,274. Your board recommends payment of a dividend at the rate of 5½ per cent. per annum on the second preference stock and 8 per cent. per annum on the "A" and "B" ordinary stocks.

The sum falling to be paid to the Inland Revenue in respect of income tax and profits tax amounts to £695,000, representing 55½ per cent. of these earnings. The stockholders, on the other hand, receive as dividends, after deduction of income tax, £214,992, or 17½ per cent. of these earnings.

The general reserve now stands at £1,150,000, the reserve for possible losses due to reduction of output or present prices of trading stocks at £500,000, the reserve for increased cost of plant and buildings at £500,000, while that for depreciation of fixed assets amounts to £3,000,000. The excess of current assets over current liabilities and provisions amounts to £3,715,873.

DEVELOPMENT AND RECONSTRUCTION

We have been proceeding with the schemes of development and reconstruction to which I referred at our last meeting, although, owing to the increased difficulties experienced in obtaining the necessary workpeople, materials, machinery and plant, our progress has not been as rapid as I could have wished.

The corporation has produced its full share of the larger tonnage of steel produced throughout the industry during the past six months, and in that respect the introduction of the continuous working week in our Open Hearth plant has been of great assistance. I would like to pay tribute to the efforts of the management and operatives, which have resulted in the higher outputs obtained.

The threat of nationalisation of our great and vital industry still hangs over our heads, with all the inevitable disruption it would involve, whatever method of change of ownership might be contemplated. None of the many serious objections to the nationalisation of the industry has been answered in a manner calculated to relieve the apprehensions of those who have an intimate knowledge of the industry's manufacturing processes, and I cannot help feeling that this period of crisis in the economic affairs of our country is surely not the time to carry out a dangerous experiment of that kind. I am proud in the knowledge that this complicated and intricate industry, in which all my life has been spent, has not departed from its national duty to proceed with the work of repairing the ravages of years of war on its machinery and equipment, and, in addition, to go forward with extensive agreed plans to improve its efficiency. The industry has done all these things, knowing full well that unless iron and steel production runs at its highest level and is obtained at competitive world prices this country cannot hope to maintain and improve its present standard of living.

The report was adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

EXPANSION OF PROFIT

The twenty-eighth ordinary general meeting of this Company will be held at Liverpool on the 24th instant.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report for the year 1947:—

The trading profit and other income total £843,222, against £456,942 in 1946. This considerable rise is partly due to expansion of factory activity and partly to price adjustments, some of which still remain provisional. At the end of the year orders in hand represented a peak in the company's history, although our principal customer, the Post Office, has reduced its orders to a minimum.

It is gratifying to report that at January 1, 1948, orders from overseas represented slightly more than half the value of our total orders in hand. It is encouraging to know that the Government, with the support of the trade unions, has taken steps to stabilise costs and thus attract export customers who want reasonable price protection if their orders are to come to England. Despite Government exhortations, people do not yet realise the desperate straits to which the country has been and is being reduced. I find much lack of understanding and a complete failure to recognise the extent to which redoubled effort is needed.

Efficiency of industry in this country is not being helped by the severe curtailment in capital expenditure, particularly at a time when war-time arrears need to be overtaken. I feel that we are only putting off the evil day when we shall have to face the tremendous expenditure which will be required if we are to retain our place as an industrial and exporting nation.

MORRIS MOTORS, LIMITED

DEVELOPMENT OF OVERSEAS TRADE

The twenty-second annual general meeting of Morris Motors, Limited, was held on the 28th ultimo at Oxford, the Viscount Nuffield, G.B.E., F.R.S., M.A., D.C.L., L.D. (the chairman), presiding.

The following is an extract from his circulated statement:—

Since last autumn the vital importance of export has rightly been stressed to the utmost. There are, however, certain outstanding facts regarding our own activities to which I feel the attention of stockholders should be drawn. On January 1st last we announced large reductions in our export prices. These reductions involve a sacrifice of profit which is likely to amount to a million pounds in a full year. I am glad to report that our intake of export orders during the current year has proved this policy to be abundantly justified. Deliveries for the first three months of 1948 have shown an increase of 8,000 units over the corresponding period for 1947, and we are now shipping a steady average of over 1,000 vehicles per week.

The starvation of the home market is regretted by no one more keenly than ourselves. The goodwill of our legion of regular customers, which has been fostered for more than a quarter of a century, is a possession that we treasure indeed, and we deplore the present impossibility of satisfying more than a trifling proportion of their needs.

Within a few months we shall begin the progressive release of a comprehensive range of new models. These include a diesel commercial vehicle. Another addition to our range is the Nuffield Universal Tractor, which will be marketed in the near future. It is apparent that early deliveries will be on a modest scale until increased steel allocations are made available to us.

The report was adopted.

GOVERNMENT RETURNS

For the week ended May 29, 1948, total ordinary revenue was £68,013,000, against ordinary expenditure of £43,248,000 and issues to sinking funds £40,000. Thus, including sinking fund allocations of £1,414,000 the surplus accrued since April 1st is £172,196,483 against £233,366,052 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts to the Exchequer (£ thousand)			
		April 1 to May 31, 1947	April 1 to May 29, 1948	Week ended May 31, 1947	Week ended May 29, 1948
ORDINARY REVENUE					
Income Tax, etc.	1,309,150	142,256	153,995	12,446	14,660
Sur-tax	90,000	9,860	14,750	750	1,200
Estate, etc., Duties	160,000	27,968	30,450	3,100	3,300
Stamps	55,000	7,770	9,785	1,300	1,085
Profits Tax	250,000	4,210	13,800	205	1,800
E.P.T.	1,000	32,965	29,100	1,235	2,400
Other Inland Rev.	50,000	60	60	...	...
Special Contributions	50,000	...	...	...	...
Total Inland Rev.	1,915,150	225,089	251,940	19,036	24,445
Customs	820,600	135,177	139,585	13,978	19,821
Excise	726,550	102,100	144,950	15,700	24,150
Total Customs & Excise	1,547,150	237,277	284,535	29,678	43,971
Motor Duties	50,000	4,897	3,512	...	206
Surplus War Stores	102,000	26,311	1,263	...	68
Surplus Receipts from Trading	57,000	...	826	...	...
P.O. Net Receipts	11,000	2,600	3,160	Dr 1,400	Dr 1,600
Wireless Licences	11,000	1,670	1,680	870	880
Crown Lands	1,000	180	170	20	10
Receipts from Sundry Loans	14,000	3,724	1,920	3,615	...
Miscell. Receipts	68,000	136,223	11,812	8,809	...
Total Ord. Rev.	3,765,300	637,970	560,818	60,628	68,013
SELF-BALANCING					
Post Office	150,200	22,200	24,000	3,900	4,400
Income Tax on E.P.T. Refunds	16,000	4,477	1,477	124	283
Total	3,931,500	664,647	586,295	64,552	72,696

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to May 31, 1947	April 1 to May 29, 1948	Week ended May 31, 1947	Week ended May 29, 1948
ORDINARY EXPENDITURE					
Int. & Mch. of Nat. Debt	500,000	72,946	70,839	603	1,110
Payments to N. Ireland	26,000	3,489	2,593	1,400	1,064
Other Cons. Fund Services	8,000	319	315	33	23
Total	534,000	76,755	73,747	2,036	2,197
Supply Services	244,167	326,441	313,459	33,749	41,051
Total Ord. Expd.	297,567	403,195	387,207	35,785	43,248
Sinking Funds	...	...	1,414	...	40
SELF-BALANCING					
Post Office	150,200	22,200	24,000	3,900	4,400
Income Tax on E.P.T. Refunds	16,000	4,477	1,477	124	283
Total	314,167	429,872	414,098	39,809	47,971

After decreasing Exchequer balances by £556,253 to £2,783,206, the other operations for the week decreased the gross National Debt by £4,291,395 to £25,661 million.

NET RECEIPTS (£ thousand)	
Housing (Scott.) Act, 1944, sec. 4 (5) and Housing (Fin. Prov.) (Scott.) Act, 1946, sec. 13 (2).....	2

NET ISSUES (£ thousand)	
P.O. and Telegraph	400
E.P.T. Refunds	347
Overseas Trade Guarantee Act, 1939, sec. 4 (1)...	14
Housing (Temp. Accommodation) Act, 1944, sec. 8 (1).....	1,000
Local Authorities Loans Act, 1945, sec. 3 (1)...	4,000
Coal Industry Nationalisation Act, 1946, sec. 34 (1)...	5,000
War Damage: War Damage Commission.....	10,000
Finance Acts, 1946 and 1947, Post-war Credits..	230
Total	20,991

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	487
2½% Def. Bonds...	988
Tax Reserve Certs.	15,000
Treasury Deposits	...
NET REPAYMENTS	6,405
Treasury Bills	850
Nat. Savings	4,042
3% Def. Bonds	...
3% Conv. Loan	50
Other Debt	...
Internal	50
External	100
Ways and Means Advances	9,270
Total	16,475

* Including £3,476,659 paid off on maturity.

FLOATING DEBT (£ million)	
Date	Treasury Bills
	Tender
	Tap
	Public Depts.
	Bank of England
	Treasury Deposits by Banks
	Total Floating Debt
1947	2180-0
May 31	2603-3
1948	2160-0
Feb. 14	2307-4
" 21	2346-8
" 28	2342-4
Mar. 6	2667-5
" 13	2692-2
" 20	2712-5
Apr. 10	2160-0
" 17	2160-0
" 24	2170-0
May 1	2180-0
" 8	2200-0
" 15	2210-0
" 22	2210-0
" 29	2210-0

TREASURY BILLS (£ million)	
Date of Tender	Amount
	Offered
	Applied for
	Allotted
	Average Rate of Allotment %
	Per Cent. Allotted at Min. Rate
1947	170-0
May 30	282-5
1948	170-0
Feb. 27	236-8
" 5	232-7
Mar. 12	266-3
" 19	286-5
" 25	300-5
Apr. 2	295-1
" 9	291-2
" 16	267-8
" 23	295-1
" 30	287-9
May 7	290-3
" 14	290-7
" 21	294-5
" 28	278-6

On May 28th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 50 per cent. of the amount applied for at £99 17s. 5d. and applications at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for June 4th. For the week ended June 5th the Banks will be asked for Treasury deposits to the amount of £70 million (maximum).

NATIONAL SAVINGS (£ thousand)	
	Week Ended
	May 24, 1947
	May 22, 1948
	Totals, Apr. 1 to May 22, 1948
Savings Certificates:—	
Receipts	4,000
Repayments	1,800
Net Savings	2,200
Defence Bonds:—	
Receipts	1,800
Repayments	704
Net Savings	1,096
P.O. and Trustee Savings Banks:—	
Receipts	11,917
Repayments	13,126
Net Savings	Dr 1,209
Total Net Savings	Dr 935
Interest on certificates repaid	360
Interest accrued on savings remaining invested	2,247

BANK OF ENGLAND RETURNS

JUNE 2, 1948

ISSUE DEPARTMENT

Notes Issued:—	
In Circulation	1244,984,423
In Bank: Department	55,263,410
Govt. Debt	11,015,100
Other Govt. Securities	1288,267,906
Other Secs. (other than gold)	704,967
Am't. of Fid. Issue	1300,000,000
Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	247,833
Total	1300,247,833

BANKING DEPARTMENT

Capital	
.....	14,553,000
Reserves	
.....	3,451,416
Public Depts.	
.....	18,869,480
Other Depts.	
Bankers	298,911,381
Other Accts.	92,911,767
Total	391,823,148
Notes	
.....	55,263,410
Coin	
.....	724,520
Total	428,697,044

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

COMPARATIVE ANALYSIS (£ million)

	1947	1948
	June 4	May 19
	May 26	June 3
Issue Dept.:		
Notes in circulation	1396-2	1244-2
Notes in banking department	54-1	51-1
Government debt and securities	1449-3	1299-4
Other securities	0-7	0-6
Gold	0-2	0-2
Value at s. per fine oz.	172/3	172/3
Banking Dept.:		
Public	8-0	8-5
Bankers	293-8	317-3
Others	105-8	91-9
Total	407-6	415-4
Securities:		
Government	342-4	344-3
Discounts, etc.	11-0	10-0
Other	16-7	22-5
Total	370-1	376-8
Banking dept. res.	55-5	51-7
"Proportion"	13-6	13-6

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

GOLD AND SILVER

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

	SILVER		GOLD	
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
1948				
May 27	45	74½	168	114
" 28	45	74½	167	112
" 29	45	74½	167	112
" 31	45	74½	168	115
June 1	45	74½	169	115
" 2	45	74½	167	115

lose labour were building, clothing and local government service. They were to lose 18,800 workers a month throughout the year; in the first three months they actually gained 800 a month. Three of the biggest labour-gainers (coal, agriculture and textiles) were to gain 16,400 a month; they have actually only gained 8,600 a month.

Another major object of the disinflationary policy is to restore to the British people some sense of the value of money. The slogan of policy during, and for two years after, the war was "Production at All Costs." As a result, the level of production is high, but it is nothing like as high as the level of costs. A prompt and drastic reduction in the present unconscionably swollen level of costs of production is an absolutely essential condition of economic balance at home and of solvency abroad. The level of weekly wage-rates, according to the official index, is now about 75 per cent above the prewar figure; and that is bad enough, in all conscience. But the index of the prices of British manufactured exports—the most realistic test of selling price levels—is about 148 per cent above the prewar level, and is still rising month by month. Some part of this can be excused by the even more monstrous prices of imported raw materials—but not all of it by any means. If only as the means of maintaining the vital volume of exports, costs of production must be got down. This need not mean any reduction in the level of weekly wages; it will be enough if the average rise in total costs of production can be pulled down to the average rise in weekly wages. But it does mean that fair value will have to be given for the weekly wage. Every industrialist—and every trade union leader—knows why there is this yawning gap between the 75 per cent and the 148 per cent. It is because hours have been shortened without any corresponding reduction in the weekly wage. It is because there is too much slacking during the week and working at overtime rates at other times. It is because there is still too much hoarding of manpower. It is because, under the pressure of relentless demand, every profit margin all the way along the chain of transactions from first material to final use is still swollen, because discounts are suspended and premiums regularly exacted. It is because the unproductive overhead staffs of industry have swollen and there has not yet been any strong pressure to reduce them. It is, in short, because both Capital and Labour have been doing themselves proud.

*

Here, then are two practical tests of the effectiveness of the disinflationary policy, which can be regularly followed in the *Monthly Digest of Statistics*. When the manpower targets are being met, and when the index number of the price of manufactured exports begins to fall, the policy will be beginning to have the effect that was intended. There are signs of things happening that may before long lead to such results. But the policy is still in its earliest infancy and if it was the right policy in the first place, it would be folly to reverse it now. It is true that, as it develops, the policy will have some painful effects. Some profits will be reduced and some jobs will disappear. In themselves, these things are to be deplored. But the whole reason for the disinflationary policy is that the painless method of restoring balance and sanity by moral exhortation had failed to produce any result at all, and that if the British economy was not to become a shapeless anarchy, some compulsive pressure—the pressure of falling total demand—would have to be exerted upon it. Democracy is a system of government that will never work unless the public is prepared to accept a measure of self-discipline. There never has been a clearer case, in the general interest, for an economic policy than there was for disinflation last year and this. Almost alone of the countries of the world, public opinion in Great Britain both saw the necessity and took steps to provide for it. But the pride that one can legitimately feel in this would evaporate if

the policy were to be abandoned as soon as it began to tread on a few corns.

Continued self-restraint at home is the more necessary because abroad the economic horizon continues to darken. There was a moment in February when it seemed that the world market might at last be on the turn. But that hope was disappointed and all over the world the prices that Britain has to pay for its purchases are once again steadily rising. Some day the tide will assuredly turn, and there is something in the very frenzy of the recent price increases that suggests the beginning of the end. But for the moment the terms of trade are still swinging sharply against Britain. So far from Marshall dollars providing any relaxation from the stringencies of the position, it is the prospect of receiving them that alone holds out any hope at all of working through the next twelve months without disaster. Even with Marshall dollars, further painful cuts in British imports—and that now means cuts in the British standard of living—will be necessary very soon. Without Marshall dollars, the cuts would have to be cataclysmic. The position is bad enough with ERP; without it, the outlook would be hopeless. Yet even Marshall dollars, as last week's vote in the House of Representatives showed, cannot yet be relied upon.

Mr Taber is quite sure that the appalling position in which Britain finds itself is Britain's own fault. There have, indeed, been mistakes in British policy, which have been pointed out by British writers far more promptly and with much more knowledge of the facts than Mr Taber has displayed. But if Britain's present shortage of dollars is mainly due to mistakes in British policy, then it is a most singular coincidence that every other Government in the world, Socialist, Liberal or Conservative—save only the Government of the United States itself, which can create its dollars—has apparently made exactly the same mistakes. Moreover, for a full year past the whole energies of the British Government have been directed towards increasing the country's dollar earnings and reducing its dollar spendings. It is quite safe to say that Mr Taber, who does not believe in controls, could not have accomplished one tenth part as much, if he had been in charge. Indeed, the claim can be made that no other democratic country could have achieved as much.

Nevertheless, it behoves every Englishman to ask himself whether there is anything more that can be done in this island to help close the gap in the balance of payments and reduce the present dangerous degree of dependence on Mr Taber's intelligence and goodwill. In the long run, there are plenty of things that can and must be done—most of them coming under the head of a sustained effort by British industry to sell the world goods and services of the highest quality at the lowest prices. But to have virtue for the present extremity, any device must produce its effects in a month or two. The only one that has been suggested is a devaluation of the pound, and there would certainly be no prejudice against that in this country if it would do the trick. But among those who are competent, by possession of all the relevant facts, to form a judgment upon its effects, the conclusion has been reached—almost unanimously in London and, it is believed, by a clear majority in Washington—that, in present circumstances, it would do more harm than good. Apart from this, it is very difficult to think of any further acts of policy that could be taken to correct the position. Something more will indeed have to be done if the drain on the last reserves continues, and much more will have to be done if they are exhausted. But these will not be acts of policy, they will be acts of desperation. Any further cuts in British imports will either reduce the standard of nutrition below what is necessary permanently to maintain the health of the people or else they will deprive British industry of the raw materials it needs to keep active. They may become necessary, but they will hinder rather than help the aim of restoring the British economy to solvency and self-support.

France and Germany

THE terms of the agreement reached between the United States, Britain, France and the Benelux countries on the next stage in Germany have now been published. The essence of the proposals is that Western Germany shall receive most of the attributes of statehood—as the Piedmont of a future free and united Germany—and that in return economic and strategic safeguards shall be granted to its Western neighbours. The emphasis in the Agreement is on the federal structure of the new Germany. It is as states that the Western German community will prepare for a Constituent Assembly, and the Constitution which this Assembly is to prepare, and if possible present to the German people in the Spring of 1949, is to be federal in form so that the "states" in Soviet-occupied Germany can later adhere to it.

Once the new federal constitution is at work Allied control will be reduced to a minimum, and it is this prospect which naturally raises the question of safeguards for those who have suffered in the past from German aggression. The economic safeguard proposed is an International Authority to control the allocation of coal, coke and steel from the Ruhr. Britain, France, the United States and the Benelux Union will each have three votes but for the time being—surely an unnecessary and wounding precaution—the German votes will be exercised by the Allied Military Governors. The military safeguards are twofold. In the first place, no Allied troops will be withdrawn without prior consultation and they will be maintained until "peace is secured"; then, when this happy epoch is felt to have opened, concerted measures for the continued control of demilitarisation in Germany will be worked out.

This agreement appears to represent a very real advance in understanding among the Allies on Germany's future. The Benelux countries are fully associated with the proposals. The French have persuaded the other Powers to go along with them in plans for a measure of internationalisation in the Ruhr. In return, it looks as though the French Zone may be fully associated with the plans for transferring political responsibility to the German people. Above all, specific American commitments on safeguards against future German aggression have been included in an international document. All this seems progress enough. Unhappily, however, these hopeful signs are contradicted by the reactions to the Agreement in Paris. Even if it can scrape through the Assembly, there is little doubt that ratification will be sullen and unwilling.

This unfortunate reaction springs from the deep rooted fear of Germany which haunts the back of every French mind. But the fear might be a less active factor in politics if it were not so disastrously caught up in France's internal divisions. The

Communists see in the average Frenchman's instinctive fear of Germany a priceless weapon in the fight to destroy the Marshall Plan and weaken Western association. Every device of propaganda is being used to suggest that America is only interested in a strong capitalist Germany and that the Agreement is the first step towards it. Thus M. Bidault, so the argument runs, has simply capitulated to American capital and the German "trusts." But General de Gaulle, whose total lack of a concrete programme compels him to rely on emotion and *mystique*, cannot leave the strongest emotion of all—fear—as the monopoly of the Communists. He has chosen the moment of the Government's great embarrassment to launch a virulent attack upon the agreement. The extent to which General de Gaulle's attack was demagogic and designed to serve his overriding aim—his return to power—is shown by the fact that the proposals which he put forward as an alternative are almost precisely those which the agreement in fact secures. He asked for "separate federated states," international control of the Ruhr and the "division of German coal among those who need it." The Six Power agreement in fact represents the first step to all these.

Tragic as this exploitation of French fears may be, the fears themselves cannot be exorcised with a simple dismissal. Invaded three times in seventy years, the French cannot slough off their apprehension because it is internationally inconvenient. In a word, French fears run deep; they are natural, and indeed inevitable. The question is therefore not how to dismiss them but how best to appease them by a workable German settlement.

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There are only three possible frameworks for a German policy—the continuation of occupation with Allied political control, the integration of a German state into Western Europe or the absorption of Germany into the Soviet system. The first of these possibilities has an undoubted attraction for France. A Carthaginian peace imposed for generations by the victors is the only really emotionally satisfying solution for a nation as exposed and distrustful as are the French. But clearly such a policy is ruled out. The Allies have already abandoned direct military government. They cannot return to it now. In any case, the will to maintain a long drawn-out occupation will certainly disappear. Germany will become again a normal sovereign state, either under Western or Eastern auspices. The real issue before France is to decide which of these two alternatives offers the lesser risk.

The criticisms the French can make of the "Western policy"

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whose foundations are now being laid are obvious enough. Industrial power is being recreated on German soil. Frankfurt is the embryo of a central government. The chief guarantee of future security—American participation—depends upon the staying power of a nation whose past record is one of withdrawal and isolation. All this must be admitted. Yet it would be grossly unjust to the Six Power agreement—and to the developments in Western Europe in the last year—to neglect the more hopeful features of Western policy.

There is a risk in reviving German industry, but the new agreement gives France a specific voice in the use of its products, and the wider plan of European Recovery gives great scope for methods of integrating German heavy industry more closely with that of Western Europe, provided the French and the Benelux countries—and indeed Great Britain—do not hold back from schemes of internationalisation which would touch their own national industries. There is a risk of the over-centralisation of German political power, but the constitutional safeguard of the federal form is being built into the foundations of the new Germany. There is, last of all, a risk of American withdrawal; but the more speedily and definitely an agreed policy for Germany can be set in motion, and the more obviously that policy is geared into a wider Western European grouping, the more the Americans will feel committed to a venture they have done so much to launch.

These risks were frankly discussed in London and no partisan misrepresentation from Paris should be allowed to suggest that France has not played a dominant, even a decisive part in the recent negotiations. Those Frenchmen who constantly complain that France is misused by its "powerful allies" do their country no service. On the contrary they suggest to the outside world a temperamental and hysterical Marianne quite at variance with the patience and quiet tenacity consistently shown by M. Bidault and the Quai d'Orsay.

The real question is, however, the alternative. Even if the integration of Germany into Western Europe is a

hazardous business, can the French believe that the passing of Germany under Russian control will free them of the nightmare of German domination? A moment's reflection is enough to show that no policy will so quickly ensure German domination of France as the integration of a Communist Germany in the Soviet system. It is the Russians and their Communist supporters who are the keenest advocates of a unified, centralised, German Reich, as is shown in an article elsewhere in this issue (p. 973). Can any Frenchman wish to see the new Germany built up round a Prussian nucleus directed from Berlin?

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Nor is the other line of argument, which General de Gaulle has made his own, any more convincing. It is simply not true that the building up of Frankfurt as a centre of genuine authority will lead the Russians to compete more violently for the allegiance of the Western Germans. That competition began long ago. If the West followed de Gaulle in seeking to impose a solution based on "separate German states," the Russians would press with even more success for their own version of a centralised Reich. There is one way and one way only of securing German adherence to the Western world and at the same time, of safeguarding that world against German domination. It is to press forward with the creation of a genuine Western European community within which Germany can without risk be included as an equal member. The new agreements are France's opportunity. If they are received in distrust and division, their growing points will be crushed, their development retarded and the chance of securing America's permanent support diminished. But, accepted boldly and made the starting point of a constructive co-operative Western European programme, the unity formed by the Brussels Pact, the Marshall Plan and the agreement on Germany offers France the chance of genuine leadership in Western Europe.

Above the Law

LATE last week the public was offered a relief from the usual homely fare of Parliamentary discussion. The proposal to abolish the death penalty had already excited far more popular interest than its intrinsic importance warranted. But nobody was expecting to have the sinister shadow of James II and Judge Jeffreys cast across the debate. Lord Goddard, the Lord Chief Justice, in the midst of an otherwise stale debate in the Lords, accused the Home Secretary of exercising the suspensory power of the Royal prerogative, whose use without the consent of both Houses had been expressly forbidden by the Bill of Rights of 1688.

On April 16th, after the House of Commons had voted by a narrow margin for the trial abolition of the death penalty, Mr Chuter Ede, the Home Secretary, announced that pending the passage of the Bill into law he would advise the King to commute any death sentences passed by the courts to penal servitude for life. In so doing it would appear that he was using the Royal prerogative to suspend the operation of a statute whereas if he had merely, without formal announcement, exercised the prerogative of mercy in each individual case, he would have been within his constitutional rights. The essential difference is between the commutation of a number of individual penalties after each case has been heard and sentence passed, and the general announcement that, even before the crime has been committed, the law will not be allowed to take its course. The Home Secretary can, however, hardly be blamed

for wishing to make his course of action plain in rather embarrassing circumstances; his action is, in any case, not a heinous crime, and the indignation of the Conservatives in the Commons (who did not realise that the Constitution was in danger until the Lord Chief Justice said so) is more than a little synthetic. If any Minister is to be blamed, it is surely the Lord Chancellor, the anomaly of whose position in the Cabinet is only justified by the fact that he is supposed to be the link between executive and judiciary, and the guardian of the Constitution.

Nevertheless, the incident will have served a useful purpose if it once more directs the attention of the public to the limitations that should wisely be set to the power of the Executive to do as it likes. It is seldom that constitutional questions have the spotlight turned upon them, and it is easy for the average citizen, forgetting about the Constitution for years at a time, to believe that it is a static framework which has been erected for the permanent admiration of mankind. Because it is not codified into a single instrument, but is embodied in countless statutes, legal judgments, and customs, it is exceedingly hard to perceive the alterations which are constantly taking place. Moreover the English are "a very quiet people" and the confidence they place in the integrity of those who frame and administer the laws is without parallel in any other democracy. Deep inroads can be made upon the fundamental principles of personal security and liberty of which the mass of the people only become aware after they have begun to take effect. Students

may be still taught to accept Dicey's panegyric of the rule of law even while it is being continuously attenuated.

The British Constitution never possessed, as Montesquieu thought it did, a proper system of checks and balances. For the best part of three hundred years, the Executive has been gaining ground over both legislature and judiciary, and though the people have, from time to time, rebelled against some particular wielder of executive power, or the expedients he has used, they have, in general, acquiesced in the trend of events. The executive's power to say what the law should be has grown step by step with the people's power to say who should constitute the executive. In this way, Parliament has become an electoral college, a sounding board for grievances and a ministerial training ground rather than a legislature. At most, it is today a law-appraising body, in no real sense a law-making body. The unfettered sovereignty of the Cabinet has almost become, in the phrase that Hobbes used of the Crown "as great as men can possibly make it."

Nevertheless, it is right that there should be limits on what the Cabinet can do, and it is even more right that there should be severe limits on what it can do without stating its case and explaining its actions. The aspect of this whole subject that has been most in the public eye in recent decades has been the great extension of delegated legislation, the habit of Ministers giving themselves *carte blanche* to frame by means of Orders the actual laws they are to administer. This is, by now, an old argument and one which most people now realise cannot be solved by extremist solutions. It is obvious, on the one hand, that the state could not get on without delegated legislation, and on the other hand, there are a number of signs that Parliament is feeling its way towards a technique of bringing under discussion those examples of delegated legislation that most require it.

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But there is another aspect of the powers of the Executive that has not yet received more than a very small part of the attention it deserves. This is the tendency of Ministers, not merely to write the laws, but to write them in such a way that they are themselves placed above the law. Moreover, although by legal convention it is Ministers who issue the Orders and administer the law, it is, in fact, civil servants who do both. In the old days it was the pride of the English to look down upon the French notion of *droit administratif*, which placed the official above the law. It was regarded as one of the foundations of liberty that the servant of the Crown, from the Lord Chancellor down to the village constable, had exactly the same position in the eyes of the law as the meanest citizen.

In criminal matters, that is still the case. The police are not allowed in this country to break the law in the course of enforcing it. No Chief Constable can disregard traffic lights or keep an unlicensed dog. But in the great extension of economic law-making, the civil servant is now regularly, and almost as a matter of course, put above the law. He does not have to secure the same licences and permits for his activities as plague the private entrepreneur. It is taken for granted that everything he does is *ipso facto* in the public interest and more necessary than anything that a private person may want to do.

A few recent examples of this habit of mind will make clear how far it has gone. The Economic Information Unit of the Treasury has decided to issue a magazine to convey news about production to factory managers. No doubt it is an excellent idea; no doubt it will do something that the hundreds of existing technical journals do not do. But the point is that the Economic Information Unit does not have to submit to any disinterested assessment of the merits of its idea. Figures published last week show that four government departments are now each consuming a greater quantity of paper than

is allotted to *The Times*. This may, conceivably, be a right allocation of resources. But it is safe to wager that no impartial body has ever decided the matter. It has simply been assumed that Government departments must have all the paper that, "with due regard for economy," they say they need, and the public must share what is left. In effect, this is to assume that the least important Government circular or buff form is more important than the most important unofficial publication. The recent case of the Coal Board's unnecessary purchase of belting from the United States—at a cost sufficient to buy a great deal of newsprint—suggests that the same doctrine is spreading to the new Boards. No doubt there was some scrutiny of the Board's application for dollars; but it was obviously nothing like the scrutiny to which the private applicant has to submit. Or again, the Monopoly Bill that is now before Parliament creates machinery for the most rigorous investigation of the actions of alleged monopolists. But no part of it is to apply either to the acts of Ministers or even to statutory corporations. In all these instances, the Government is putting itself above the law that others have to obey.

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The new doctrine can be seen at its most arrogant in the powers that Government Departments have given themselves to acquire land. If they want any land, for themselves or their satellites, they take it, with little or no respect for the Town and Country Planning Acts. The utmost protection that the private owner has is the right to an inquiry, which means that an official decides between the claims of the citizen and of a brother official, the Minister in any case reserving to himself the right of decision. Over an increasing range of subjects, Ministers are acquiring powers to tamper with the rights and property of private citizens without any provision for impartial appeal. Naboth's vineyard has almost become a British legal precedent.

A large part of this is due to the war. War reverses the traditional position of the subject at law, and presumes in favour of the Executive. "A war could not be carried on according to the principles of Magna Carta" said Lord Justice Scrutton. What has now to be determined is whether the principles of British justice are to be set upon a permanent wartime footing; or whether a *modus operandi* can be found which will introduce a greater element of equity into the relations of the citizen with the State. As with delegated legislation, it would be foolish to advocate a root and branch solution. The Government, in a modern community, must have some powers that are not open to the private citizen. The problem is not to stop the exercise of those powers, but to see that they are executed with justice and to stop Government departments from being judges in their own cases. A solution might be found in an adaptation of the jury system. If a Government Department wants to use paper, or other scarce resources, let it convince twelve good men and true that its purpose is at least as essential as other applicants'. When there is an outcry over Government requisitioning of land, let the case be referred to an independent, unofficial, impartial tribunal, and let its decision be final. Indeed, is there any sufficient reason why inquiries, wherever they are prescribed by law, should not always be impartial? What, after all, is the point of them if they are not?

It is hopeless to expect that Ministers, once they are in office and working in their departments, will ever move in the direction of reforming these abuses, and if Ministers will not move, Parliament cannot. The way in which reform can be brought about is for the Opposition, while out of office, to pledge themselves to strike this blow for liberty, and then to insist on redeeming their promise once they are in. The Conservative Party, in their new Liberal mantle, and Mr Churchill in particular, ought to feel a special sympathy for such a libertarian project. Will they take a practical step to set the people free?

Latin-American Scene

THE twenty Latin-American states which attended the Bogotá Conference in March learnt some unpleasant facts there. Since then they have come to realise, first, that their aims as now conceived seem to conflict at almost every point with European interests and, secondly, that the United States gives priority to Europe. They had spent an active winter testing how far the machinery of pan-American collaboration could be used to further the ambitions of the individual States. Chile and Argentina, emboldened by the inclusion in the pan-American sphere at the Rio Conference of the territories they covet, had intensified their annual activities in the Antarctic. Guatemala laid claim to British Honduras. Their fellow republics, Brazil being an outspoken exception, on the whole supported their claims—but not the United States. Propaganda for an ambitious scheme for a Pan-American Bank, for which the United States was to provide \$5,000 million, ran a similar course. Anti-Communist campaigns in the individual states—a sure dollar-earner, to judge from Europe's experience—were intensified. All this, and the apparently generous mood of Congress, had kept high the hope that, when the economic and financial matters left over from the Rio Conference in October came up for decision at Bogotá, a Marshall Plan for Latin America might appear.

Yet Mr Truman himself had given clear notice at Rio that United States resources were not limitless and that Europe had first claim on them. In the circumstances it seems surprising that the Latin-American recoil from the United States refusal to make available the large credits they had hoped for should have been so strong. Indeed, this refusal has been interpreted as a serious setback to the work of inter-American co-operation. It is not unnatural that the Latin-American delegates should be chagrined at the diminution of their ambitious claims. There was an attempt to make the riots which interrupted their work at Bogotá serve as a reminder of how fruitful a field for agitation is provided by the discontented poor who comprise a large section of the Latin-American peoples. It was represented to the United States delegation that mere repression could not solve the Communist problem; that the poverty in which it is rooted could be cured only by the fuller exploitation of all the resources of the Latin-American countries—of course with US aid.

In so far as such developments require a large amount of foreign capital—which in present circumstances means dollars—Mr Marshall's announcement that \$500 million would be made available by the United States Government for loans to Latin America through the Export-Import Bank was a bitter disappointment. To some extent it has been offset by the fact that the World Bank has set aside \$1,600 million for Latin-American projects, and made its first loan—\$16 million to Chile—in March. The total demand, however, is estimated at about \$10,000 million and the Latin-American countries' own holdings of dollars—even if it be supposed that these reserves could be used for financing long term capital projects—amount to no more than some \$4,000 million. Official loans clearly will not suffice for all needs.

What then are the prospects for private loans? The Bogotá delegates heard Mr McCloy, head of the World Bank, announce that it was to private lenders that their countries must look for most of their foreign capital. And one of their last acts was to sign an agreement giving foreign investors fairer treatment and fuller facilities than hitherto, and safeguarding their rights in certain important respects. There are few signs that private investors in the United States are even nibbling at the

bait. Equally, there are few signs that the Latin-American countries are in fact modifying the practices which keep foreign capital away. For example, the recently proposed terms on which Brazilian oil, if found, may be worked by foreign companies are hardly conducive to that industry's rapid expansion; and even these proposals may conflict too strongly with nationalist feeling to be practicable. In any event, in Brazil, as elsewhere, the foreign investor is hampered by the provisions of the national constitutions. Similarly, Argentina's present attempts to extort further dollar credits by means such as banning dollar payments for United States imports (the implications being that they will be resumed when the Argentine till is replenished by a loan) or stopping imports from Switzerland until the Swiss agree to supply more dollars, will not increase confidence on the international capital market.

Such attitudes and policies, however well grounded they may be in nationalist ideology, ignore the triangular nature of so much of Latin America's normal trade: exports to Europe, European payments converted to dollars, dollars spent on imports from the United States. The condition for restoring this pattern is that the European countries should recover sufficiently to be able to permit at least a partial conversion of their payments into dollars. This is why, as Mr Truman and Mr Marshall have proclaimed, it is very much in the interest of Latin America that the European Recovery Programme should have enough priority to ensure its success. And the programme itself provides for purchases from countries outside the United States to an extent which should bring about \$700 million to Latin America.

On a longer and more realistic view it would therefore seem that the set-back suffered at Bogotá by Latin-American hopes of Pan-American co-operation is less serious than first reactions indicated. Nor is finance the only nexus between the United States and the Latin-American republics. In promoting that collaboration by the creation of the Organisation of the American States (a new regional organisation within the framework of Uno), and in easing lesser strains among its members by signing the Pact of Bogotá—which provides, among other things, for compulsory arbitration and the peaceful settlement of disputes—the Bogotá Conference set its seal on work which will remain valuable long after Latin-American pique at supposed US parsimony has been forgotten.

Inside Latin America the political pattern is changing. In particular, Argentina, the leading Power, has altered its position and adopted different tactics. Its agreement to supply Chile with food and industrial goods in return for raw materials is a dead letter; and the two countries' joint and well-publicised stand on their Antarctic claims against Britain does not mask the failure of the more important plan. If, however, trouble should arise again over Bolivia's claim to an outlet to the Pacific in Northern Chile, Argentina's strong influence on Bolivia may be counted on to bring Chile close to Argentina again in a hope of restraining Bolivian irredentism. Other spheres where Argentine activity remains strong are in its virtual dependency Paraguay, in which Brazil too is interested, and in Uruguay, which has been subject to considerable pressure.

A year or so ago these schemes of self-aggrandisement were going well. Argentina was on the offensive, diplomatically and economically; it had even tweaked Uncle Sam's nose. This performance earned some instinctive applause from the other republics, in spite of their dislike of Argentina. United States policy since then has tended to revive the traditional distrust of "Yankee imperialism." Yet weakness and corruption at

home have prevented the Argentine regime from taking advantage of a climate more favourable to its ambitions. On several occasions, as at the ITO talks at Havana, it has querulously asserted its national sovereignty. But on the whole its direct pressure has failed, and it has been relaxed almost *pari passu* with the increase in Argentina's own economic difficulties. If the United States Administration stands by its refusal to buy any ERP commodities from Argentina at present prices, and if, as is possible, a good harvest this year brings agricultural prices down, Argentina's international position will weaken rapidly.

The internal position of the Perón regime, however, is stronger. It is founded on the support of the industrial proletariat, whose lot it has undoubtedly improved. This improvement is being used to impress on other Latin-American states, which also have growing industries the benefits of Perónism; and an efficient corps of Argentine labour attachés works assiduously to this end. It also puts Perón at an advantage in dealing with the Communists. In the other republics, in spite of attempts to imitate Perón and to organise resistance to Communism around the Church, there is plenty of scope for

NOTES OF THE WEEK

Lords and Parliament Bill

On Wednesday the House of Lords rejected by a vote of 177 to 81 the Parliament Bill, whose second reading had been postponed since February 4th in an attempt to find a solution that would be acceptable to all parties. The leaders of the three parties so nearly reached agreement on the powers and on the reformed composition of the House, as to create bewilderment when the conference broke down. The Conservative leaders were prepared to accept a measure which left the Lords with the power of twelve months' delay from the third reading of a Bill in the Commons. The Government offered a period of nine months. The difference is of course material: the longer period enables the Upper House to postpone until after a general election any measure sent up from the Commons in the last two years of a parliament: the shorter period would confine this power to the last session only, and that is the utmost concession that the Government would make.

The dignified conduct of the debate could not conceal a deep division of opinion between Socialists and Conservatives on the role of the House of Lords. The Conservative view is that the function of the delaying power is to force a reference to the electorate of a question on which the Lords consider that the Government has outstripped or misinterpreted its mandate. The Government seems to believe that its importance lies in the opportunity which it gives to the House of Commons to change its mind in view of the arguments in the House of Lords and in face of any definite change in public opinion which develops during the period of discussion. In other words, the Conservatives regard the House of Lords as a vital counterbalance to the power of the Executive wielded through its domination of the House of Commons, while Socialists (that is the more moderate, for the Left wing is avowedly in favour of single chamber government) believe that the popular basis of election to the Commons gives it an unquestioned predominance in the Constitution.

The sharpness of their division of opinion is due to the fact that both sides have weakened their own case; the Conservative peers by their subservience to the executive in the inter-war years when their own party was in power; the Socialists by using Lords reform in order to force the passage of the steel nationalisation Bill. Consequently the best opportunity that has or will occur for many years to re-establish the Lords upon a more logical basis has, despite the best efforts of the Liberals, been jettisoned.

Battle is now finally joined. The procedure of the 1911 Act, which has not been invoked since it put Irish Home Rule on the Statute Book (but not into effect) in 1914, followed by Welsh Disestablishment, now comes into operation. The earliest date at which it can bring the new Parliament Bill up for the Royal Assent will be late November or early December, 1949, the two-year veto period running from the time of the Second Reading in the Commons on November 11, 1947. There is, it is true,

Communist tactics, notably in Chile, Brazil and Colombia. Their governments tend to use the Communist threat as an excuse for repressive and inequitable policies which perpetuate conditions favourable to Communism.

It is the persistence of these conditions outside Argentina which may provide Perón with opportunities to play a continental rôle. The main features in the policy of any demagogue in that rôle would be a nationalist abroad policy and at home the encouragement of industrialisation as a means to self-sufficiency. The two policies quickly come into conflict when it is only from countries affronted by the nationalism that the capital for industrialisation can come. Even Perón may find it necessary to finance by further foreign loans his five-year plan to free Argentina from dependence on vital supplies from abroad. Yet Argentina is the strongest of the Latin-American countries. The only way out of the dilemma is to moderate the nationalism. There are a few reluctant signs that the necessity of this is being accepted. How strong is this trend away from nationalism will be better judged after the next Inter-American Conference at Havana in the autumn.

one loophole in the present Act through which an earlier settlement might be reached—the provision that an amendment agreed between the two Houses could be incorporated into the Bill during the interim period. But the tone in which the Conservative speakers wound up the debate on Wednesday rules out the likelihood of any such development. There is, indeed, no reason why the Government should now give way. When they brought up the constitutional issue in the autumn, public opinion was against them. But either by luck or by skill they have out-maneuvred the Conservatives, who now bear the blame for the failure of the attempt to find a compromise. A quarrel between the Houses on the death penalty might tilt the balance back. And so may the Steel Bill.

The Government is now considering an early fourth session, to begin in September. The object of this would apparently be to get the Steel Bill started on its way so that it, too, can come into operation in time to clear the decks for a General Election in the spring of 1950—the earliest practicable date which the delay to the Parliament Bill will now permit.

* * *

Compromise on the Death Penalty

Mr Herbert Morrison's sense of political strategy has reasserted itself in time to prevent a battle with the Lords on two fronts at once. On Wednesday morning, shortly before the vote in the House of Lords on the second reading of the Parliament Bill was due to be taken, he persuaded a special meeting of the Parliamentary Labour Party to support a plan for a compromise clause on capital punishment, to be inserted in the Criminal Justice Bill when it returns to the Commons at the end of this month. The case for compromise was strongly advocated by Sir Stafford Cripps, who led the passive resistance of more than forty Ministers and Whips when the free vote was taken in April. Even the strongest advocates of the complete abolition of the death penalty appear to have been won over by the argument that the purely sociological issue was now in danger of being swallowed up in the constitutional struggle between the two Houses. They have also had the assurance that in drafting the new clause the Home Secretary will take due note of the views of those who led the revolt from the Labour back benches against the penalty.

This compromise extricates the Government from the embarrassing situation into which it had drifted by its attempt to avoid committing itself on this issue last April. It is clear that on a matter of this magnitude it was essential that the Government should have made up its mind at the time. This type of leadership, which is necessary on any major policy measure, becomes all the more important in these days when the Government, by appropriating to itself all Private Members' time, holds in its grasp the initiative on all legislation in the Commons.

The new clause is likely to confine the death penalty to certain specific types of murder, of which political assassination and

attacks on the police or warders have been frequently mentioned. This change, together with the continued exercise of the Royal Prerogative, would provide a considerable inroad on the use of the death penalty. There still remains the chance that the compromise, once adopted by the Commons, may still be rejected by the Lords. But if that happens the Government will be on surer ground for their further battle with the Lords than if they had stood by the original decision.

Looked at out of its political context and purely on the merits or otherwise of abolishing capital punishment, the compromise achieves nothing at all. Already by the use of the prerogative of mercy the Home Secretary commutes the death penalty in many cases for which, it seems, the penalty is now to be abolished by Statute. All that the compromise will do is to absolve the judge from the duty of going through the farcical process of pronouncing the death sentence in cases where it is well known it will not be carried out. But these cases are not the ones in which the effectiveness of the death penalty as a deterrent needs to be tested; they are indeed the sort of crime for which no effective deterrent probably exists. It is the effect of the death penalty on the gangster murderer that needs to be tested—for if it is not a deterrent the case for retaining the death penalty goes altogether—and it is precisely this that, by the Government's compromise, cannot now be tested. Why was not a compromise attempted by the simple process of postponing the appointed day when abolition of capital punishment should come into force? By this means the abolitionists would have the satisfaction of seeing abolition on the Statute Book and of knowing that in a few years time it would come into force. The Government and a great many of the present opponents of abolition would be relieved that abolition would not be brought into effect in the present period of lawlessness and scanty police forces. Only those who look upon hanging as a sacred rite of the state would be dissatisfied.

* * *

Handing Over in Germany

After a long period of controversy, the Anglo-American authorities in Frankfurt are putting the final touches to a decree which will give to German "industry groups," that is, to the industrial associations, the right to allocate raw materials until they can be freed from control altogether.

The implications of this measure are far-reaching. It is only the beginning of a programme for handing over control of the German economy from the state bureaucracies to private business. The main points in this programme, which was recently outlined by the Christian-Democrat head of the German Economics Administration, Dr Erhard, are to restrict the rôle of the state to formulating general policy and to leave its execution to so-called "autonomous industry." The swollen ranks of the state and central administrations will be drastically reduced in order to balance budgets. Direction of the economy will eventually be exercised not by control of distribution or prices, but by fiscal means, through the dispensation of credits to a business community which will be starved of capital after currency reform. It is intended—and this may allay fears about re-armament if not anxiety about German competition—to foster light industries producing consumer goods rather than heavy industry.

The dangers inherent in this programme are serious. Before controls go altogether, the power to exercise them is being given to the industrial associations, which are bodies responsible to their members and not to the people. The record of German industrialists justifies fears that they will re-form cartels, with the immense power that goes with the right to allocate raw materials in an economy of scarcity. To meet this objection, a representative of the Anglo-American authorities, as well as of the Frankfurt Administration, will attend meetings of the industry groups—but who can think that even the most zealous decarteliser would be able to keep his eye on all the devious manipulations open to the industrial associations?

Perhaps the most important point is that an important element of power is being removed from decentralised *Land* Governments (who have hitherto allocated raw materials) to centralised industrial associations. This may make for efficiency, though it may merely remove the red tape from Frankfurt to the head offices of the business federations, but it will not allay French fears. For all concerned, it is to be hoped that the day will not be long delayed when controls can be removed from the hands of the German industrialists. The decree allocating these powers to industrialists should be accompanied by an emphatic assurance that the arrangement is provisional and subject to review when a German Assembly can express its views about it.

End of the Benes Epoch

The resignation of President Benes of Czechoslovakia has, like the abdication of King Michael of Roumania which preceded it by six months, a truly symbolic significance. Both events marked the formal close of an epoch which had in fact ended some time before; but both caused a very real anguish to the nations which saw in them the final proof that their independence was lost.

The last time that Dr Benes resigned the Presidency was in October, 1938, after the *Diktat* of Munich had reduced his country to vassal status. He was succeeded by the docile Hacha, and five months later the rump republic was formally incorporated, with a limited degree of autonomy, in the Greater German Reich. The analogy will not be lost on thoughtful Czechs, who will see in it a guide not only to the recent past, but to the immediate future.

Czech supporters of the present regime point out that there are no foreign troops on Czechoslovak soil, that the Communists were the keenest opponents of Munich, and that the Soviet Union is the only Power capable of defending Bohemia from a resurgent Germany. They add that the policy of the Western Powers, at this very time planning together the economic recovery of Western Germany, proves German resurgence to be no unreal bogey. So eager are Czechs of this type to save their independence from German attack in the far future that they enthusiastically hand over this same independence in the present to the accredited agents of their Russian liberators. To some extent at least Dr Benes appears to have shared their view.

The argument "Russia is our defence against Germany" has long been one of the main principles of Dr Benes. Alone among the East European émigré leaders in London during the war, he insisted on good relations with Moscow, and was the first to sign a treaty with the Soviets. This enabled him, and the democrats who followed him into exile, to return home with Communist blessings. It made it possible to maintain political democracy for nearly three years. Now the experiment has failed. Among the Polish and Yugoslav émigrés, and their British admirers, there will be plenty of *Schadenfreude*. In his own country there is bitterness that he did not give the order to resist the Gottwald coup in February. The bitterness leads to doubts about his whole past foreign policy.

The President's letter to Gottwald made it clear that the main grounds for his resignation were political. It was timed to spare him the duty of approving the new Constitution, which was brought into operation on May 9th before the elections were held. But the reference to his health as a secondary cause was not an excuse. At the age of 64 he has been under intense nervous strain which he could share with very few.

* * *

Tory Trumpet Calls

Irresponsibility flourishes in opposition; and where opposition was traditional, as with the Labour Party, the reaping of the ensuing crop of wild oats has been a painful business for all concerned. But opposition has a countervailing advantage; one need not worry nearly so much about pressure groups. The two latest pamphlets of the Conservative Political Centre ("Return to Greatness," by R. A. Butler, and "Forward from the Industrial Charter," by David Eccles) show a Conservatism wonderfully purged, for the time being at all events, of its Brummagem big-business elements; harking back to Disraeli's idea of harmony in diversity, proclaiming the virtues of decentralisation, both political and economic, championing the small man against bureaucrat and combine, underlining the notion (once a palladium of the Liberals) of a "property-owning democracy." Mr Eccles adds to the brew (with a couple of paragraphs which might have come straight out of the 1929 Liberal "Yellow Book") a plea for a concerted and co-operative attempt to master the "blind economic forces" the desire for whose control he very rightly recognises as the chief contemporary motive of democratic sovereignty. It is true that he gives no conclusive reasons for supposing that Conservatives would be better than Socialists at mastering the forbidding—and in some opinions insurmountable—difficulties of planning *per se*; but one can hardly refute Professors Jewkes and Hayek in a couple of pages of a nine-page pamphlet.

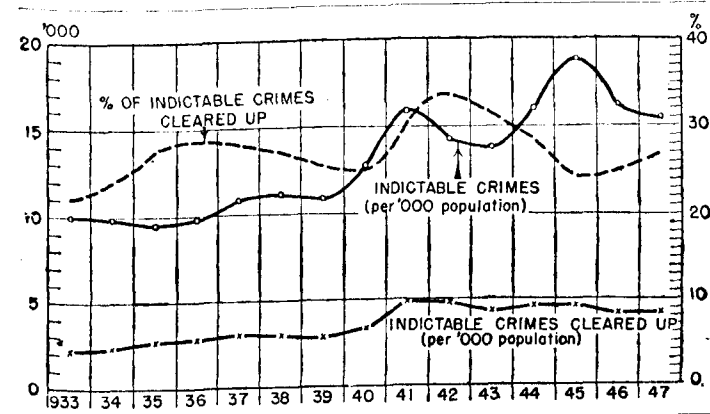
Altogether, Conservatism as thus delineated is enough, or nearly enough, to send Sir Waldron Smithers into an apoplectic fit and win the disgruntled floating voter over in his millions. But how closely, if at all, does it correspond with the sort of policy which a Conservative Government would actually pursue? Does the

leopard change his spots so painlessly? The Right in opposition always woos the small man, the promising beginner, the dynamic element; the Right in power is on the side of the big battalions of finance and industry just as the Left is on the side of the big battalions of the TUC. The Right in opposition is reformist; the Right in power stands by privilege and vested interest. It does move, little by little and generation by generation; indeed, its capacity for learning, compared with the wooden-headed Bourbonism of most Conservative groups in other lands, is one of the major reasons for the comparative sanity and absence of bitterness in British politics. But such professions of good intentions as those of Mr Butler and Mr Eccles may yet prove to be as remote from the Conservatism of the Tory press, the back-benchers and the constituencies as is the sweet reasonableness of Mr Herbert Morrison from the Socialism of the Scarborough rank and file.

* * *

Crime, Punished and Unpunished

So much has been heard since the war of the growth in crime and of the shortage of policemen, that it will come as a surprise to most people to discover from the Report of the Commissioner of Police of the Metropolis for 1947 (Cmd. 7406) that the same proportion of crimes were "cleared up" as in 1938. This is the more surprising since the Metropolitan police force was only three-quarters of its prewar size, and the number of crimes



was 127,000, compared to 95,000 in 1938. With a 34 per cent increase in the number of crimes and a 25 per cent decrease in the size of police force, it is really very creditable that the police have managed to do as well as they have.

So much is shown in the report, but there is a more depressing side to this picture. An analysis of the figures given in previous reports shows that whereas 27 per cent of crimes were cleared up in 1938 and 1947, 30.9 per cent were cleared up in 1940 and 33.7 per cent in 1941. Although 1945 was the worst year from all points of view the position is still a good deal worse than during the war years.

The report claims that the number of crimes cleared up per policeman has nearly doubled since 1933—a new version of increased productivity. If this is the case, then the deterrent effect of detection might have quite startling results if the Metropolitan police force could reach its full strength of 20,000, instead of having a deficit of nearly 5,000. With 20,000 policemen the "screwmen" and "dragging larks" would no longer have a three-to-one chance of escape. This is unfortunately wishful thinking unless the policeman's pay and conditions of service are improved. During 1947, 2,607 men rejoined the Metropolitan police service, and 1,907 left, a large proportion being new recruits. It is feared that at the present rate of recruitment and wastage the police force of London may be still smaller by the end of the year.

* * *

Doubting Dominions

There now seem to be doubts whether all the Dominion Prime Ministers will attend a Commonwealth conference this year. What support there has been for the proposal has come, not surprisingly, from the new Dominions—India, Pakistan and Ceylon—and from the usually reluctant Mr Mackenzie King. Mr Chifley is still considering whether he will attend in person or not, and Dr Malan has so far committed himself only to send-

ing observers. Moreover, it is now being suggested that bilateral talks between Britain and each Dominion should be a substitute, instead of a preparation for a full conference.

It may well be that the business of government makes it difficult for Dominion Prime Ministers to absent themselves from their countries for long. But the plea of pressure can be even more overworked than the Ministers. If the conference were carefully prepared, as it should be, the Prime Ministers would not necessarily be long detained in London. It is more likely that Australian and South African doubts arise out of fears of what they may be asked to do for other members of the Commonwealth. The advantages of closer Commonwealth co-operation are at times more obvious in London than in Canberra or Pretoria. Difficult relationships between individual Dominions, such as those between India and South Africa, might cause some awkward situations and impede the discussion of matters of common interest.

But this juncture in Commonwealth affairs and British policy is of quite exceptional importance. Europe awaits a clear statement of whether the Dominions accept Mr Bevin's Western Union policy or not. America waits to see how strong and flexible are the ties binding its principal ally to the affairs of the Indian Ocean and the Pacific. The British public wishes to know whether there is or is not a Commonwealth policy for defence, of which a quite disproportionate share of the burden falls on its aching shoulders. The new Dominions wish to make their bow to the assembled company. To postpone discussion of these and other matters is to shirk them. It is surely Mr Noel Baker's task to throw off the usual Whitehall timidity towards the Dominions, to visit Mr Malan and Mr Chifley if necessary, to initiate bilateral conversations with the Dominions, to clear the ground of petty obstacles to a conference, and bring every member of the Commonwealth face to face with the novelty and urgency of its post-war problems. This may involve postponing the full conference, but not *sine die*.

* * *

Truce in Palestine

The Palestine truce agreement does great credit to all those concerned in its negotiation. It will, if it works, be worth a red letter in the black record of international relations. It will, at last, score a notable success for the United Nations. It signifies that the British and the Americans have at last pulled together on a point to do with Palestine. Unqualified satisfaction, unfortunately, is premature. Here is a means of stopping the fighting for a spell, but it is a means that casts a tremendous amount of responsibility on Count Bernadotte. Can he carry so much?

By its terms, the mediator is to regulate immigration. He is to determine whether or no immigrants are "fighting personnel." If they are such, he is to detain them in camps under surveillance by his observers. He is, for a week beyond the truce, to control all immigration irrespective of age or sex. These clauses alone leave upon him the onus of deciding an issue that has so far broken every would-be mediator in the past: the problem of fixing numbers of immigrants that both communities will accept as fair. The other clauses of the Bernadotte terms cover prohibitions, during the period of the truce, of all movement of troops and war materials in and near Palestine, and of all import of war materials by any interested party. (There is no provision for

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enforcement of these two conditions.) Other clauses stabilise present fighting fronts and provide for Red Cross relief to "populations of both sides in municipal areas."

It is already plain that the truce will stand or fall by the mediator's capacity to regulate the question of numbers of immigrants. The conundrum that this represents in connection with the Cyprus camps alone is reviewed in an article on page 974. Both sides, he has reported to Lake Success, have accepted his terms "unconditionally," but what they mean by "unconditionally" is at once called in question, if not invalidated, when Mr Shertok, speaking in Tel Aviv, simultaneously states that Israel, while prepared to co-operate with the mediator, "will regard as unjustified any attempt to interfere with the normal flow of Jewish immigration." The forecast is no better than bright periods, with further outlook unsettled.

* * *

Puzzle for the Arab League

The truce clause that covers international assistance to refugees may help the Arab League with a human problem of dimensions with which it is not equipped to cope. Quite apart from the sheer question of relief of multitudes, it is at grips with a political difficulty: how to organise civil administration in the areas its armies now occupy. Does it not, if it establishes any regime there, give tacit recognition to partition?

Our correspondent telegraphs from Amman: "This question is already urgent because the former administration had collapsed completely even before the end of the Mandate. For nearly two months the country has been without a central authority, without the majority of public services, banks, imports and exports, hospitals, schools, postal services—all the attributes of a modern State with which 30 years of British administration equipped Palestine."

"In the larger towns, such as Nablus, Hebron and Gaza, the existing municipalities have managed to maintain some kind of civic organisation. But they have run out of funds, and there is no prospect of getting more. In the smaller villages, the problems are possibly not so urgent; life is much simpler. But on top of the breakdown of administration, there is the additional problem of tens, and probably hundreds, of thousands of refugees from Haifa, Jaffa, Tiberias, Acre, and all the smaller towns and villages conquered by the Jews. Some have crossed into Lebanon, Syria, and Transjordan, but others, mainly the poorer ones, have flocked into areas where the Jews have not penetrated. Thousands of Palestinians are now without possessions or jobs. There are 10,000 such in Nablus alone."

"The Arab League has to decide whether to tackle this problem with a central 'Palestine' administration or with separate local areas of responsibility assigned to different Arab States. They are reluctant to establish anything which would imply recognition of partition. They are too poor to be able to do much with a territory which has virtually no funds of its own. One possibility is a form of administration by the Arab League, using the hundreds of excellent Palestinian trained officials, and with the exercise of special powers by the Egyptian, Transjordan, and other armed forces in the areas where they have been operating." Obviously, the Red Cross can help them out, but it cannot answer all the questions with which they are faced.

* * *

Cost of Scholarships

Hitherto very little has been known about the cost to the state and local authorities of the large number of university scholarships and grants now being used by students at the universities, nor about the future policy to be adopted when the present very large number of Further Education and Training grants cease to be awarded. Two answers to questions in the House of Commons last week threw some light on both these matters.

As far as the number of present awards is concerned the figures given in Parliament and expanded subsequently show that a large majority of students now in the universities are receiving state aid in one form or another. (They are reproduced in the accompanying table.) At present there are 26,000 ex-Service students in the universities receiving special Further Education and Training grants, and this number will be larger still next year when the third year's intake of ex-service students arrives. That will be the peak year and the numbers will then fall rapidly, since the national service conscripts are not eligible for these special grants. The fourteenfold increase in the amount contributed by the state is startling, and shows that this form of contribution to university education is almost exactly equal to the amount paid by

the Exchequer direct to the universities. For the current financial year the direct Exchequer grant is estimated at over £10.5 million (compared to £2.5 million in 1938). Local authority grants have increased much less, for LEAs have understandably left it to the state to finance ex-service students, and the number of school entrants has been sharply restricted.

When the ex-service grants come to an end what is to replace them? There are now 76,000 places instead of the 50,000 in 1938, and it is hoped to reach 88,000 places in due course. The number of students who will be able to afford to come to the universities without assistance will almost certainly be fewer than

NUMBER AND COST OF UNIVERSITY AWARDS

	1937-8*		1946-7*		1947-8†	
	Number	£	Number	£	Number	£
1.—State Awards						
Further education and training grants (ex-service).....	...	...	12,500	5,416,000	13,500	9,764,000
State scholarships.....	360	129,000	360	142,000	870	185,000
Open scholarships.....	1,200	£	1,200	58,000	1,200	138,000
Teacher training grants (4 years).....	1,298	627,500	1,874	412,000	1,776	400,000
Science awards.....	30	11,000	31	8,000	31	8,500
State bursaries.....	...	...	†	279,000	†	146,000
	2,888	767,000	15,965	6,315,000	17,377	10,641,500
2.—Local Authority Awards						
	1,700	340,000	3,900	463,000	4,300†	500,000†
GRAND TOTAL.....	4,588	1,007,500	19,865	6,778,000	21,677	11,141,500

* The figures for number and cost are not exactly comparable except in the case of local authority awards and teacher training grants. For State awards the cost is related to the financial year; the numbers relate to academic years.

† None were awarded in these years, but 420 were still current in 1947-8.

‡ Estimate. § Not State aided.

before the war when taxation was less crippling. It was announced last week that a Working Party in the Ministry of Education is now considering this matter, and is to recommend what new grants should take the place of the FET grants. There can be no cast iron estimate of the numbers who will need assistance, but it is probable that something between a half and three-quarters of each year's entry will be unable to pay their way, as compared to about a third before the war. Even if it proved that three-quarters of the students received grants the cost would be lower than at present, since so many ex-service students are receiving maintenance grants to cover their families, which would not be payable to younger students.

* * *

The Fifty Millions

The guess made in *The Economist* of May 22nd that the official estimates of the population of the United Kingdom would soon show a figure of over 50 million is confirmed in the latest issue of the *Monthly Digest of Statistics*. Indeed, the line was crossed before the end of last year, for it is the estimate for December 31, 1947, that reaches the figure of 50,015,000. Of this total, males make up 24,223,000 and females 25,791,000. England and Wales contribute 43,534,000, Scotland 5,140,000 and Northern Ireland 1,341,000. The age distribution is also of interest:—

	Numbers (Thousands)	Percentage
0-14	10,906	21.8
15-29	10,761	21.5
30-44	11,416	22.8
45-59	9,249	18.5
60 and over	7,687	15.4
Active ages (15-65)	33,851	67.7
Dependent ages	16,168	32.3

These figures show clearly how the "largest generation"—those born in the years of maximum births in the first decade of this century—is now in the middle of the population. The largest single five-year group is of those born in the years 1943-47. But the next three largest are 1908-12, 1903-07 and 1918-22, in that order. The biggest ten-year group is of those who were born in the years 1903 to 1912 and are now between 35 and 45. For the present it is an advantage to the community to have its largest generation in the prime of life. It is in some 25 years' time, when this largest generation is in its sixties, that the trouble will be really serious.

* * *

Incentives for Specialists

The Spens Committee on the remuneration of consultants and specialists in the national health service had a triple task to perform. It had to frame proposals which, while giving

specialists an adequate reward, would not intensify the present rush away from general practice into the specialities. Secondly, it had to bear in mind the need to spread consultants and specialists more evenly over the country. Thirdly, and most difficult, it had to draw up scales of remuneration which would not be extravagant for the bulk of specialists but would encourage outstanding specialists to enter the Health Service by holding out more than the ordinary rewards for more than ordinary ability.

The first objective does not seem to have been achieved in its report (Cmd. 7420). General practitioners in the National Health Service will receive net payments (after allowing for expenses) of £1,090, £1,606 or £2,222 a year according to whether they have 2,000, 3,000 or 4,000 patients on their lists. For whole-time work (on the staff of a hospital) the Spens Committee recommends a starting salary of £1,500 per annum at the age of 32 rising by £125 a year to a maximum of £2,500, but these recommendations have to be adjusted upwards as they are based on 1939 prices. The gap between the pay of general practitioners and specialists is not, however, so big as it seems. A good general practitioner can reach his maximum at an earlier age than can a specialist and, moreover, may be able to earn private fees and extra payments as well. A specialist, on the other hand, may not obtain an appointment to the staff of a hospital, for which high academic qualifications are now required, and will then have to be content with a maximum of £1,200 (1939 prices).

The committee has attempted to achieve its second objective simply by recommending that its scale of salaries should be adopted throughout the country, for the staff of teaching and non-teaching hospitals alike. Its way out of its third difficulty is, however, more dubious. Outstanding distinction is to be given an award of £2,500 (based on 1939 prices) a year in addition to the ordinary salary, second-grade distinction one of £1,500, and a third-grade one of £500. The awards are to be limited to a fixed percentage of eligible specialists, with the effect that one-third will receive more than the basic maximum of £2,500.

This is an ingenious proposal by which security and enterprise can be combined in a salary policy. What is dubious about it is the means of putting it into effect. The Spens Committee recommends that the grant of the awards should be in the hands

of a predominantly professional body largely nominated by the Royal Colleges—in other words, a body of men themselves most likely to be candidates for the awards. Surely this would try their impartiality a bit too hard.

* * *

Egyptian Thoughts on the Sudan

Heavy responsibilities lie with the Egyptian Cabinet at its meeting this weekend. At a moment when it is involved to the hilt in Palestine, it must come to a decision on what to do about increased self-government for the Sudan. Is it to take the imperialistic line that will please the crowd at home, or the longer-term view that constitutes, in present conditions, a more practical foreign policy?

It will be remembered that the joint rulers in the Sudan—Great Britain and Egypt—have for nearly a year been exchanging correspondence about the form that a greater measure of Sudanese self-government is to take. The Sudanese are now hotly impatient for something to happen. A serious railway strike in March was a measure of their impatience. But progress has not got beyond the paper stage because London and Cairo have so far failed to agree. In March, when the time came round for the regular meeting of the Sudan's Northern Advisory Council, the Governor-General kept his promise to proceed with developments by submitting to the Council's vote a British draft ordinance for the country's future government. He was careful to warn them that their vote was necessarily provisional because the document had not been agreed to by the Condominium Powers. The draft was accepted by a majority that caused surprise and some consternation in Cairo.

It can be argued—indeed, it was argued by a correspondent in *The Economist* of March 27th—that if Egypt continues to produce nothing more than vague slogans and makes no concrete suggestion that shows grasp of current Sudanese opinion, the Sudan Administration cannot but go ahead on its own. But the issue is not so simple. Can it justifiably do so without first showing that the Condominium Agreement has become unworkable, and may need scrapping? That agreement of 1899 is of the loose type that works well so long as the parties agree, but makes

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control the flow of milk from the farm to the town buyer, but that retail distribution should be left to private enterprise acting under really competitive conditions—attempts by distributors to fix minimum prices locally should be prohibited, and the central authority should be enabled to operate as a retailer itself if it considered it could do so more cheaply than existing retailers. The committee's concentration on rationalising distributive channels in the interests of the consumer and its insistence on the need to cut distributive margins are welcome. Reactions from the Government and the trade will be awaited with interest.

* * *

Mr Bevin on Steel

Apologists for the nationalisation of steel are having to go farther and farther afield for their arguments, and the reward of their journeyings grows progressively more meagre. It was, alas, Mr Bevin, not Mr Bevan (from whom this sort of thing is common form), who in a speech to the Amalgamated Union of Building Trade Workers last week blamed private enterprise because Britain did not have an annual capacity of 20 million tons of steel before the war. Had such a capacity existed, he thought, the postwar story would have been different; and he concluded that steel development could not be left to "idle disputes" (between whom?) and "the uncontrolled rivalry of private individuals" when the nation stood in need. This, while a fair sample of Labour argument on such topics, is so far below Mr Bevin's usual form as to call for comment. The comparatively uncontrolled rivalry of private enterprise in steel continues, week by week, to break output records; while the all-too-meticulously controlled coal industry continues, week by week, to lag farther behind its standard output, not to mention the "capacity" of pre-war years. One really cannot have it both ways. If output, the full use of existing capacity, is the criterion, then private enterprise is at the moment scoring heavily over public; if mere capacity is the criterion, then the whole time-honoured Labour indictment of the iniquity of "idle resources" falls to the ground. The fact is—as earlier passages in Mr Bevin's speech make

clear—that socialisation is not a policy in whose support Labour in its inmost heart feels bound to adduce strictly logical arguments, as it does for any particular measure of taxation, rationing or constitutional change. It is an ultimate good, in Mr Bevin's words, a "guiding principle," to be bracketed with the preservation of freedom, liberty, equality and the nationalisation of the means of production, distribution and exchange; the last term of this inspiring slogan is not less dear than the others. It is one thing to "see no reason," in Mr Bevin's words, "why public ownership should destroy the freedom of association, the right to think, to act, and all the human rights expressed in the four freedoms"; it is quite another to enshrine State ownership on a level with, if not above, those human rights. The first argues merely a certain obtuseness and unwillingness to look at arguments or evidence; the other is a frankly appalling distortion of human values which Mr Bevin has the reputation of holding in honour.

Shorter Notes

The House of Lords debate of May 26th on Empire immigration added very little to public knowledge on the question. The Opposition keeps needling the Government on the subject, but until there has been some really comprehensive and authoritative study of the manifold factors of defence, shipping, location of industry and population trends the British public may be pardoned for feeling bewildered amid all the competing alternatives. It was useful, however, to the extent of eliciting from Lord Addison the figures of emigration to the Dominions since 1946, which are: Canada, 75,439; Australia, 22,604 (which will be more than doubled in the present year); New Zealand, 11,346; South Africa, 37,269.

*

The Honours List issued on Thursday will cause less comment than the cancellation of the Trooping the Colour on the same day. A 93-year-old peer, a Civil Service Dame and a knighthood for Mr C. B. Cochran are the outstanding items in a dull list.

AMERICAN SURVEY

The Forgotten Man

(From Our US Editorial Staff)

THE circuses provided by the struggle of three uninspiring Republicans to win their party's nomination has diverted attention from the bread and butter of the Democrats, the President of the United States. In spite of the arguments of the enthusiasts who, with pencil and tablecloth, are prepared to explain ingenious methods of drafting General Eisenhower by acclamation, and despite the frantic attempts of embittered Southerners to find their private Dr Malan, there is little doubt that Mr Truman will win the nomination rather comfortably on the first ballot. But, as President, he has made no overt move until now to collect either delegates or votes.

This month he is getting down to the job. A providential invitation to give an address at the University of California in Los Angeles has made it possible for him to take a non-political trip to the West Coast. With subsequent requests for speeches from intermediate points, he will be able to stop at many places on the way out and back in the very States where his chance of ensuring loyal support among the delegates is best. Under a law passed in 1907, the President is allowed \$25,000 annually for travelling expenses "to be expended at his discretion and accounted for by his certificate solely." The \$25,000 is not available to a candidate for the Presidency but, before the conventions, it is always possible to argue that Mr Truman is more President than candidate. The cries of "Politics" from the Republican National Committee will get them nothing but partisan sympathy as long as Mr Truman's public appearances are limited to non-political organisations.

How many cross-country trips the Democrats will be able to afford for their candidate after nomination day is very doubtful. During the first two months of the year they collected less than \$16,000, compared with \$90,000 which came into the Republican fund and over \$87,000 into Mr Wallace's campaign chest. It is difficult to see how they are going to do much better between now and October. Nobody likes to back a horse which is fading in the straight, even if its collapse is caused (as Mr Truman's largely was) by a bump from an outsider with no chance itself. Gamblers can always be found to support a long shot—the large sums invested in Mr Stassen over the last eighteen months are an example—but at moments like this, prudent party men keep their money for next time. Democrats who contributed to Mr Roosevelt's four campaigns have done enough to assure their places in the sun—in the unlikely event that their sun should shine for four more years. They will still be good Democrats if they do no more until 1952.

*

It is unfortunate for the party that Mr Truman has no very positive qualities which can be dramatised. For over three years he has been playing out Mr Roosevelt's time, a task which would have tried a more experienced man. Even Mr Roosevelt himself, had he lived, would probably have found his reputation tarnished—at least in the eyes of the electorate—as Woodrow Wilson and Lloyd George did. The President is not a commanding speaker and is often boring when his somewhat rasping voice is ploughing up manuscripts prepared by someone else and the meaning of which he only dimly realises. But, as he has proved once or twice lately, he can speak with great charm and sincerity when allowed to roam impromptu over the lowlands where he feels at home. His tendency to make major pronouncements of policy without being aware of their import has, up to now, scared his advisers into providing him with set speeches from which he departed at his, his party's, and sometimes the country's perils. But, with the position desperate and nothing to lose, he will be allowed to speak many times on this trip without a manuscript—if he promises to keep off certain

subjects. If he does as well as he did before the American Society of Newspaper Editors (not an easy body to impress), who were unanimous in his praise when he spoke to them off the record six weeks ago, he will begin the long climb back to popularity.

Mr Truman has, to those who are prepared to study the last three years and can forgive him for not being Mr Roosevelt, some very solid achievements to his credit. He has not, whatever Mr Wallace may say, betrayed the Roosevelt ideals—certainly not to the extent that Mr Wallace himself has. His liberalism is as genuine as his predecessor's, though it springs from different roots. Mr Roosevelt was always an aristocrat with a dash of condescension in his sympathy. Mr Truman's sympathy with the underdog comes from identification. He has been a failure himself. When he became a success it was in a world of political manoeuvring and he knows no other way of getting things done. Mr Roosevelt was well aware of the value of playing politics, but, to him, it was only one of many ways of reaching his objective.

It is this instinctive sympathy and his obstinacy in following every trail down which it leads him which have brought Mr Truman most of his political headaches. His civil rights programme, to which he holds with dogged persistence, was never merely a device for winning votes. If it had been, it would have been quietly dropped when, far from proving of political advantage, it split his party in two. His attitude to labour comes from the same source. He vetoed the Taft-Hartley Bill because he did not like seeing employees at the mercy of big business. But he has fought Mr John L. Lewis and other union leaders—and done it more successfully than his predecessor—when he saw danger of the public suffering for their wilfulness. Even his Palestine policy is based on genuine emotion—his parallel insistence, disregarded by Congress, that this country should take its share of displaced persons is the proof—though his advisers have led him astray whenever he has made a move.

*

It has become an axiom that the level of Cabinet appointments has fallen disastrously since 1945 and that the country is now being run by second-raters. There is a case for the argument that a Truman needs a better Cabinet than a Roosevelt; but it is hard to maintain, when examining the individual appointments, that he has had a worse one. Each has had two Secretaries of State. Mr Marshall is criticised, and probably with some justification, for having the naiveté of the professional soldier. But Mr Cordell Hull, when he first came to office, was not so much naïve about the facts of international life (with the single exception of tariffs) as abysmally ignorant of them. At the end of ten years, as his autobiography proves, he had made a large collection of facts, but all he did with them was to construct a set of prejudices, which did duty for a philosophy in his mind, and to which he clung with dogmatic vindictiveness. Mr Marshall is infinitely more aware and more flexible. On the

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relative merits of Messrs Byrnes and Stettinius there can be only one opinion. This game goes to Mr Truman by a comfortable margin.

The second—a much closer one—is at the Treasury. Except for those disciples who shared Mr Morgenthau's doctrinal beliefs, there would be few who would not prefer Mr Snyder's more limited but less careless approach to financial problems. This game also goes to Mr Truman—on the last green, perhaps.

Mr Roosevelt wins the third and fourth without difficulty. His easiest victory is in the War Department, where the descent from Mr Stimson, through Judge Patterson, to Mr Royall is a steep one; while any of his four Attorneys-General are the equal of Mr Tom Clark and two, at least—the present Justices of the Supreme Court, Mr Frank Murphy and Mr Robert Jackson—are his superiors. Mr Roosevelt loses the fifth, however, to become one down again for two frankly political appointments to the Postmaster-Generalship. Mr Truman made one of the same kind, but recovered to win the match with the original and imaginative idea of choosing a man who had been a postman all his life.

Mr Truman wins again at the Navy Department for having kept throughout his Presidency, and promoted to be Minister of Defence when that office was created to co-ordinate the three Services, the last and best of Mr Roosevelt's appointees—Mr Forrestal.

Mr Roosevelt gets a match back at the Interior Department where Mr Ickes, for all his peculiarities, has a slight lead over Mr Krug, but he loses again at the Department of Commerce where Mr Harriman was clearly an improvement on Mr Daniel Roper, Mr Jesse Jones or Mr Wallace. The Labour Department—Mrs Perkins versus Mr Schwellenbach—can be counted a dull draw and, in the last match, while there is probably little to choose between Mr Claude Wickard and Mr Clinton Anderson, as Secretaries of Agriculture, the earlier appointment of Mr Wallace gives Mr Roosevelt the advantage. Mr Truman finishes, therefore, one up.

It is never easy for a President who has lost control of Congress to look more than a muddling amateur. Congress itself sees to that. But over the last two difficult years, Mr Truman's record is far better than that of the Republican Congress. He has given his Secretary of State a free hand—except on Palestine—and backed him to the limit. He has tried to work with a hostile legislature and used the veto sparingly. But unspectacular achievement cannot compete with popular myth. The myth is that Mr Truman has failed. If the recent Republican action on reciprocal trade and appropriations for European recovery is a taste of what is coming during the next four years, it may not be long before the Truman administration is remembered with nostalgia.

American Notes

Mr. Taber's Warning

The first anniversary of Mr Marshall's Harvard speech was given a wry celebration when the House of Representatives voted to reduce by approximately 25 per cent the funds authorised for European Recovery. Despite the virtual certainty that the Senate will succeed in restoring much of the cut, the warning that some elements in the Republican Party remain unconverted to Mr Marshall's policy will not be lost on Europe, the Administration, and the Republican leaders themselves. But the most significant aspect of the whole episode is the violence of the reaction against "Taberism."

The protests of Mr Marshall and Mr Hoffman have been supported by three of the leading contenders for the Republican nomination, Governor Dewey, Mr Stassen, and of course Senator Vandenberg. Mr Taber, the chairman of the committee which originated the cuts, has been isolated for doing his duty—as he sees it. The bulk of the press, undeterred by the malicious accusation that it hoped to profit under the Plan from a guarantee of the convertibility of its foreign earnings, has assailed the seniority system which entrenches in a position of great power a parsimonious and parish-pump minded politician. Europe is not the only victim of Mr Taber's eagle eye. The Administration is accustomed to Mr Taber's passion for economy at any price. It was he who "saved" \$20 million on the staff of the Internal

Revenue Bureau, with the result that sums many times as large escape the tax-gatherer.

Under the compromise suggested by Senator Vandenberg, the Administration had agreed to cutting down the authorisation of the Marshall plan from 15 months to a year in return for keeping monthly expenditures near the original level. Of the \$5.3 billion authorised for European recovery, \$1 billion could not be touched; it is to come from the sale of ECA notes to the Treasury to finance loans. It is the \$4,250 million available for grants which the House has cut to \$4 billion and decided must be stretched over 15 months. This is equivalent to a reduction of \$1,745 million, and cuts in funds for China, Greece, Turkey, Trieste and the occupied countries bring the total reduction in the foreign aid programme to \$2,160 million.

The Role of the Senate

Under the influence of the Czech coup, the House voted for the Economic Co-operation Act with a speed and a majority which seemed, alas only too correctly, to be too good to be true. Last week's vote was the revenge of Mr Taber and other members of his committee who had fought against the plan to the last ditch, though a revenge which consists of voting \$4 billion for Europe must leave a sour taste in their mouths. The House as a whole is, of course, under heavy pressure to demonstrate, just before the election, its devotion to the Republican ideal of economy, particularly when it is at the expense of foreigners who have no votes. And some Republican Representatives cast their votes with the assurance that the Senate would soften the blow. The Senate has already begun to retrieve the House's excesses on the Trade Agreements Act, Senators Taft and Millikin at the eleventh hour voting in committee with the Democrats and against their Republican colleagues to remove the Congressional veto over tariff negotiations. The "little group of wilful men" celebrated by Woodrow Wilson now sit on the purse-strings in the House, rather than on the treaty rights of the Senate. At a time when foreign policy is so largely shaped by dollar deficits abroad, this gives the House a new and unintended authority over foreign relations.

The final bargain will be struck by House and Senate conferees; and their hands will be strengthened in proportion to the size of the vote in each House. The coalition of Democrats and progressive Republicans substantially weakened Mr Taber's case for a pound of flesh by rallying 113 votes against the 148 for the committee Bill.

The incident has been a healthy lesson all round. It ought to have shown Mr Taber and Mr Halleck that America's "private business" now reverberates around the world. It has reminded Europe of the dangers of too complacent a reliance upon the good intentions of the United States. And it has shown the Republican internationalists the chasm at their feet. They will enter the Republican Convention determined to prevent a public recurrence of the breach which has cast doubt on the sincerity of the party's conversion and on the stability of American policy. If Mr Taber is not firmly over-ruled, his use of a financial veto will also remind the American public of the risks of believing that on foreign policy there are no significant differences between the two parties.

Accent on Recovery

Ever since he was appointed, Mr Hoffman has made it clear that the touchstone he will apply to all aspects of ECA policy is the degree of economic recovery they promote. The Appropriation Bill passed by the House not only threatens this concept by reducing the money available, but by its proposal that, as far as possible, free grants should be made only for relief goods, and that Europe should repay the funds advanced for industrial recovery. The demand that at least 10 per cent of the local currency funds should be devoted to financing the sale of commodities for the strategic stock-pile endangers the normal dollar earnings of the Marshall countries. The provision that at least \$65 million of Marshall money be spent on the export of skim milk is the camel's head, or rather the cow's head, of American surpluses; and the reduction of the farm mechanisation programme a reminder that any shortage in America will inevitably be attributed to European purchases.

It is Mr Hoffman's view that even the nationalisation of industries should be no bar to American aid, unless it retards recovery. He even went so far as to say that a cartel—and nothing can exaggerate the sinister connotation of that word in America—would be entitled to aid if it held out a good promise of doubling production. This accent on economic measures has led to the

raising of the ban on American exports to Finland. Mr Hoffman looks to Eastern Europe for coal, wheat and timber; the present Finnish purchases of \$3,890,000 are chiefly to increase timber production. Some \$40 million has also been allocated to buy Polish coal for Austria. As Mr Harriman said, there is no desire to erect an economic wall along the Iron Curtain. Consumer goods will move freely; war commodities will be banned; and the export of goods which fall in an intermediate category, like industrial equipment, will be judged on its merits and according to what is offered in return.

Of all off-shore purchases, those in Latin America require the most delicate handling. ECA has three aims in Latin America; to persuade these countries to extend some credit to Europe; to induce them to take soft as well as hard currencies in payment for their foodstuffs and raw materials (despite the "bellyful of sterling" they hold), and to ensure that excessive prices are not charged. The dollar starvation of Latin America makes the distribution of Marshall dollars a powerful weapon. But its use is complicated by the desire of the State Department not to drive Brazil and Argentina too hard; and the insistence of American businessmen with investments or debts in South America that the restrictions on dollar remittances should be lifted as a condition of ECA purchases. The House has forbidden off-shore purchases at prices higher than those in the United States. Argentina has already conceded that she will charge no more than market prices for her grain, but added hastily that she has no wheat to sell. An American purchasing mission will soon show, in the progress of its negotiations, which famine is the most compelling: that of dollars in Argentina or that of commodities in Europe.

The Voice That Failed

The Senators who deplored a comparison between Nevada and the Siberian steppes, on the ground that it suggested a resemblance between the United States and Russia, were perhaps carrying patriotism too far, but there was some justification for their indignation at statements such as that Pennsylvania's Quakers were a "social problem" and that "New England was founded by hypocrisy and Texas by sin." Flippant simplification of this type, at least when read in translation and out of its context, seems unsuitable to a series of broadcasts produced under the auspices of the State Department and intended to explain the United States to Latin American listeners. But the only obvious wounds inflicted by the poisoned pen of Mr Borgia, the Venezuelan scriptwriter employed by the National Broadcasting Company and since discharged, were to the local pride of members of Congress from the discredited States, and these wounds have been soothed by the balm of Congressional investigations. Mr Borgia himself, aware that he was less expert than his forebears in the detection of potential poison, had been reluctant to write the "undignified" scripts demanded by his superiors in NBC, who, in his opinion, "lacked culture." Having little knowledge of his subject, he relied mainly on Mr John Gunther's *Inside America*. "My only guilt," said Mr Borgia, "was in taking seriously an American writer, a best seller."

Out of the welter of buck-passing in the Congressional investigations, it became clear that the chain of responsibility for these broadcasts, both within NBC and between NBC and the State Department, was not only weak but tangled, and that the basic cause of both these faults lay in the limitations imposed by Congress last year on its appropriations for overseas broadcasting. The sum allocated was only half that requested by the State Department and it was in a form which forced the Department to put into practice the Congressional theory that private broadcasting companies could give America a more effective and efficient Voice than could the Department. All entertainment programmes and all news programmes, except those to critical areas such as Eastern Europe, have had to be farmed out to private broadcasters, and the combination of shortage of staff and division of authority meant that there was no adequate supervision.

The evidence that the Voice of America was distorted, at least when produced by Mr Borgia last winter, was conveniently disclosed just as new appropriations for the Voice were going through Congress, and \$28 million, more than twice last year's appropriation, has apparently been approved for the State Department's information programme. Some of the broadcasting and other activities abandoned last year will now presumably be resumed; the Department also plans to enlist its own radio staff to edit and distribute all its news bulletins and news commentaries and to supervise all entertainment programmes produced on its behalf, in order to ensure that the Voice of America remains in tune.

Government by Injunction?

The representatives of the railroad workers have demanded nationalisation of the American railways, but this is a move in the dispute in which three of their unions are at present involved, rather than a statement of long-term policy. It is argued that the Government, by its purely technical seizure of the railways in order to prevent a strike by these three key unions, has become a strike-breaking agency: if it is going to coerce the employees, it should also coerce the employers, assume full control of railroad revenues as well as of railroad labour and proceed to bargain upon wages and working conditions. The unions are apparently confident that the Government would offer them better terms than the companies are prepared to do and that, if not, they could strike against the Government, although the Taft-Hartley Act forbids strikes by Government employees. Negotiations with the companies have finally broken down and it will hardly be possible to postpone any longer hearings on the Court injunction which has been issued against the strike and which the unions are determined to fight.

Labour as a whole is said to be very disturbed at the absence of public condemnation of the Government's interference with the right to strike. This complacency is explained, in part at least, by uncomfortable memories of the last railway strike and by the disrepute which Mr Lewis has attached to the rest of the labour movement. He has now further embarrassed it by his refusal to bargain with the Southern Coal Owners Association over the new contract for his mineworkers. His intention was to negotiate a contract first with the more amenable coal owners and thereby to bring pressure on the always recalcitrant Southerners. The outstanding example of a labour monopolist is thus denying to the employers the right of industry-wide bargaining on which labour insists. The lack of any restrictions on this right is one of the great weaknesses of the Taft-Hartley Act, according to the enemies of labour. Mr Lewis, as so often before, is providing those enemies with a new weapon, just as the railway unions are presenting them with arguments for bringing railway labour under the Act.

To labour some of the most objectionable features of that Act are the powers of legal injunction which it gives to the Government. These powers have been used to oblige Mr Lewis to resume negotiations with the Southern Coal Owners and they may be used to postpone the maritime strike which threatens on June 15th. This latter injunction would probably be obtained under the section of the Act on strikes imperilling the national health and welfare. The procedure laid down for dealing with strikes of this kind has just been carried through all its stages for the first time in a dispute over wages and welfare schemes at the Oak Ridge Atomic Laboratory. The 80-day injunction against the strike, during which negotiations were carried on, has now expired and the 800 members of the Atomic Trades and Labour Council have voted on, and rejected, the management's final offer. They are now free to strike, although it is not certain that they will do so, and the President must report to Congress on the dispute.

Shorter Notes

The House Foreign Affairs Committee has now passed a Bill favouring a loan of \$65 million for the construction of a headquarters for the United Nations. It contains a statement on the strengthening of the United Nations and the possible eventual association of the United States with regional defence pacts similar to that embodied in the Vandenberg resolution passed by the Senate Foreign Relations Committee. It is hoped that these parallel statements of policy may be approved by both House and Senate before Congress adjourns.

Congress has approved the Reed-Bulwinkle Bill, which exempts from the anti-trust laws certain agreements on railroad rates, classifications and so forth. Supporters of the Bill argue that it will lead to increased efficiency, while its opponents claim that it restricts competition and legalises practices which are being attacked in two anti-trust suits now pending in the Courts. President Truman may veto the Bill.

The Census Bureau estimates that by election day next November there will be 94,815,000 persons of voting age in the United States, although a certain number of these, which cannot be estimated accurately, will not be eligible to vote.

Letters to the Editor

Malthus Regained

SIR,—Your article on Malthusianism disturbs me. It is so obviously right and so completely wrong. Malthus surely mis-judged the immediate population problem, because he did not take into account the enormous increase in world production of food and raw materials which was possible, chiefly in the Western Hemisphere. His theory was perfect—applied to Britain, assuming that Britain were not to have her entire situation altered by events outside of Britain.

You, I fear, as surely misjudge the population outlook a century and a half later, because you, in turn, concentrate your attention on the internal situation of Britain, and assume, as he did, that there has not been a complete alteration in Britain's position as a result of events in the outer world.

The great expansion in production of food and raw materials is over. The next century and a half will not be a period of careless exploitation of virgin forests and fields, such as confuted Malthus, but, if civilisation is to be preserved, a time of laborious and costly restoration and conservation of plundered natural resources.

I am alarmed to see the increasing concentration of British thought on the internal affairs of Britain; the failure to realise that Britain can only survive as a great nation by the same method which made her one—constant adaptation of the domestic life of Britain to the economic conditions of the world as a whole.—

Yours faithfully,
P. C. ARMSTRONG
610 Dominion Square Bldg., Montreal, Canada

Whose War in Palestine?

SIR,—You use the words "pious hypocrisy" as a term of abuse of people who think differently from yourself on the Palestine question. But, in fact, is not your own attitude highly hypocritical? You say "that this country is not prepared to enforce a solution on either party." If this means anything it means complete neutrality. In fact, every act of His Majesty's Government is calculated to assist actively or passively the Arabs to impose their solution on the Jews. Against most categorical denials the Arab Legion has been allowed to occupy vantage points from which to attack Jerusalem as soon as the mandate ended. The Arab Legion's operations in Palestine at this moment are, of course, entirely financed by His Majesty's Government and the whole existence of the Legion is dependent on British money. On top of this the Legion is, of course, British officered and all its arms come from British subsidy. All the arms of the neighbouring five states now attacking Palestine are British. As against all this, there is an embargo on the supply of arms to the Jews.—Yours faithfully,
PAUL ELEK
"Guilkins," Courtenay Avenue, Highgate, N.6

No Uno for Hyderabad

SIR,—Your editorial note published in your issue of April 24th is rather a deviation from the usual moderation of *The Economist*. You state that Uno is not concerned with Hyderabad. The need for Uno's concern does not arise at all, for neither Hyderabad nor the Indian Union has ever expressed the desire to refer the issues under dispute to the United Nations. The Governments of both states are still confident that an amicable settlement of the relationship between them will ultimately be arrived at by peaceful discussions between them. But if the present standstill agreement is abrogated and an armed conflict is threatened, there is nothing to prevent reference to Uno of a question affecting peace between two states whether both are members of the United Nations or not.

There is no clause in either the Cabinet Mission's plan or HM Government's announcement of June 3rd or the Indian Independence Act forcing accession to a Dominion on any state of what was British India. The many statements of the Prime Minister in the course of the passage of the Indian Independence Bill through Parliament bear out the fact that after the lapse of paramountcy the Indian states are at liberty either to stay independent or to accede to one or the other Dominion. If the Nizam, in order to preserve the tradition of amity and peace among all sections of his subjects, which has been the hall-mark of his rule, decides not to merge the distinctive identity of

Hyderabad with either Dominion created as a result of the communal division of India, and in deference to the dictates of reason and the wishes of a fairly large section of his subjects retains the independent status of his state which existed before the advent of paramountcy, the validity and justness of his stand are indisputable. Why should Hyderabad be absorbed in the Indian Union? Do small states, because of their smallness, forfeit the right to an independent existence? Hyderabad, as big as prewar Germany in size and having a population as large as Turkey's, has every legitimate claim to be allowed to enjoy the blessings of freedom and independence, in full collaboration with the neighbouring Dominion.

The geographical factor as the determinant in the accession of a state to either Dominion has been almost shattered by the Government of India's acceptance of the "decision" of the Maharajah of Kashmir to accede to the Indian Union. The greater part of the frontiers of Kashmir are contiguous to Pakistan, and, but for a small stretch of unpassable hilly territory in the East Punjab, Kashmir has practically no contact with India; yet the Indian States Ministry has no qualms of conscience in approving of the accession of the Maharajah to the Indian Union. On the contrary, the Nizam and his Government have never harboured the desire to accede to Pakistan. In fact, the ruler and his Government have repeatedly stressed that in "harmony and co-operation with the Indian Union lies the good of Hyderabad and India." The Moslems of Hyderabad are in no way hostile to the Indian Union. Their political leader, Quasim Rizvi, stands for an honourable settlement with India.—Yours faithfully,

Tavistock Place, W.C.

MAHMUD ALI

The Middle Way

SIR,—Can you or any of your readers enlighten me as to the solution of the following problem?

Is there any possible ultimate choice in the half-controlled economy such as we now have other than between either (a) maintaining full employment and having competitive money-wage pressures cause such inflation as finally to break the currency, or (b) using a high interest rate and other contractive devices to create so much depression and unemployment as to break the bargaining power of the trade unions?

The point seems to be more than of mere academic interest.—Yours faithfully,
A. JOHN WHITESIDE
Selwyn College, Cambridge

From *The Economist* of 1848

June 10, 1848

PERHAPS, of all sums of money spent and now spending by England, those wasted in interference with the policy of other countries may be considered as the most utterly mis-employed and thrown away. Their amount, too, is and has been enormous. A vast proportion of our debt has been entailed upon us, and a great part of our naval force necessitated, by our national habit of intermeddling, and the various quarrels and guarantees in which it has involved us. Formerly the country was too readily disposed to regard this as a proof of our national power and greatness. But of late sounder and soberer notions have found entrance into the public mind. We are beginning to see that our interference has seldom either done good or obtained gratitude—to feel that we can no longer afford this costly and ostentatious patronage—and to think that we should nationally be both more powerful and more popular were we to cease to involve ourselves in the affairs of others. On no subject has such a radical change taken place in the feelings of Englishmen as on this; and, while prepared at all times vigorously to defend their rights, and promptly to repel both injury and insult, they are resolved to tolerate no more foreign intermeddling; and not to permit themselves, on any pretext, either of ancient alliances or present expediency, to be dragged into disputes with which they have no concern. Any Ministry which should continue to entangle England in a war for continental interests, or which should even bring on the imminent risk of such, would, we are convinced, be driven from power by an expression of public feeling too prompt and universal to be misconceived.

Books and Publications

Who Rides on the Tiger?

"The Amazing Story of John Law." By H. Montgomery Hyde. Home and Van Thal. 200 pages. 16s.

... His impetuosity, of course, was not his only fault. His economic policy was not always consistent with the theories which he had enunciated. ... He thought unwisely that people could be compelled against their will to maintain their confidence. ... He placed too much faith in the arbitrary power of ... authority, and too little in the influence of public opinion in money matters. ...

It is almost enough to make one believe in reincarnation; but there never could have been a John Law in any other century than the eighteenth. As portrayed by Mr Montgomery Hyde, he was fundamentally an honest man; in private life a successful gambler, but not a cheat; an inveterate gallant, but not a debauchee; in his public career the originator and victim of a good idea—paper credit—which got out of hand through no fault of his. The story is well told and the thesis of Law's good will convincingly maintained. The account of the rise and fall of the "system"—the *Banque Générale* and the *Compagnie de l'Occident*—raises some curious economic queries. How was it that, at the height of the "Mississippi" boom, prices of consumer goods throughout France were actually falling fast? Had the boom taken place at a time of monetary stability, had it been financed by accumulated savings, this would be natural enough; but it was in fact accompanied and sustained by a huge outpouring of paper money. One must conclude that the depths of depression to which the French economy had previously sunk were so extreme that even a tremendous overdose of purchasing power could do, at first, less harm along the traditional lines of inflation than good by freeing commerce and stimulating production.

The problem has the theoretic fascination of the limiting case. The "system's" collapse is less surprising, and there seems no reason to assign the blame, as does Mr Montgomery Hyde, to a single fatal step taken, for selfish and corrupt motives, by Law's adversaries in high places. There is always a trigger, sooner or later, to touch off such an explosive situation; the system had become hopelessly unstable, as indeed it was bound to do since it contained no self-stabilising elements. Fundamentally Law may have been honest enough, but only, one suspects, because of the absence of those technical regulations whose infraction would have unmistakably signified dishonesty. He mounted the tiger Inflation with the best motives; he was not the last to discover the difficulty of getting off again without disaster and disgrace.

A Historian's Reflections

"The End of an Epoch." Reflections on Contemporary History. By A. L. Rowse. Macmillan. 15s.

THE interest of this published collection of essays, book reviews and letters to the press written between 1930 and 1943 lies in the coherent critical outlook on society and politics which they express. Mr Rowse has added an "Apology by way of Preface" dated 1946 giving his retrospective view of what he regards as a

closed period and of its lessons for the present. Comparison of this preface with the earliest writings included in the book show a considerable development of thought and some changes of opinion, particularly in the estimate of Russian Communism, but a fundamental consistency—a theoretical reflectiveness which is exceptional among political writers in English-speaking countries and yet avoids the schematism and unreality of a Germanic *Weltanschauung*.

Mr Rowse's political ideas are rooted in historical studies, and this awareness of historical background continually shows itself in his comments on current events; it has also given him an intellectual position which does not easily fit in with the dichotomy of Left and Right. A man of the Left and a Labour parliamentary candidate all through the 'thirties, Mr Rowse nevertheless denounced the appeasement of Nazi Germany above all as a departure from traditional British foreign policy, and records that he "received a private word of encouragement from the Foreign Office" for doing so. Mr Rowse was indeed one of the first in the Labour Party to link Labour's social programme with a mature and responsible conception of a national foreign policy—something which hardly existed in the Labour movement twenty years ago and is deficient in some sections of the party even to-day. Mr Rowse is an admirer of Mr Bevin and dedicates the book to him, a "fellow West Countryman and a great Englishman." He can justly claim, on the evidence of this book, that he was "wholly and consistently opposed to the course and conduct of our foreign policy throughout those years from 1931 onwards," and his "Reflections on Lord Baldwin," written in 1941, deserves to rank among the classics of English political invective.

Looking back from a post-war year, he is more lenient in his judgment and allows that "nobody can say that they (Baldwin and Chamberlain) were bad men; they were merely not up to the job." But this, after all, is the problem of the period; why was this country so long content to be led by men of such mediocrity? Mr Rowse believes that that epoch has indeed ended and that Britain "redeemed itself in the tremendous trial of the war"; he sees "the years 1940-45 that we have lived through as the most heroic in our history," with "the heart of English people uncorrupted and unshaken."

Economic History

"British Economy of the Nineteenth Century." By W. W. Rostow. Oxford, Clarendon Press. 235 pages. 15s.

THIS collection of essays is a very good example of what can be achieved by combining the disciplines of historical research and abstract economic analysis. The combination is surprisingly rare; for the most part, historians even of predominantly economic events write as historians, using a minimum of theory, and economists prefer to dip into history for illustrations of their theoretical constructions rather than to examine any one period or sequence as a laboratory specimen. One may add that the inquirers who do in fact combine the natural history and the physiology, so to speak, of economic affairs in their purview—the econometrists—almost invariably express their findings in a

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(Attention Mr. H. B. Chappell)

form unintelligible to any reader not sharing their qualifications to the full; a perhaps inevitable, but certainly regrettable, fact which gives an added scarcity value to such books as "British Economy of the Nineteenth Century."

The essays fall into four groups: the first, dealing with trends in the British economy from 1790 to 1914, with cycles over the same period, with the course of investment during the Great Depression, and with the relation between real wages and investment, is predominantly analytical; the second broadens its scope to examine the impact of economic events on political thought and action; the third compares, and tests against the facts, rival economic theories relating to the period under review; and the fourth (which some readers may feel would have been better placed first) consists of a single long essay in the narrative handling of concurrent events—a kind of four-in-hand historical technique displayed with considerable virtuosity. Mr Rostow's standards are high; he regards this book as a mere preliminary sketch, an essay in methodology rather than a serious example of historical and analytical research. It should, however, be as useful as a work of reference and as a guide to the significance of the events of its period as it is stimulating as a specimen of intellectual technique. Mr Rostow's full-scale treatment of his period, when his perfectionism allows him to produce it, should prove to be something worth waiting for.

Shorter Notices

"Insurance Companies' Accounts." An Economic Interpretation and Analysis. By S. J. Lengyel, M.A. F. W. Cheshire Pty., Limited, Melbourne and London. London Agents, Wadley and Ginn, Dominion House, Bartholomew Close, E.C.1. Price 25s. net.

THIS analysis of insurance accounting, by the editor of the prewar *Assekuranz Jahrbuch*, draws attention to the lamentable state of the published information on insurance companies' business and points to the main directions in which advance must be made. The author's explanation of the statutory requirements in the U.S.A. shows the gaps in the Assurance Companies Act in this country. It is not clear, however, whether or not he would advocate following the American system, which demands extremely detailed returns on all facets of insurance business, though a logical conclusion of his case would be that at least some of the American rules should be applied in this

country. The elaboration of numerous inadequacies of British insurance accounts is undertaken in a manner which pre-supposes no previous knowledge of this rather specialist subject. A few sections of the book are tantalisingly brief—for example, a more comprehensive treatment of the problems of inflation and interest trends would have been welcome—but even on these subjects sufficient is said to throw up in relief the urgency of removing archaisms in insurance accounts. The book is a succinct guide to the peculiarities of insurance accounting, which will be useful to professional accountants as well as to those inexperienced in accountancy. The investor in insurance shares will derive special benefit from the chapter on the analysis and interpretation of insurance accounts.

"The Middle East—1948." Europa Publications. 377 pages. 50s.

THIS is a new reference book, well set out on large paper and covering the thirteen major countries of the Middle East. A standard method of presentation is adopted for each country. Its headings run through geography, history, the government (up to April, 1948), communications, economic life, education, places of interest, the press, a bibliography, and a map. There is also a general Who's Who. The facts are authoritative, and will be found particularly useful by government officials, journalists, bankers, merchants, shipowners, and librarians. Perhaps the weakest feature of this impressive work are the maps; in an effort to be gay they appear a little indecisive.

"Marketing Survey of the United Kingdom." Business Publications Limited. 540 pages. Three Guineas.

THE first postwar edition of the Marketing Survey is a very comprehensive one. The main part of the book is given over to local statistics for all the main market towns—data on population, employment, public services, numbers and types of shops and general facts about the standard of living. A lot of the information is not new but has been collected together in a useful form. Some of it is published for the first time, including an analysis of employment by industry for individual towns. The statistics are well presented and some useful comparisons are made between the present day and prewar.

"Production in the United States, 1860-1914." By Edwin Frickey. Harvard University Press. 257 pages. \$4.00.

THIS rather misleadingly named volume deals not with production, but with the technical problems of the measurement of production, and brings to light the methods used in handling the statistical data for a previous study, "Economic Fluctuations in the United States." It should be of interest to statisticians in general, but its technicalities are far outside the range of the ordinary economist or historian.

THE WORLD OVERSEAS

The East Bids For Germany

(By a Correspondent)

PUBLICATION this week of the Six Power Agreement on what is to be done next in western Germany does not find the Russian Zone unready to take its counter measures. On the contrary, ever since the last attempt of the Foreign Ministers to agree on their German policy broke down in December, the Russian occupation authorities and their German agents in the dominant Socialist Unity Party (SED) have been hurrying on political, economic and administrative preparations for the new situation. If they wished, they could probably establish an "eastern government" in Berlin tomorrow, not on an elected basis, but with effective powers over the economic and administrative machine of the Zone. And that government would be virtually under Communist control, with members of the SED in all key positions, and with opponents occupying other posts to give the appearance of a balanced coalition. It would have the threefold task—self-contradictory to any but Communists—of satisfying all Russian demands for reparations, tightening the grip of "popular democracy" on the eighteen million Germans in the Zone (20 million when the Russian sector of Berlin is incorporated), and at the same time competing with democratic, nationalist and anti-Western slogans for the favour and loyalty of 45 million Germans in the Western Zones.

There is little doubt that the Eastern Germans would be equal to the triple requirements. They have had time and opportunity to practise in all three directions; and behind the practice has always been the idea that if, by some unexpected turn of events, there should be Allied agreement to keep Germany united, then the organisation built by the SED in and around Berlin would be ready to embrace, split and finally digest the parties and politicians of the West. For example, as the *Berliner Zeitung* has said, rather indiscreetly, the withdrawal of foreign troops might "produce a sudden solution of the problem of German unity."

Propaganda for German Unity

The signal for the present Communist drive to gain the leadership of nationalist forces in Germany was given by Mr Molotov during the London conference last December. It was then that the "People's Congress for Unity and a Just Peace," drummed up in the Russian Zone, came into prominence with its claim to represent the aspirations of the whole German people. Since then it has been developed fast, not only as a propaganda machine, but as a potential instrument of national government. At its second meeting in Berlin in March the Congress boasted 1,117 "delegates" from the Russian Zone, with only 512 from the three Western Zones, none of them authorised delegates of the leading Western parties. Its leading figures, Pieck and Grotewohl, made it clear that everything possible would be done by threat and argument to dissuade the Western Powers from pursuing their plans for the organisation of a West German State, and to frighten Western Germans from co-operating ("collaborating") with the Americans, British and French. The spearhead of this attack has been the "popular initiative for German unity," or the campaign to collect signatures for a petition in favour of what is called a "bill." This bill states:—

Germany is an indivisible democratic republic in which the *Laender* shall have rights similar to those in the constitution of the German Reich of August, 1919.

The signatures will have been collected by this Sunday, June 13th; and it was the original intention to present the "petition of the people" (*Volksbegehren*) this month to the Control Council, and demand either its acceptance or the holding of a nation-wide plebiscite.

In the Western Zones no official facilities have been allowed for the collection of signatures, because Germans realise, as well as the occupation authorities, that this mock plebiscite is a Communist-directed move, support for which among the vast majority of Germans in the Eastern Zone can be taken for granted. By May 29th, according to Tass, over 8,600,000 Germans in the

Russian Zone had already signed in favour (72 per cent of those entitled to do so), and an impressive final figure is a foregone conclusion. Signatures have been invited from young Germans between 14 and 20, and among the lighter inducements has been the public sale of a badge, with which at a cost of 10 pfennigs the wearer can show he has toed the zonal line.

The purpose of the campaign is quite clear; it is designed to present Russia and the Communist-controlled SED Party as the champions of German unity against the "attempt of American imperialism to tear Germany apart." As Pieck, one of the three chairmen of the People's Council Præsidium, has put it more than once:

The fact that the Soviet Government received its mandate from the greatest popular revolution in history explains why it is the consistent champion of German unity. The USSR is the only Power to have pledged full support for the popular initiative in Germany.

Puppet Government in the Making

The People's Congress, from which this clever and well-organised campaign emerged, elected in March a People's Council of 400 members, on top of which was appointed a Præsidium, which has some of the appearance of a shadow cabinet. Of the 29 members of this Præsidium, 20 were elected from the Russian Zone and Berlin, while nine members for the three Western Zones were nominated *in camera*. This Council has since appointed a number of consultative committees, of which the most significant seem to be the constitution committee—preparing a constitution for a united Germany—and the peace treaty committee—preparing a draft peace treaty.

When the People's Council met last month, on the anniversary of the 1848 revolution, speeches were made which virtually asserted the Council's right to represent the interests of the whole German people. In fact, there is little doubt that this Council and its Præsidium look forward to something more than a zonal future. In the two bodies are all the makings of a puppet government, without a broad elective basis. And it was just after this meeting (on May 25th) that one of the Council's chairmen, Grotewohl, made to the constitution committee the back-handed statement that "national resistance" would come into play if a Western State were created "in violation of Allied agreements."

The inflammatory and misleading vocabulary of the People's Congress movement has had so far no marked effects in the Western Zones, and concern about its lack of success has been reflected in a request from the Communist Party to change its name to "Socialist People's Party of Germany," a request which Military Government in Bizonia rejected. It has embarrassed particularly the Social Democrats, who find themselves outplaced in the advocacy of German unity by their rivals for working-class leadership. But the appeal does not stop at propaganda.

Parallel with the development of this nationalist movement has come a series of gestures by the Russian occupation authorities, calculated to impress Germans outside as well as within the eastern zone. Occupation costs for this year are being lowered, although reparations remain unchanged. On May Day it was announced that Marshal Sokolovsky had promised 20,000 tons of bread grain and 20,000 tons of fodder grain to cover the zonal food deficit until the harvest. The fact that this is a loan to be repaid by German industrial production received less notice than the fact that something was at last being done to meet the serious food shortage, in which Russian requisitioning has been a contributory factor. It has also been announced that 40,000 tons of fertiliser would be sent from Russia, and that further quantities would be delivered from the synthetic oil works at Leuna, now owned by the Russians. Even more impressive in its conciliatory intent is the recent Russian decision to stop confiscation of businesses belonging to "war criminals," a definition which has enabled the Russians and German collaborators to gain control of over 40 per cent of the entire productive capacity of the zone.

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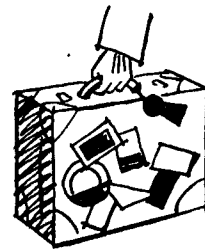
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Control of Trade and Industry

Even more significant in its implications for the future is the total economic machinery which has been established in recent months. There are certain superficial resemblances with Bizonia—with this important difference, that the Economic Council of the western Zones had an elective basis and fair representation of *Land* and party interests which the Economic Commission of the Russian Zone has not.

An overhaul of the previously existing machinery by the Russians produced in March the following results. At the top, with authority over the States, an Economic Commission with 16 main administrative sections. Decisions of the plenary session of this body are known as decrees; decisions of its secretariat are known as directives. Directive and decree are equally binding on the whole Zone. Its power lies in its authority to direct the distribution of goods and materials within the Zone; its attention is specially directed to the control of industrial production, in which the Russians are chiefly interested—for the key plants are owned by the Russian State through the Soviet AGs. It is from industry that come the reparations goods which find their way into world markets and earn dollars for Moscow.

Chairman of this Economic Commission is Heinrich Rau, a veteran Communist; Director of Planning is Wilhelm Leuschner of the Communist-controlled SED; industry is under the control of Selbmann, also of the SED; agriculture is under Luitpold Steidle, a member of the Moscow branch of German officers, who claims to be a Christian Democrat but is disowned by his party in Berlin as a Russian puppet. Key positions in the Economic Commission therefore are in Communist or near-Communist hands; and to them is entrusted execution of Marshal Sokolovsky's latest wish, that the Zone should work to a two-year economic plan for the years 1949-50.

In the economic field none of the measures so far taken in the East to woo the Germans stand comparison with the material aid which is now about to flow into Western Germany under ERP. As long as Russia continues to milk its zone in reparations, and put only negligible quantities of raw materials back into its economy, there need be no fear of the Communists competing with Frankfurt in the economic field. But the whole aspect would change if Moscow decided to forgo reparations, and—still more important—to return the Polish-occupied territories to the Germans. It must not be forgotten that "unity" to Germans, in the East and, above all, in the refugee-packed West, means unity of a Reich stretching to Königsberg. This fact has again been emphasised by the Executive of the Christian-Democrat Party, which has demanded that the forthcoming German Assembly in the West must have deputies elected from among the refugees who will represent the "Polish-occupied German territories." Russia's real strength in the long-term struggle for Germany lies in its possession of power to offer this gigantic bribe.

From Cyprus to Israel

[FROM OUR SPECIAL CORRESPONDENT]

WHAT difference will the Bernadotte truce make to the Jewish camps in Cyprus? For ten days past these have been seething with disappointment, uncertainty, and resentment against anyone who might baulk chances of immediate departure. Those inmates who are outside the 18-45 age group—they form a majority of the total—are not affected. Since May 15th they have been free and are still free to leave as fast as the Israeli authorities can send ships for them. But families do not want to be split up. And the exodus of the rest is in doubt. Without question, the 18-45 group are "fighting personnel"; they have been drilling daily while detained, and are at least part trained. Their departure is now governable by one or both of two binding international undertakings. The first is the Security Council's truce resolution, with its provision that "all governments concerned" must "undertake that they will not introduce fighting personnel into Palestine." This, it will be remembered, caused the British authorities at once to decree that no one between the ages of 18 and 45 should leave during the truce period. The second is the paragraph of the Bernadotte truce conditions which rules that men of military age can be introduced only if the mediator is satisfied that they are not arriving "in such numbers as to give either side a military advantage."

It is plain to anyone who knows the Arabs that the merest dribble of these semi-trainees from Cyprus would in their eyes constitute "a military advantage," and would entail an appeal by them to the Security Council. It follows that the fate of the

truce hangs in large part upon Count Bernadotte's operation of its clause about numbers of fighting age.

A question of moment to Britain as the guardian of the Cyprus Camps is: on whose authority are the men and women of fighting age to be further detained? If that authority is only Britain's, the camp inmates will make trouble. They have already threatened "consequences." These are likely to entail fracas and shooting of the type that invariably proves a dead loss to Anglo-American relations. But what if that authority is also Count Bernadotte's? What if he is endowed with the strength and foresight to maintain to the Israeli authorities that, if they want the truce to work, they must hold their hand over immigration because the introduction, now, of fighting-fit youth from Cyprus will break it? From the British point of view, there would be immense advantage in leaving the matter to regulation by his authority backed by the Israelis who have accepted his terms. To do so would be to cause the internees to wait their turn without engineering the resistance that they were preparing to offer the British authorities.

For a recent visit to the camps suggests that, though the sense of frustration and bitter disappointment that will afflict them will be colossal, subservience to orders from Israel is complete. Tel Aviv can keep their temper in bounds if it has a mind to do so.

The camps are situated at three points in the island, mainly out of Cypriot sight, though the dingy tentings of one—Caralos—can be seen from the walls of Famagusta. Outside the wire but inside an outer palisade, a British military contingent conducts duties that are too like those of a gaoler to be pleasant. It does its best, with limited facilities, to provide for water, the collection of refuse, arrangements for ritual slaughter, and for conveniences such as the official registration of births (which are numerous) and of marriages (of which there are quite a few). It supplies free clothing, washing and shaving gear, some tools for trades (though not all that the inmates would like) and food in the shape of bulk rations from the army. Its issues are supplemented on a large scale by the American Joint Distribution Committee serviced by a staff of 100 white coated American Jewish workers.

Discipline in the Camps

Inside the inner wire all is managed by the Jews themselves. Discipline seems to be rigid, authority complete. The leaders who exercise it are not identifiable. They are certainly not the spokesmen who, because they know halting English, are chosen to negotiate with the military. Occasionally, trouble has arisen between this Zionist political faction and that. Fisticuffs, black eyes, and knife wounds have ensued. But such fracas are dealt with swiftly and without reference to the British guards, who are left to guess the details. The organisation of the inflow and outflow (subject only to British regulation of actual numbers) has been handled by the Jewish authorities themselves. Since Cyprus became the recognised queue, the Agency representatives there have known in advance exactly who was coming. And there has been no audible questioning by disappointed inmates of their decision as to who must be the first to go. In theory, their criterion was first in, first out. In practice, potential fighting men and technicians have lately jumped the queue, particularly since the arrival of the 14,500 picked souls who travelled from the Black Sea in the *Pan York* and *Pan Crescent* in January last. The preference given to them was hard on the old stagers, but these acquiesced. Very occasionally, the totalitarian nature of the management seems to have frightened a backslider. A small number of applications for return to the country of origin have identical terms, the applications have later been cancelled by a letter "written of my own free will."

In general the camps greatly impress by their tidiness and the keenness with which their inmates invent tasks and pursue duties as the days go by. Tents are shabby but wonderfully neat. Health is magnificent, doctors abound, so does brawn. Here on the netball ground a squad of both sexes drills with sticks to staccato Hebrew orders of command. There, in the library, a class is as she bangs her way, with her empty petrol tin, into the water queue that demands some hours of each uneventful day. The babel of tongues makes the adoption of Hebrew understandable. Seated among the tent ropes, a Sephardi North African Jew (selected, no doubt, because he can speak Arabic) picks at the frayed edge of his robe and looks eastern and out of place.

For the waiting Jews today, the burning question is How Long? For the Arabs it is, How Many? To the British both questions are apt. For the first puts a term to a duty which has never been pleasant. The second, if answered satisfactorily by Count Bernadotte, will avoid allegations of partisan handling of this unhappy legacy of the Mandate.

Electors' Verdict in Australia

[FROM OUR MELBOURNE CORRESPONDENT]

THE defeat of the referendum in Australia on May 29th, in which electors were asked by the Federal Government to vest in the Commonwealth Parliament the power to control permanently rents and prices, was three days later followed by a decision of the Federal Cabinet to hand over controls of rents, land sales and prices to the State Governments within three months. This decision, generally unexpected, has caused a mild political sensation in the Commonwealth, for it was widely believed that the Federal Government would maintain wartime control of rents and prices at least until the end of the year, when the enabling legislation expires. It was thought that they would even extend the controls for a further twelve months with the support of the Parliamentary Opposition.

The Federal Government has apparently interpreted the decisive rejection of its proposals—a "No" vote was recorded in each of the six States—as a direction to withdraw from the prices field altogether. The decision, moreover, has taken the Opposition parties by surprise. The leader of the Federal Opposition, Mr Menzies, said four days before the poll that "everyone is doubtless aware that whatever the result of the vote, the present Federal controls will continue for some considerable time." There is grave danger that there may be serious disturbance to the domestic economy unless the six separate states are able within three months to set up administrative machinery providing for uniformity of decision and continued co-operation between state and state, on the lines already established after nine years of Federal direction.

The defeat of the referendum raises important political issues which transcend the simple question of whether the Federal or States authorities should control rents and prices in Australia. The Prime Minister, Mr Chifley, said in the campaign that he did not regard the issue as a political one. He stated categorically that "price control does not advance the political programme of my Government one inch." On the other hand, Mr Menzies was equally emphatic that "the Federal Government is seeking to secure these permanent controls for Canberra as part of its long-range policy for the destruction of Federation and the States, and for the establishment of the complete Socialist State in Australia."

As usual, the truth probably lies halfway between these two views. The Federal Government regards the control of prices and rents as necessary for the postwar development of primary and secondary industries and for maintaining stability in an economy which is particularly sensitive to fluctuations overseas. The Opposition parties, knowing full well the spectre which any suggestion of "this grasp for further Federal power" raises in the public mind, made the issue not so much as one of price control as such, but as another step in Labour's programme of gaining complete control of the means of production, distribution, and exchange.

The Opposition parties are claiming that the verdict shows that "the electors are determined that the Chifley-Evatt Ministry shall not be allowed to further its socialist policy, with its attendant danger of the abolition of the arbitration system and industrial conscription"—to quote the leader of the Federal Country Party, Mr Fadden, who, with Mr Menzies, led the campaign against the Government's proposals. The *Sydney Morning Herald* went even further and claimed that "so overwhelming is the referendum verdict that any Government less contemptuous of public opinion than the Chifley régime has shown itself to be, would feel honour-bound to resign in order to submit its whole programme to the country."

Threat to Remove Subsidies

But although the Government did not resign, it nevertheless took prompt notice of the electors' verdict by deciding to withdraw from the prices field altogether with the result that it is being accused of being both "petulant and impetuous in its natural disappointment at the referendum vote." In reply to a question, however, Mr Chifley told Parliament that he had received assurances that the States were fully prepared to take over rent and price controls.

A very interesting post-referendum announcement by the Government is the fact that a Cabinet sub-committee has been appointed to consider the question of the subsidies which have been paid as part of the general plan to hold prices down. This announcement

is particularly interesting because during the campaign the Prime Minister said: "Obviously the Commonwealth could not continue to provide subsidies for goods the prices for which are to be fixed by a State authority which would have no financial responsibility to find the money."

If Mr Chifley's threat to discontinue payment of subsidies were carried out, it could precipitate a serious crisis, for subsidies, amounting to £40 million per annum, are an integral part of the present price-fixing system. Tea, which costs Australia 5s. 3d. per lb. overseas, is sold at 2s. 9d. per lb. in the domestic market. Wool is made available to Australian mills at prices much below world parity in order to assist in keeping prices of woollen apparel down, while prices of a wide range of imported goods, particularly textiles, are subsidised back to approximately 1943 levels. Raw cotton is purchased overseas by the Commonwealth Government and released to spinners at prices well below world parity. Withdrawal of these subsidies would undoubtedly cause an immediate rise in prices with disastrous effects on the cost of living.

The Government's actions will clearly be influenced by the knowledge that there will be a general election next year. It knows full well that nothing would alienate it more from its supporters than a deliberate withdrawal of subsidies, an action which would smack of spite and recrimination. An "I-told-you-so" attitude is not good tactics in party politics. It would be surprising if the Government, despite Mr Chifley's threat, abruptly discontinued paying subsidies, although there will probably be some tapering off of payments for commodities of lesser significance in the cost of living index, which shows an increase of about 34 per cent in retail prices since 1939.

Voting Not On Party Lines

Experience of the past has shown that in Australia, the verdict of the people at referendum polls is not necessarily a clear indication of public approval or disapproval of Government policy as a whole. That electors do not vote on usual party lines is shown by the fact that in this last poll both Mr Chifley and the Deputy Prime Minister (Dr Evatt) had "No" majorities in their own electorates. The only areas where majorities were received for transfer of powers were the blue ribbon industrial strongholds in the large cities. In 1944 an earlier referendum on the transfer of financial powers was defeated after a sweeping victory of the Curtin Labour Government in 1943; in 1946, Labour was again returned with a substantial majority in both Houses of Parliament.

But the temptation to draw the conclusion that the referendum verdict is another indication of growing dissatisfaction with Mr Chifley's administration is strong when various pointers over the last nine months are also considered. First and most significant of these was public reaction to the Government's surprise decision to nationalise the Australian trading banks. This led to a general election in the State of Victoria to resolve a crisis precipitated by the Upper House, the Legislative Council, in its refusal to grant supply on the banking issue. The State Labour Government, led by Mr Cain, was defeated and a Liberal Administration, led by Mr Hollway, returned. It was generally agreed that the Federal Government's stocks fell to a low point at that time and that it probably would not have been returned had it gone to the country on banking.

More recently, Labour has suffered two lesser political reverses in the States. In a Legislative Assembly by-election in New South Wales, the Liberal Party candidate took the Coogee seat from Labour, and in Tasmania the Minister for Forests (Mr Worsley) was defeated in the Legislative Council elections. The Federal Government itself might not survive a general election now, but its three-year term does not expire until September next year, and much can happen before then.

The referendum verdict is undoubtedly a check to the trend toward greater centralised control in Australia, which has been growing steadily for many years and received a tremendous impetus during the war. The Australian States, after 47 years of Federation, are still very jealous of their rights, and they resent any assumption by the Commonwealth of powers which they consider are rightly theirs. The war, however, saw the establishment of Uniform Income Tax under which the Commonwealth has become the sole income-tax authority in Australia, dispensing grants in return to the States. The Commonwealth is sustained in this power by a High Court judgment, and it is certain that, despite protests from the States, as long as there is a Labour Administration in the Federal Assembly benches, the Central Government will maintain a tight hold on income tax. In the long run, the authority which pays the piper calls the tune, and it is improbable that the present or any other government will lightly relinquish this great accretion of power which the war brought to it.

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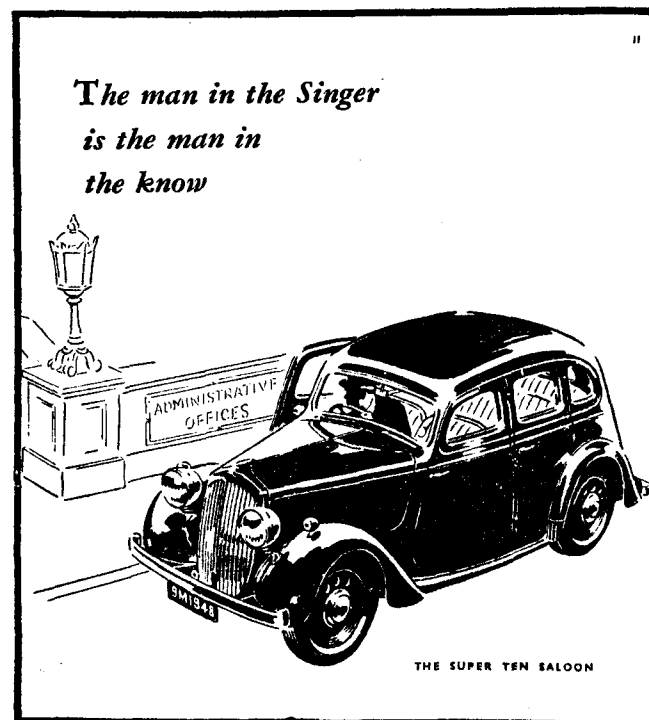
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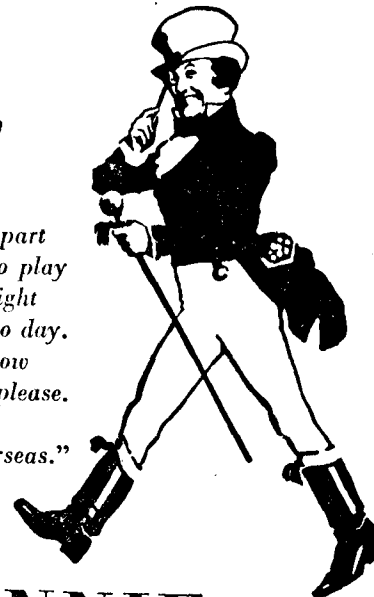
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THE BUSINESS WORLD

What are Profits?

IN the early hours of Tuesday morning, Mr Spearman moved an amendment to the Finance Bill to allow the extra cost of replacing industrial assets due to rising prices as a deduction from profits for income tax purposes. The point is not a simple one, but it is of the highest importance, and although the Solicitor-General and the Chancellor of the Exchequer declared in turn that it was fully covered by the provisions of the Income Tax Act 1945, this claim suggests that they had not grasped its full implications.

A simple example may make the argument a little clearer. During the deterioration of the mark in the 'twenties, the German businessman reached the evident conclusion that to buy an article one day for ten marks and to sell it the next day for twenty did not produce a real profit if the value of the mark had fallen meanwhile by fifty per cent. The increased money margin merely reflected the further depreciation of the currency, and the dealer's so-called profit represented the extra number of marks which he would require to replace the article which he had sold—in other words, to maintain his real capital intact. That conclusion was obvious enough in a period of rapid inflation. But it is more easily overlooked when, as in postwar Britain, inflation and rising prices have been kept under some measure of restraint. The point that handsome profits, in money terms, may be largely spurious in real terms is still unfamiliar.

Accounting practice is a compromise between a logically based technique on the one hand and expediency on the other—with a certain bias towards expediency by reason of the essentially practical purpose of the art. The idea largely persists amongst businessmen that if an outlay of £100 results in revenue of £150 there is necessarily a clear profit of £50. But if the outlay were incurred in 1938, and the revenue did not come in until 1948, it is clear that £150 in 1948 will not buy as much as £100 in 1938. The sales proceeds are smaller, in real terms, than the original cost of plant or stocks, and the original real capital of the business is not being maintained. What purports to be a generous increase in profits actually represents the consumption of capital. When any form of outlay is such that its yield accrues only over a long period, the consequences of rising prices are extremely important. Depreciation on plant is generally calculated on original cost, but prices of machinery ten years ago were scarcely more than half present prices. In fact, no business can carry on unless it can replace its real assets and it ought to be able to do so from its income. To have to raise fresh capital to replace such assets is ultimately unsound. The limitation of the Income Tax Act is that its reliefs apply when money is spent on new assets, whether that money is raised on the market or provided out of profits; they do not directly help a business to provide fully for replacing its assets out of current earnings.

In a continuing business, profit strictly defined is the excess of the proceeds of sales over the money needed to replace the assets which have been used up—not the excess of such proceeds over original outlay on the exhausted assets. This suggests that an important psychological readjustment is needed in the minds of businessmen. And a similar adjustment is needed in taxation legislation, which may be even more important. For the weight of taxation on high "profits"—as the accountant

defines them—represents a levy on "capital"—as the economist understands that term. The result is that many businesses feel unable to "afford" to make full provision for the increased money cost of replacing their assets; to do so would take away a large slice of their apparent earnings on which they have been taxed. There has, of course, been some rise in the depreciation provisions allowed for tax purposes (owing to the initial allowance of 25 per cent on new machinery and plant under the Income Tax Act of 1945) and also in undistributed company profits. But it is virtually certain that industry as a whole has not put aside sufficient out of its apparent profits to keep its real resources intact—much less to increase them. For several years past, industry has been distributing to the tax collector and its shareholders more than the real profits which it was earning. EPT was designed—in both wars—to mop up the adventitious surpluses resulting from inflation. In effect, because plant and stocks could not be replaced—or only at much higher cost—it has been a tax on industrial capital. And the same effect has resulted from the combination of a high postwar level of taxation with a continuing rise in replacement costs.

In this country, adherence to orthodox views about profits was so single-minded during the crucial years of Excess Profits Tax that there was little criticism of the tax in principle. In the United States, on the other hand, a partial compromise has been devised between the old and new viewpoints. Any American business concern which wished to avoid swelling its reported earnings by any artificial surplus on stocks could adopt a method of stock valuation largely based on prewar prices which therefore eliminated the effects of the rise in prices. But that is only one part of the problem, and a solution of the question of relating depreciation provisions to the cost of capital replacement is still being discussed in America. Mr George O. May, the eminent American accountant explored this question in the *New York Certified Public Accountant* last January, and gave some significant figures showing the measure of the spurious "inventory profits", and of the deficiency in depreciation provisions to meet replacement costs. Mr May suggested that the true reward of capital in 1947 compared with 1929 as follows:

	\$ billion
Reported profits	17.0
Deduct: "Profits" representing only increase in inventory valuations	5.3
Adjustment to meet full plant depreciation	2.0 7.3
True profits of 1947 (in 1947 dollars)	9.7
1929 profits were	8.7
1947 profits in 1929 dollars, after allowing for fall of one-third in the value of the \$	6.5

Thus, an apparent doubling of profits in this period actually hides a 25 per cent diminution in real earnings. But a large sector of industry was still basing its dividends on reported profits of \$17 billion and not on its true profits of \$9.7 billion. Thus, the extent to which a defective economic outlook and accounting technique clouds the true measurement of profits is considerable, even in the United States. Accounting opinion in the United Kingdom has even more to learn on this problem. It will have to be solved from first principles, for there

are few reliable statistics to illustrate the point. The economists who compile the National Income estimates are certainly aware of it but they abandoned their earlier attempts to correct the figures for changes in prices. Profits computed according to taxation practice are the only available data. Yet this argument about the nature of profits, though it is apparently only statistical in character, has most important repercussions on national policy. It is easy to overestimate the superficially favourable comparison between an apparent net addition to the nation's capital resources representing 14 per cent of last year's National Income, and the corresponding figure of 7 per cent in 1938. Such confusions are inevitable so long as postwar pounds are treated as being equivalent for accounting purposes to pre-war pounds. But the point is at least obliquely taken in the "Economic Survey" for 1948, which shows that the increased proportion of net capital formation is partly due to the method of calculating depreciation, which has not kept pace with the rise in the National Income.

Thus, the ugly possibility arises that in 1948, apparent additions to productive capacity—reduced as they were by the capital investment cuts of last autumn—may prove to be largely unreal, in the sense that what purports to be a genuine addition to the nation's productive resources should, on a stricter calculation, be regarded mainly as capital replacement. This broad conclusion has important consequences for industrial re-equipment and expansion which cannot be pursued in detail here. The remedy will have to await revolutions of thought in accounting practice (which in the past has often tended to reflect business opinion, rather than to set its own standards), in methods of taxing profits, and in popular notions about the meaning of the word "profits." These wider issues find a particular illustration in the case of the tobacco companies. Since 1939, the value of tobacco stocks, including duty, has been greatly increased; whenever the tobacco duty was raised, selling prices were also raised almost immediately. Some manufacturers may have felt that they did well out of these increases in duty—certainly their critics held that view—but in truth the increased proceeds on stocks on which a lower duty had already been paid were no more than sufficient to finance the maintenance of factory stocks at the same physical level; there was, in short, no real surplus. But that principle is not recognised by the Treasury, either in EPT or in the new Excise duty on factory stocks imposed by the Budget. In consequence the Imperial Tobacco Company, which before the war had extensive liquid resources, has now so far suffered from taxation on its real capital that it has had to resort to borrowing on a spectacular scale.

Imperial Tobacco is an exceptional case only because increases

in duty have raised the price of cigarettes and tobacco far beyond the rise in the general price level. But the consequences of sudden increases in manufacturers' costs by way of additional duty do not differ in significance—so far as the calculation of true profits are concerned—from an advance in costs and prices in, say, the furniture industry. It is odd that businessmen in this country have been so backward in recognising that rising prices have challenged their conventional ideas about accountancy practice, for the point is probably much more important at the present time than a cut of a shilling or so in Income Tax. During the 1914-18 war, much pressure was put on the Government to make allowance for increases in stock valuation resulting from a similar rise in prices, but nothing came of these representations, and the point has remained largely in oblivion ever since. As a result, a part of the tax revenue which the Government derives from business profits represents a mere consequence of increased paper values of inventories and inadequate depreciation allowances to meet the cost of replacement.

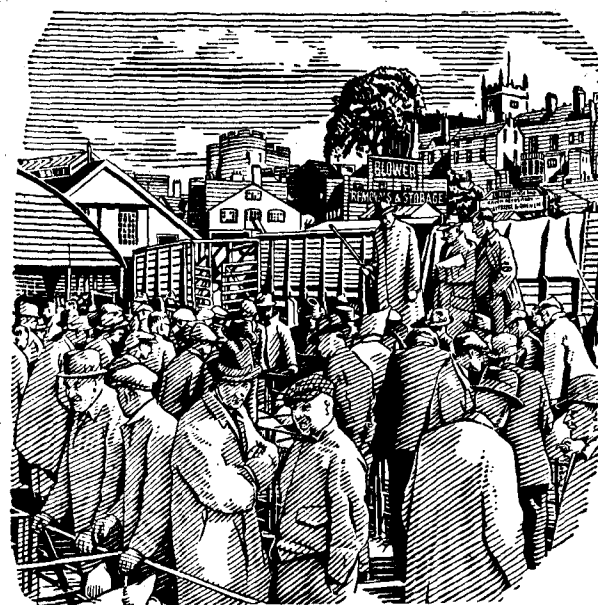
To measure this over-taxation statistically is far from easy, but some hazardous guesses can be made. The Solicitor-General estimated that Mr Spearman's proposals would cost the Exchequer between £100 million and £150 million a year. The other factor—changes in stock prices—is much more difficult to estimate, and it varies more widely from year to year. But with taxation on profits absorbing about 11s. in the £, it is obviously heavy. If industry has so far met its taxes without recourse to borrowing, it has been possible only because its physical resources have perforce been run down. Large arrears of plant replacement and even of normal repairs still exist. Shipping companies, for instance, finished the war with considerable liquid resources, supplemented by Government compensation for lost tonnage, but the process of rebuilding their fleets is a long-term operation, for which existing resources may prove to be inadequate in several cases. Already there is increasing evidence from recent company reports that liquid resources for new capital investment are being rapidly exhausted; the pinch is coming when it is too late to rectify the over-taxation of past years. But businessmen and accountants cannot lay all the blame at the Chancellor's door. They should have made their mental adjustments long ago, and recognised that a business is a continuing thing from which no profit arises until the cost of keeping it going has been met in full. Had this revision of thought been made, the Chancellor might have responded more sympathetically this week. One day Chancellors and accountants may learn to modify their passion for accurate arithmetic and precise procedure, and to admit informed judgment on the effect of large price movements on profits. When that happens industry will be more fairly treated.

Wages in Cotton Weaving

AN experiment is to be undertaken in the cotton and rayon weaving industry to test the practical effects of replacing the old "Uniform List of Prices in the Cotton Manufacturing Industry" by a new wages structure. The extent to which the Uniform List hampers productivity and distorts trading policy in the cotton weaving industry has become increasingly plain in recent years, and the Cotton Manufacturing Commission, under the chairmanship of Mr Ronw Moelwyn Hughes, presented an interim report* to the industry in March, urging in the strongest terms that the Uniform List must go. The Commission proposed a new system designed to relate wages to skill, effort, and efficiency, and designed also to serve as an

integral feature of redeployment in the weaving sheds. The report claimed that a new system was essential to the success of any reorganisation of methods of work. After fifteen months of study, drawing on the knowledge of the trade, the Shirley Institute, and a firm of industrial consultants, the Commission produced a scheme which it believed would serve these purposes. In view of the urgent national need for greater production it urged that the scheme should at once be put into operation voluntarily over the largest possible field of the industry, without waiting for the protracted negotiations which would have to precede any attempt to apply it universally.

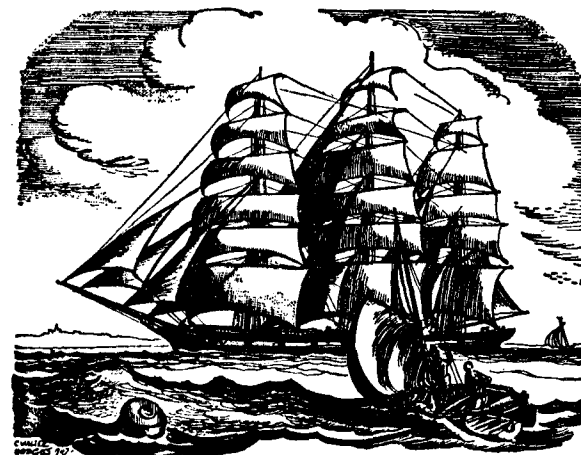
Convincing though the arguments are, the hope of swift action is not likely to be realised. The Uniform List is a bad system of payment, but it is a system that the weavers know, and their unions (though they were, of course, represented on



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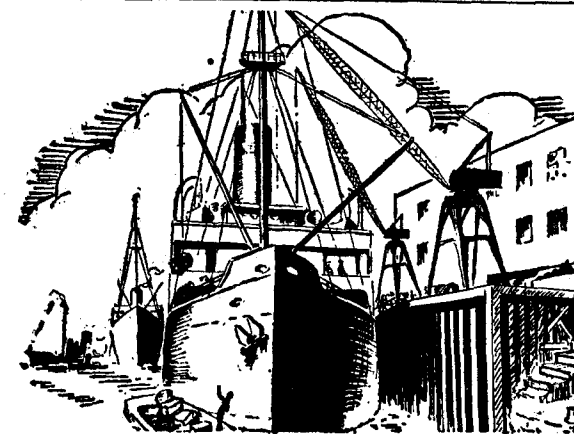
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* Cotton Manufacturing Commission: Interim Report of an Inquiry into Wages Arrangements and Methods of Organization of Work in the Cotton Manufacturing Industry. Stationery Office. 1s. 3d.

the Commission which made the report) are in no hurry to try conclusions with the unknown. The new system is calculated to raise earnings in the weaving trade as a whole, but it is also calculated to correct anomalies. Many workers have been losing by the anomalies and will therefore be better off through their correction; but others—a substantial minority—have been gaining and will therefore be worse off unless they increase their working effort. There is a natural feeling that it is better to avoid disturbance, and the opening discussions between the employers and the unions have not gone too auspiciously. Both sides have agreed to try the proposals—but their agreement is of the most guarded kind: it is to be a paper trial only. The manufacturers' association has asked all cotton and rayon weaving firms to express their willingness to take part; from those who agree a small number will be asked to keep special records for a period of twelve weeks. The selected firms, though they will continue to pay their workers on the old system, will keep dummy wage-sheets to show what the earnings would be if the new system were in force instead. These returns, together with computations of work-loads and reports on working conditions which would affect wages on the new scale, will form the body of evidence on which, when the trial is completed, negotiations will be resumed. It is not going to be a lightning process.

"Present methods of work and payment," said the Moelwyn Hughes interim report, "hamper all attempts to increase production." The problem of a rigid and out-of-date system of rewards is nowhere more acute than in textiles, though it is also encountered over a widespread field of industry. The boot and shoe industry of the Midlands suffers severely from the same trouble: with a fixed price for each operation in the trade, employers find that reorganising their methods of work produces no effect whatever on costs of production, and efficiency pays no dividend. They hesitate to suggest any of the incentive systems of payment which have been worked out in recent years to match the technical changes which have taken place since the old lists were made. They hesitate to upset old-established scales; it is easier to take things as they are and to rely for profits on price controls and the sellers' market. But as the sellers' market becomes a memory, the pressure to reorganise outmoded systems of payment is sure to grow. The weaving industry, faced with the demand for greatly expanded production and a heavy contribution to the export drive, has at last been moved to experiment. The result will be watched by other branches of industry with more than academic interest.

The task of the Moelwyn Hughes Commission was, in its own words, "to find an answer to the question: Under what conditions will four men or women produce as much as or more than five do now?" It took the increase of productivity as its fundamental object. It assumed that a substantial increase in manpower in the industry—which has cause for concern already in the high average age of its workers—is out of the question now and for many years to come. It assumed, too, that no substantial increase in productivity can be expected in the next few years through the employment of more automatic looms:

Even on the most optimistic estimate, it seems unlikely that the present rate of production (of automatic looms) can be increased much beyond 6,000 automatic looms per annum, a rate which, after making provision for export trade and for other branches of the textile industries, would be insufficient to re-equip the cotton industry within the present century. Even if this rate could, by the use of extraordinary methods, be substantially increased, considerable modification to buildings and power supply would be necessary before automatic looms could be installed on a wide scale.

The report dealt only with the section of the cotton and rayon weaving industry which operates ordinary looms on which the shuttle is changed by hand; it left the automatic section to separate study. Existing systems of payment in the non-automatic industry are based on a number of piece-price lists. By far the most important of these lists is the Uniform

List, which by virtue of an Order made under the Cotton Manufacturing Industry (Temporary Provisions) Act of 1934 is legally enforceable on all employers in the specified areas who weave the kinds of cloth which the List covers. The Uniform List appears to have begun in 1892 as a compromise between three of the old district lists; it has, with the passage of time and the accretion of new agreements, attained great complexity, so that variation or amendment is an arduous matter. It bases the weaver's earnings on the number of picks put in by the loom—a reasonable method in the hand-loom days, when the major part of the weaver's work was to throw the shuttle by hand across the loom. In mechanical (but non-automatic) weaving, however, the factors which determine the weaver's effort are different: his main tasks are the changing of the shuttle and the repairing of broken threads. But the Uniform List, which provides additions to or deductions from the weaver's earnings for different types of cloth, almost ignores the length of weft in the shuttle and entirely ignores differences in the quality of the warp. For these reasons, the report concludes, "if the proper aim of a wages system for cotton weaving is to relate reward to effort, then the Uniform List is fundamentally unsound." On this unsound foundation there has been erected in the course of years a superstructure of percentage additions, each one aggravating the basic anomalies—"the whole structure being regarded as too sacred, or too unsafe, to undergo any material change." Additions for the weaving of different structures of cloth have been made haphazard, according to the trading conditions of a particular year, and they have since been sacrosanct. When rayon was a novel yarn it was probably reasonable to pay the weaver more for handling it. Today, as the report points out, it is generally true that rayon is easier to weave than cotton. But the addition for weaving rayon yarn persists and may be as high as 40 per cent. Coloured yarn provides another anomaly. "As the list now stands," to quote again, "the introduction of even a small percentage of colour in a cloth may bring an addition to the piece-rate price out of all proportion to the extra work involved. We have had instances where a small percentage of colour has been unnecessarily introduced in order to provide the weaver with a more tempting pick-up."

The general effect of this system is that normal cloth structures are ill-paid by comparison with abnormal structures; for it is the variations that have prompted additions to the Uniform List. Structures which do not vary greatly from the standard cloth in the Uniform List carry a relatively low piece-rate, with the result that "the most poorly paid weavers in the industry are those employed on plain grey cloths with medium counts of yarn, such as Burnley printers." But these variations may run directly counter to the public interest. The weaver handling poor quality yarn is ill-paid in relation to his effort; but it is not desirable to limit the industry to expensive yarns. Managements and workers understand that, under the Uniform List, "good sorts" pay the weaver well and "bad sorts" require from him more effort for less pay. One of the functions of good management is to mix the good and bad sorts in distributing work to the weavers, so that no man suffers injustice. But this may by no means fit the best interests of the trade or of the trade's customers. There has been comment on the disposition of producers to produce fancy cloths in preference to plain cloths, though the fancy cloths may prove the harder to sell. At present there are conspicuous deficiencies in production of cloths required by certain industries: electrical insulation, cloths for the rubber industry (a large consumer of plain cloths), and cloths for footwear are examples. Shortages and difficulties are created for industries which are also trying to hit their export targets.

Thus industry generally would be better served in cotton products if the weaving industry had an intelligible system of

payment. But the consumer of cotton goods, and the average worker in the weaving industry, would be better served too:

That it should determine the weaver's earnings with little regard to the skill or effort required of her is obviously unjust, but the List has another and equally undesirable result. It prescribes a fixed price for a particular length of cloth without regard to many of the factors which determine how long it will take to weave that length of cloth. Whatever steps the employer may take to enable his weavers to increase their rate of output, e.g., by the use of a better-quality yarn, or by a longer length of weft in the shuttle, or by improvements to the loom, the piece-rate for any particular cloth remains the same. The result is that . . . the weaving wages cost per unit of production remains the same, however efficient or inefficient may be the methods of production in the shed.

To find an alternative to the list, the Cotton Manufacturing Commission took two schemes—one prepared by the Shirley Institute, the other prepared for the rayon manufacturers by a firm of industrial consultants, and later modified to fit cotton weaving as well—and combined what appeared to be the soundest elements in each. Both schemes proceeded from an analysis of the weaver's work into three heads—weft work (which can be computed in terms of shuttle changes), warp work (which can be computed in terms of warp breaks) and "rest, supervision, and ancillary duties." The Commission finally adopted a straight piece-rate based on two elements: one to vary only in accordance with the weaver's efficiency, and to represent payment for "supervision, relaxation and other duties not associated with warp and weft work"; the other directly related to the number of shuttle changes and warp breaks. The new piece-rate, if it is adopted, will thus vary with managerial efficiency; if a management finds ways of reducing breakages and shuttle changes, its labour costs per yard of cloth will be automatically reduced. The Commission believed that it had found "a sound,

Business Notes

A Firmer Appearance

When the market closed at the end of last week, it was in the deepest throes of doubt about the threatened cuts in the European Recovery Programme. Equities, which had been resistant enough to signs of disinflation at home—so long, at least, as Argentine railway money was flowing in to their support—suddenly saw the red light. At one bound, calculations were being revised in the mood of the "Economic Survey" last February, before American aid was approved by Congress. And in thin sensitive markets, ordinary share prices, as measured by the *Financial Times* index, fell from their recent intermediate "high" of 121.4, recorded on May 25th, to 115.3 last Monday—the lowest point since the middle of March.

Recovery this week has carried the index to the slightly firmer level of 116.6. Reasons for the recovery are not difficult to find. Some of the recent selling, particularly of retail trade and tobacco shares, was evidently overdone, and it proved slightly costly to cover—another demonstration of the disproportionate effect on prices caused by a relatively unimportant change in the direction of dealings. Second thoughts on American aid, coupled with livelier expectations that the cuts inflicted by the Taber amendments would be largely restored, have lifted the threat of reduced supplies of industrial raw materials which was overhanging the market a week ago. So, it is held, industries enjoying a sellers' market are in no danger. As for those industries which are less happily placed, the market is beginning to make much of the Purchase Tax concessions which the Chancellor of the Exchequer has promised, though it will take more than cuts in purchase tax to restore some consumer goods industries—whose products were already overcrowding the shelves of retail stores before the new Chancellor's monetary policy was introduced—to full output and bumper earnings. Apart from the wider aspects of policy on the purchase tax, concessions are bound to make some difference to the earnings prospects for particular shares. But if investors take these concessions as a bull point for equities generally, it can only be because they infer that the Chancellor's policy of financial austerity, counter-inflation, and maximum encourage-

workable, and intelligible system, which will give enterprise, efficiency and hard work its due reward." It now remains to conduct the experiment and measure its reception by employers and workers.

The Commission has now turned to the automatic section of the weaving industry, which presents different problems. Action or inaction on the interim report is left with the trade. As a general comment on the prospects and state of mind of the cotton industry, however, two assumptions of the interim report are worth repeating: neither increased manpower nor automatic looms can be expected to solve the problem. Those assumptions may be disconcerting to a public which has become attuned to Ministerial optimism about manpower targets and re-equipment. They reflect the feeling which is becoming general, not among pessimists or defeatists, but among realists in the cotton industry as a whole: that, in broad terms, hope for the next few years does not lie in large schemes of expansion or costly programmes of re-equipment, but in the efficient use of the resources which are ready to hand. "We believe," states the Moelwyn Hughes report, "that the existing manpower in weaving can rapidly produce, without any addition to its numbers, another 20 per cent and more." Examples given in the report suggest indeed that the improvement can be much greater. But the assertion is conditional: the condition is that the new wages system should be adopted, and redeployment applied, by workers and manufacturers "and that the policy is actively pursued immediately over the field we recommend." The simple and obvious remedy thus becomes an aspiration, only to be reached across ground bristling with obstacles. Nothing can be harder than to persuade ordinary people to accept logical changes in the basis of their livelihood. But it has been shown to be necessary.

ment for exports, is in course of modification. Perhaps there have been enough small links in the chain of evidence not to laugh such an assumption out of court. But it can hardly yet be accepted as plausible.

A slight trimming of sails, for whatever reason, cannot be taken as indication of a coming change of direction. And if some of the Chancellor's recent utterances have been more mollifying than austere, it is proper to record that he has this week shown a readiness to reconsider, before next year's Budget, the incidence of the profits tax and also the tax on bonus share issues. The former has played little part in this week's share movements, because the uncertain question of voluntary dividend limitation is uppermost in the investor's mind. But the possibility of some amendment to the bonus issues tax has assisted the recovery. Yet all these factors in this week's improvement are small in relation to the broader economic problems which industry faces during the next twelve months. A policy which based itself on nostalgic hopes that the policy of disinflation will be abandoned before it has really got going would be far from sensible. Perhaps, on those calculations, the further advance in the Funds—with Electricity Stock within $\frac{1}{4}$ of par—is more logical than the recovery in equities.

* * *

Purchase Tax Concessions and Policy

One long session in Committee, until the early hours of Wednesday morning, was needed to discuss 159 amendments to the Finance Bill for reductions in purchase tax. They covered, as the Chancellor of the Exchequer pointed out, practically the whole range of the tax, and if all were accepted no purchase tax would remain. But the Chancellor showed himself anxious to make reductions—within a range of possibilities which he did not define, though he claimed that it was small—"on those items which obviously need them most." And the Committee then settled down to fifteen hours of the most diverse discussion, beginning with the case for reduction of purchase tax on rabbit and mole

skins; this quickly met the answer that administrative difficulty prevented a concession "by reference to the type of animal from which the skin is produced," though a case was conceded for reducing the purchase tax on utility fur coats—which, on the demonstration of Mr Piratin, are largely made up of rabbit skins.

So the debate proceeded—on uniforms, scout hats, leather laces (another difficulty here, because to give them relief would involve invidious discrimination against other articles of haberdashery like sewing needles or thimbles), built-in kitchen furniture (on which the Chancellor felt that a strong case had been made), water-heaters using gas (though not electricity), watches and clocks (even if they use electricity), wireless and television sets and parts (on which the Chancellor promised to consider reduction of the tax to 33½ per cent) and the differential taxation of walking sticks and umbrellas.

The cost of the concessions which the Chancellor eventually decides to make—he has so far promised only consideration of the various proposals—will not, presumably, be very large. But this large-scale battle over every detailed article and rate of tax is a symptom of the growing feeling that purchase tax, which was originally created as a deterrent to consumption, should not be allowed to generate positive under-consumption by reducing demand and causing unemployment of machinery and labour. That, however, is too simple a view of the tax. Nor does it follow that because over-production in some goods is taking place the fault lies in a reduction of demand caused by the purchase tax and nothing else—a point which the Chancellor rightly made in discussing the proposed reduction of tax on radio and television sets.

This week's demonstration must, nevertheless, be accepted as a blow to those who would like to use the tax as an instrument of planning—on which the most conspicuous failure is to be found in the giddy changes in the tax on water-heaters during the past eighteen months. Nor is the use of purchase tax politically acceptable as a means of contracting an industry which is too large to meet normal home and export demands. Here the wireless industry is a case in point; immediately the threat of unemployment could be fastened, even plausibly, on the purchase tax, the Chancellor was ready to bow to criticism. This is a sobering conclusion, for the sellers' market is only at the beginning of the end. A choice will have to be made, without much delay, between two quite separate policies. The first would be greatly to modify and simplify the tax, at a much lower and largely uniform rate; the second would be to reassert the need for continued discouragement of consumer demand for less essential goods coupled with encouragement to switch production to more essential uses. The former must indeed be the eventual method of dealing with a regressive and discriminatory tax; but the latter would show greater recognition of the need of the times.

* * *

South Africa's Reserves—

It is still too soon to gauge the effect of South Africa's change of Government upon British and other overseas holders of funds in the Union, but already the reserve position of the South African Reserve Bank seems to be reflecting the anxieties of investors. The latest bank return, dated June 4th, covers the first week since the election, and cabled summaries indicate that in that period the rise in the Bank's holdings of foreign exchange—consisting almost exclusively of sterling—was checked. In the first half of last year, the sterling holding was no more than £10 million, and during last summer was running at about £20 million; but thereafter it began to rise steeply, despite the Union's heavy expenditure required to meet the large deficit on its current balance of payments (discussed in these columns last week). By end-January it had reached £52 million, and an accelerated rise during May carried it to nearly £81½ million, of which £4,000,000 was added in the week preceding the election.

This expansion has coincided with heavy—and, latterly, continuous—strain upon the gold reserve. After the revaluation of the gold holding in the summer of 1946, the total stood at £257 million, and the ratio of gold to the Bank's liabilities to the public was 87 per cent. By February last, after the £80 million transfer to Britain under the terms of the gold loan agreement, the holding was only £111 million, and, now that the Union is no longer drawing upon the sterling area dollar pool, its gold reserve has to provide for its dollar deficit. This dollar financing is producing a steady erosion of reserves which, at the time of the negotiation of the loan to Britain, still looked adequate. Now they are down to just over £95 million, and roughly £6,000,000 has been lost in the past fortnight. Since

end-April the reserve ratio has fallen from 40.4 per cent to 35.7 per cent. At the recent rate of deterioration it would reach the legal minimum of 30 per cent in two months.

* * *

—And "Hot" Money

Evidently, the most pressing task which confronts the new Finance Minister, the experienced Mr Havenga, is to find a means of relieving this pressure pending the formulation of longer-term plans for dealing with the problem of the balance of payments as a whole. The London markets in South African securities have been disturbed this week by reports that the Union authorities are contemplating a reinforcement of the recent restraints upon "hot money" movements. It was suggested—though without confirmation—that overseas holders of bank deposits in the Union would be confronted with an ultimatum, requiring them either to withdraw their funds or "invest" them within 30 days. Such rumours have an unpleasant, even ominous, sound. Within the limits set by the freedom of the local security market, money "invested" would be just as freely withdrawable as the overseas funds which are already employed; and the only means of preventing withdrawal would be by some means of exchange blocking which could scarcely be applied discriminately so as to affect only the funds "invested" in response to the ultimatum. But an ultimatum of this kind would not, in any case, ease the Union's problem. It would run down the reserves of sterling, but this reduction would not even raise the reserve ratio unless the authorities allowed it to produce a quite sharp deflation of the internal banking position, with possible repercussions upon domestic industry.

For the time being, reports such as this should be treated with reserve; but unless fundamental measures are taken soon to narrow the current deficit on the balance of payments, some defensive measures against withdrawal of foreign funds may become unavoidable. The Government might take the view that legal action to reduce or waive the minimum reserve ratio might aggravate the problem by providing a fresh shock to confidence; but if such action had to be ruled out, most of the present gold reserve would not be available for the immediate purpose of dollar financing. It is small wonder that already there is discussion about the possibility of seeking dollar loans. But neither the International Bank nor the hard-headed bankers of Wall Street are likely to be anxious to lend unless they see evidence that the Union is preparing some homely measures of retrenchment.

* * *

The Engineers' Claim

The engineering employers, as was expected, have rejected the claim of the Confederation of Shipbuilding and Engineering Unions for a new consolidated national minimum rate of pay in the engineering trades. The claim, if conceded, would have secured an increase of about 13s. a week in the basic pay of workers, whose claim is to be answered separately by the employers on June 18th. Even so, it is the most important claim for increased pay put forward by any group of unions since the White Paper on Personal Incomes. It was not put forward precipitately. As the engineers' representatives have often pointed out, it was formulated under instructions from the membership well before the White Paper appeared. But (unfortunately, from the engineers' point of view) it has come to be regarded as a test incomes is to be applied seriously in industry or not. The unions are aware of the extent to which this strengthens the employers' hand and the difficult position in which they themselves are placed. The Amalgamated Engineering Union has pointed out that, when the meeting of trade union executives discussed the White Paper, But this does no more than clear the AEU of any charge of inconsistency; in so far as it affects the issue of public policy unions with the necessity of deciding their next move; their representatives were meeting at York as this issue of *The Economist* went to press.

* * *

India's Sterling

The London discussions on India's and Pakistan's sterling balances which began last week with preparatory talks among officials have this week shifted to the Ministerial level. The dis-



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cussions so far have not gone beyond the stage of exposition. The two sides have stated their positions and outlined certain proposals. It need hardly be stressed that these have shown very considerable divergences. The differences are now being studied, and during the coming week the negotiators should come to grips with their problem. It is still uncertain whether the talks will lead to a long-term agreement or whether the negotiators will have to be content with makeshift arrangements covering the next six or twelve months. It is probable that in such matters as the release of sterling balances and allocations of dollars from the sterling area dollar pool to the two dominions the commitments will have to be restricted to a comparatively short period. It would be pointless at this stage to enter into long-term commitments on these issues.

One of the most important aspects of the present negotiations concerns the valuation to be placed on sales of British military stores and other installations to the Governments of India and Pakistan and the capitalisation of pensions to British members of the Indian Civil Service; the British Government is to bear the cost of these pensions in return for a reduction in the sterling balances of the two dominions. Capital transactions of this character may range in amount between £350-500 million. These, together with that part of the sterling assets which may be regarded as immobilised as currency reserve for the two dominions, should account for a considerable part of the accumulated sterling balances that form the principal topic of discussion in the current negotiations. The Indian and Pakistan delegations may suggest that part of these sterling balances be earmarked for the ultimate repatriation of British capital invested in the two dominions. There will no doubt be scope for operations of this kind, but if the subject is discussed without political prejudice it will surely be found that continued co-operation of British capital and enterprise in the dominions of India and Pakistan will redound to the interests of all concerned.

* * *

Imperial Tobacco and the Bonus Issues Tax

The intimation by the board of Imperial Tobacco that it is considering ways and means of raising further funds to cover its increased requirements of working capital hardly comes as a surprise. As is pointed out in a leading article on page 977 of this issue, increases in the book value of stocks in recent years have already involved the company in heavy short-term borrowing. In 1944-45, £10 million was borrowed on Ten Year Notes to finance an approximately equal rise in the value of stocks which had largely resulted from increases in the Tobacco Duty. In the following year the company reverted to the normal prewar practice of paying for leaf tobacco at the time of purchase, which caused a striking jump from £57,512,085 to £78,509,370 in stocks. Again, the group resorted to short-term borrowing; £10 million was borrowed on acceptance credits and the bank overdraft was increased from £14,366,731 to £26,239,900. Assistance was also received from a postwar refund of EPT amounting to some £4,000,000. In 1946-47 the burden was further raised, following the increase in the Tobacco Duty in April, though it was kept within more moderate limits because of a reduction in the physical quantity of leaf held in stock.

Imperial Tobacco has so far been thwarted in its desire to put this enormous amount of temporary finance on a more permanent footing. There was first the disagreement with the Capital Issues Committee over the price of the issue of new capital mooted two years ago, which still rankles. But a more telling factor is the Bonus Issues Tax which would take a large slice of a new issue of the size now required. On this second point a gleam of hope for the company may be visible in Sir Stafford Cripps's undertaking in the House of Commons on Monday that he would be reconsidering the question of the Bonus Issues Tax before the next Budget. It is something, as an Opposition speaker claimed, that the Chancellor, unlike his predecessor, does not talk of bonus issues as if they were damned by original sin, and may be prepared to admit that the tax on them might under changed circumstances have become an evil and not a good thing. In the meantime, presumably, the immediate plans of Imperial Tobacco to raise more short-term capital are unlikely to be affected. These are not yet definite, but a further issue of Ten Year Notes amounting to £10 million has been suggested as a probable step.

* * *

Cotton Commission Follows Alexandria

The reduction in the home issue prices for Egyptian Zagora and Ashmouni cottons (both relatively short staple), announced last week by the Raw Cotton Commission, caused little surprise

in Lancashire. The prices of these two types had already fallen quite sharply in Alexandria, and the British cotton textile industry was waiting to see what interval would elapse before British prices were brought down in conformity. If anything, the reduction came sooner than had been expected, and this prompt action by the Commission will no doubt inspire some confidence in its avowed policy of following world price trends. The latest reduction of 9d. a lb. for Zagora brings its price to 34.90d. a lb. compared with 22.40d. in July, 1947, while the fall of 5d. a lb. for Ashmouni gives a new price of 39.75d. a lb., against 22.25d. Prices of other Egyptian cottons remain unchanged. Any fall in price naturally creates a certain uneasiness among traders; in Manchester buyers are a little cautious in placing orders for goods manufactured from Egyptian cotton in case any further decline should take place, whereas a few weeks ago, when raw cotton prices jumped, they were worried lest consumers would resist higher prices.

Cotton production in Egypt has shown a steady increase since 1944, though last year, which was not particularly good, total output (604 million lb.) was 27 per cent below the 1938 figure. Cotton acreage is also recovering; this season it may be 15 to 20 per cent larger than in 1947, when 1,300,000 acres were planted compared with 1,000,000 acres in 1938. The present crop, however, is reported to be one to two weeks late, and the dangerous part of the season is not yet over. The provision of Marshall funds may relieve some of the pressure of demand for Egyptian cotton, but supplies are still expected to be tight. World cotton consumption in 1947-48 has been estimated by the International Cotton Advisory Committee at 28 million bales (approximately equivalent to 13,430 million lb.) against a world production of nearly 25 million bales (11,925 million lb.). Since world cotton stocks on August 1, 1948, are likely to be down to only 14½ million bales (6,950 million lb.), the existence of an acute cotton shortage is unquestionable. Details of the International Cotton Advisory Committee's estimates are given in this week's issue of the *Records and Statistics* Supplement.

This does not necessarily mean that world, and in particular Egyptian, cotton prices will remain at their present high level. Much depends on the course of inflation throughout the world and on the level of industrial activity in the major cotton consuming countries. In Egypt, however, there is a further problem. Current Alexandrian prices are well above the Egyptian Government's guaranteed minimum prices which are the basis on which credit facilities are granted to cotton growers. If these minimum prices are not raised, growers may have to market a larger part of their crop at the beginning of the season, causing a relative dearth in later months. A similar situation was experienced in 1947-48. If importers have sufficient funds available for buying there need be no serious disturbance to the market. Britain did not avail itself of the opportunity to buy in the early months of the season owing to the transfer of buying operations from Cotton Control to the Raw Cotton Commission; it seems that no large-scale purchases of Egyptian cotton were made until February, when prices in Alexandria moved up sharply. This mistake is unlikely to be repeated this year.

* * *

The Jute Working Party Report

The jute spinning and weaving industry in east Scotland is temporarily secured from external competition by the persistence of wartime controls. The report of the Jute Working Party, which was published on Thursday*, points out that once these disappear the industry will have to face competition even more severe than before the war from its larger rival in Calcutta. In the first thirty years of this century the British industry was virtually driven out of both the home and export markets in standard and coarser products by Calcutta. It survived on a reduced scale by specialising in non-standard and higher-grade cloths and by the sale of yarn; this is the field which Calcutta threatens to invade. The Indian mills will now supply any weight and width of cloth, have overcome the technical difficulties of producing higher-grade cloths and are willing to produce a surplus of yarn over their weaving requirements. Calcutta has more than enough manufacturing capacity to meet total world demand.

The British jute industry consists of 44 firms in Scotland engaged in the spinning and/or weaving of jute in 66 establishments; most of them are in the congested quarters of Dundee. All their buildings but one were built in the last century; and their heavy stone, many-storeyed construction give little scope

* Board of Trade Working Party Reports: Jute. Stationery Office. 2s. 6d.

for a change in lay-out. About 60 per cent of existing spindles are of types introduced since 1927; in weaving there have been no major technical changes in this century. The bulk of the industry (77 per cent of the spindles and 65 per cent of the looms) is organised in firms which combine spinning and weaving; and most of those (55 per cent of the spindles in the industry and 44 per cent of the looms) carry on spinning and weaving in the same factory.

Output in 1946 (the latest year given in the Report) was about half the prewar level and the restriction was due to a shortage of labour. New industries established in Dundee under the Distribution of Industry Act, 1945, have broken the jute industry's former monopoly of an isolated labour pool. The number of insured persons in the industry was 41,000 in 1942 (4,000 unemployed) and 30,000 in 1939 (5,000 unemployed); in 1946, with unemployment negligible, it was only 16,000.

In these circumstances the Working Party proposes that the industry should be assisted to recapture from Calcutta the home market in all goods except heavy sacks. It estimates that half the export market will be lost, but that home production can still be increased to three times the 1946 figure—a level the industry has not approached since 1900. The Report assumes without discussion that the necessary jute will be obtainable.

* * *

Is a Tariff Justified?

To exclude Indian manufactures the Working Party proposes a tariff, which is to be conditional on an undertaking by the industry to reorganise; that is, 100,000 of its 166,000 spindles should be grouped in units of not less than 15,000 spindles each, all of modern type. (One firm has already 41,000 and another 16,000 spindles.) The industry, since it is badly housed and cannot be rehoused on its present sites, should be given subsidised accommodation under the Development Scheme for Dundee. Financial assistance will also be required to the extent of £3,250,000 for further equipment and to carry stocks of raw jute when the Control ceases to perform this function. The Report also makes a contingent claim for finance for the weaving section if and when a satisfactory automatic loom is invented. By the double-shift working of the new equipment and a 20 per cent tariff, the Working Party believes that the industry could be prosperous.

Few external observers will quarrel with the serious view the Working Party takes of the future of the industry—though it should be mentioned that certain leading members have had enough confidence in its future to invest heavily in new equipment since the war. But there is little evidence relevant to the remedies proposed, and that little is not in their favour. The new groups are to concentrate 15,000 or more spindles in one mill; but no evidence is given to show that this will lead to economies. Only the two firms already mentioned possess more than 10,000 spindles, and no mill of the size proposed exists. The typical mill has between 2,000 and 5,000 spindles, and some of those reputedly most efficient are of this size.

Again, it is recommended that the "groups" should combine spinning and weaving; but the evidence on profits for the years 1934-38 shows the trading profit, after deducting depreciation at the basic Inland Revenue rates, to be 7.1 per cent for spinners, 4.5 per cent for weavers and 2.4 per cent for combined concerns. There may be excellent reasons for these proposals, but none is given: can they perhaps be based on crude comparisons, ignoring different conditions, between Dundee and Calcutta? Clearly a considerable increase in productivity is necessary if an industry which had a net output per employed person of only £117 per annum prewar has now to compete for labour.

The claim for a tariff of 20 per cent is based on a comparison with India's costs which appears no better than guesswork. The Working Party could get no information from the Indian mills; so it computed wage costs from wage rates, and used British figures for other costs. Twenty per cent, it suggests, is a minimum figure. But is it not the maximum figure that interests consumers? This might easily be 40 or 60 per cent. What is the justification for the proposal to use a tariff to recapture the home trade in standard cloths? None is given in the report, beyond the unsupported statement that a substantial background of standard hessian trade is necessary for the economical production of special weights and widths. Could it be explained how mass production of standard lines can assist smaller-scale production of specialities?

Much of the report is merely an elaboration of the case for a tariff presented by the employers and the Trade Union in the 1930's. The arguments in the case are presented as self-evident truths; there is little sign of an attempt to collect the evidence that would have enabled it to discuss them. Were these matters discussed to the satisfaction of the independent members? The

primary function of independent members on such a committee is presumably to ensure that the report does not merely represent the views of interested parties.

* * *

Making TDRs More Flexible

The Treasury deserves congratulation for its second thoughts on the technical arrangements for issuing Treasury deposit receipts. Three months ago, when asked whether he would consider certain improvements in the Treasury bill and deposit receipt systems, the Chancellor rebuffed the suggestions on the grounds that existing arrangements had worked satisfactorily for a number of years and that the banks and money market did not desire any change. That was not, in fact, the predominant opinion in the circles most closely concerned: the feeling was that a "satisfactory" system could be made to work even better. The Chancellor has now decided that, as from next Monday, TDRs "shall be issued with a currency of five and seven months in addition to the existing currency of six months." Six months has been the only life of TDRs ever since their introduction in the summer of 1940. In future, when making their calls upon the banks for money against new issues of TDRs, the authorities will decide which currency—five, six or seven months—is most appropriate for the particular week's issue. There is no intention, however, of giving the banks any option in the matter; and it is expected that, in general, the whole of each week's issue will have the same life. "Until further notice" the interest rate of $\frac{3}{8}$ per cent per annum which applies to six months' receipts will apply also to those of five and seven months.

The sole object of this change is to give added flexibility to the authorities' arrangements for keeping the short money market on an even keel. It should, in fact, remove an irritating source of dislocation. Since the weekly tender issue of Treasury bills has come to be a highly stable element in the floating debt—changes in the amount allotted are infrequent and small—the full force of the ebb and flow of the Treasury's cash requirements falls upon the TDR issue. Necessarily, the Treasury borrows on TDRs only when it needs money; and, desirably, the TDRs should mature at a time when the Treasury has a surplus (and when, correspondingly, the money market and banks are short of cash). But the seasonal cycle of Treasury deficits and surpluses does not conform to a six-monthly pattern. During the period of heavy tax-gatherings last January and February, maturing TDRs were paid off and no new issues were made for five consecutive weeks; hence there will be similar gaps in July and August which, if the six-monthly system remained, would reappear in the main tax season early in 1949. In such conditions, given the desirability of avoiding any large reduction in the tender issue of bills, the only means of relieving the resultant pressures in the money market was for the authorities to make *ad hoc* purchases of existing bills. Under the new system, the TDR maturities should be spaced out so as to align with the phases of Treasury surplus, thereby reducing the need for *ad hoc* action while avoiding the tendency for spasms of difficulty to recur automatically at six-monthly intervals.

The new device looks preferable to the alternative improvement, which had been suggested by money market circles, of issuing nine-month TDRs in the April-June quarter (normally a lean period for the Exchequer), as a means of ensuring maturities in the fat January-March quarter. This evidence of official receptiveness to constructive suggestions from outside is very welcome. But, in view of the thought which has evidently been given to this matter, it is a little surprising that the authorities are still not agreed upon the further improvement of this character which is needed—namely, to issue Treasury bills with lives expressed in an even number of weeks instead of months, and thus to avoid the dislocations caused by the oddities of the calendar. Under the present system, there are many days in the year on which no Treasury bills mature; yet the smooth functioning of the credit machine depends upon an even flow of such maturities. For the present, it seems, the authorities are not concerning themselves with these sources of friction from day to day. Had they done so, they would surely have made the TDR change the occasion for expressing the life even of TDRs in weeks instead of months. As it is, even under the new system TDRs will continue to produce short-term dislocations analogous to those produced by bills.

* * *

Coal Exports and Production

The Minister of Fuel and Power, who discussed the coal position on Thursday, was reassuring neither in his account of pro-

duction trends nor in the course of action he appeared to contemplate if production did not improve. The winter's record, he said, was "pretty fair," but since Easter there had been disturbing tendencies both in production and in consumption. "The whole outlook is not so good as it was." Taking the five weeks since May 1st, he said that the target required 19.2 million tons from the mines during that period; but in fact only 18.6 million tons were produced; this was more than 100,000 tons a week short. Before Easter deep-mined output was averaging nearly 300,000 tons a week more than in the corresponding weeks of 1947. But after Easter the excess fell to 50,000 tons. If last week's improvement meant that the upward movement in coal production was being resumed, then the target could still be reached—but "only by a great effort by all concerned."

In the normal way the present is an unpropitious time of year to look for the beginning of a "steady upward movement" in coal output; the summer holidays are too near. Mr Gaitskell's statement can therefore only be disquieting. He went on to say that stocks, which should have risen by 625,000 tons in the past four weeks, had in fact risen by only 170,000 tons. Not only lower output, but higher consumption, were to blame for this. And the consequence? It would seem most reasonable to cut domestic consumption or to relax the required level of coal stocks for the winter; Mr Gaitskell had admitted that stocks at the end of last winter were higher than at any time since 1943. But he went on to declare:

Since we must have sufficient stocks at the end of the summer to meet our winter needs, if output is lower, or inland consumption is higher, than it should be, we shall have no alternative but to reduce the rate of coal exports.

Some, but only some, of the devastating effect of this statement was removed when Mr Gaitskell, answering a question, indicated that domestic consumption as well as exports might have to take some of the burden. But do not British responsibilities to Europe (to say nothing of the balance of payments) demand that in 1948 exports should be cut last?

Silver Currency for China.

The currency situation in China has turned full circle during the past fourteen years. In 1934 China was pushed off the silver standard as one of the minor incidentals of legislation passed in the United States in order to put a few more million dollars in the pockets of American silver producers. Since then China has grappled with the problem of managing a paper currency. China claims to have been the inventor of the bank note, but long experience has not, in this case, made for proficiency, or at least for moderation, and the Chinese national dollar, or fapi, is now sinking fast in a welter of inflation. Successive official devaluations have carried its rate to 1,400,000 to the US dollar and all attempts to stabilise and save this currency are clearly doomed to failure. This fact has now been admitted, and the Chinese authorities have decided that only by a return to a metallic standard can stable conditions be restored. Reports from Nanking suggest that a new silver dollar with an exchange rate of four to the US dollar will be introduced by the end of this month. To coin a sufficient supply of the new currency to provide for the needs of the country and to convert the old paper currency into silver would be a prodigious task. What is in prospect, therefore, is in fact a dual currency, the paper fapi making up the bulk of the circulation, the silver dollar being gradually introduced and the relation between the two being at first left to the determination of a free market.

The success of the experiment depends on the readiness of the Chinese authorities to set their financial house in order and to establish some semblance of balance between their receipts and expenditure. If the recent havoc in the public finances continues, and the inflation of the currency provides the main source of revenue for the Government, the silver that will be put into circulation will go straight into hoards. Gresham's law will operate. But even if the Chinese Government performs the miracle of stabilising its public finances, the reversion to a silver standard will set some immense problems. The first is the mobilisation of an adequate supply of silver. Chinese officials have spoken optimistically of finding the required stocks in the United States. The US Treasury has a free silver reserve of some 160 million ounces, but the greater part of this must be earmarked against future domestic coinage requirements. There must be immense hoards of silver underground in China, but they will not emerge until political and financial stability are clearly in sight. All this considered, it will be far more difficult to rebuild the silver standard in China than it was to destroy it. Since the United States took so prominent a part in the work of destruction they owe it to China to

offer some help in that of restoration. If China is in earnest about the return to silver, a new and potent factor has arrived in the world silver situation.

Malayan Rubber and the United States

The rubber market has shown considerable stability in recent months and spot prices in London remain firm, being quoted on Wednesday last at 1s. 1½d. a lb. World production of natural rubber continues to expand: for the four months to April it amounted to 475,000 tons compared with 405,000 tons for the corresponding period of 1947. Output is thus running at an annual rate of 1,425,000 tons, compared with actual production of 1,260,000 tons in 1947. Consumption of natural rubber is no less encouraging; between January and April of this year it totalled 445,000 tons, compared with 325,000 tons in the same period of 1947, the latest figures correspond to an annual rate of 1,335,000 tons against last year's actual consumption of 1,100,000 tons. These comparisons of output and consumption are encouraging, though it is well to emphasise that they refer only to the first four months of the year. Statistics for synthetic rubber production and consumption show an equally welcome decline. Up to April, output totalled 178,500 tons against 249,500 tons for the first four months of 1947, while consumption amounted to 165,000 tons, against 250,000 tons last year.

Rubber prospects depend on two main factors: the first is the scale of consumption in the United States, which last year absorbed more than half the world's total consumption of natural rubber; and the second is economic and political stability in Malaya, which last year supplied over half of the world's total output. Under recent American legislation, the minimum annual consumption of general purpose synthetic rubber has been fixed at 225,000 tons. The annual rate for 1948, if figures for the first four months are maintained, would be nearly 500,000 tons, or more than twice the required minimum. That American demand for synthetic rubber has remained so high without direct enforcement is due mainly to its low price. As Sir John Hay has pointed out to the shareholders of United Sua Betong Rubber Estates, synthetic rubber is supplied to manufacturers at a fixed price of 18½ cents a lb.—equivalent to 11d. a lb. against the London spot price of nearly 1s. 2d. a lb. for natural rubber. No objection could be raised against this official price if it is unsubsidised and if it covers not only direct costs of production but also amortization costs. This question has never been satisfactorily answered. Meanwhile, the market for natural rubber is dependent on the maintenance of industrial activity in the United States, where consumers still think in terms of "20 cent rubber." Any recession there might have serious political repercussions in Malaya, although a fall in commercial demand for rubber in America might conceivably be partially offset by stockpiling purchases.

Political conditions in Malaya are none too happy. Sir John referred to recent labour troubles culminating in the destruction of property and in the threat to human lives on estates where employed labour has been well treated. Such outbreaks are due as much to political as to economic causes, though they are inflamed by the high cost of rice. The All-Malayan Council of Joint Action and the People's United Front are both reported to be under the influence of the Communist-dominated Malayan Federation of Trade Unions. If economic conditions deteriorate, political strife may increase and perhaps threaten a wider area than Malaya. The importance of a free rubber market in the United States lies therefore not only in affording the sterling area a means of earning scarce dollars, but also in safeguarding South-East Asia from political disruption.

Remittances from Argentina

Of commercial and financial negotiations with Argentina there is no end. No sooner is the ink on one agreement dry than Señor Miguel Miranda can be depended upon to find room for further manoeuvre in the discovery of gaps to be filled or in the reinterpretation of loosely drawn clauses. The permanent British Food Mission now in Buenos Aires has recently begun to battle again on the food contracts. The main issue is the insistence by Argentina that Britain should take the chaff with the wheat and the offal with the meat. Britain's unwillingness to take such by-products of meat exports as cattle horns has now been followed by threats that exports of meat may have to be restricted, by a much more selective grant of import licences for British goods, and by increased difficulties and delays in authorising sterling remittances by British companies in Argentina to their shareholders in the United Kingdom. Señor Miranda has said that

Argentina cannot afford such inessentials as whisky and toys from Britain. Even motor cars and lorries will not be bought unless Britain is prepared to send more petrol with which to drive them. This last suggestion is an interesting indication of the extreme difficulty in which Argentina now finds itself owing to the exhaustion of its dollar reserves. The fall of its dollar income continues, and hopes that off-shore purchases financed with Marshall dollars might come to the rescue of this taut situation have had to be postponed. Argentina, therefore, would welcome a diversion of oil imports from dollar to sterling sources.

In dealing with Señor Miranda it is always difficult to judge how far these wider issues may be introduced merely in order to gain victory on a comparatively small point—in this case how far the substance of the recent agreement may be menaced in order to overcome British unwillingness to take some of the by-products of the Argentine meat industry. The Andes agreement provided neither for the sale of Argentine meat by-products nor for the problem of remittances on British capital invested in Argentina. These two omissions are now being compensated in a typical haggle which Señor Miranda has aptly described as "hard bargaining."

Royal Dutch-Shell Group Dividends

Until "Shell" Transport and Trading presents a figure for consolidated profits the inner significance of the net profit declared by the parent company alone must remain a matter of conjecture. In the past it has been the practice for "Shell" to call on the profits of the operating subsidiaries only to the approximate extent of the amount necessary to meet its own dividends, and the remaining earnings of the group have been discreetly retained in the accounts of subsidiaries. There has been some departure from this practice in 1947. Disclosed net profits have risen from £2,587,219 to £3,924,292. Net preference dividends absorb £440,000. The previous year's rate of ordinary dividend is maintained at 7½ per cent tax free, but the 5 per cent final dividend is payable on an ordinary capital of £38,594,177—it was increased from £28,945,633 by the recent share issue. Hence the total dividend absorbs £2,653,000 net, leaving £831,000 of net profit undistributed.

This result, which follows from the exceedingly favourable operating conditions enjoyed by oil companies in 1947, bears out the optimistic expectations in the prospectus for the new issue last December, when the directors expected "at least to maintain" the dividend at the 1946 rate. The disclosure of earnings equivalent to some 9 per cent tax free is perhaps an indication that a higher dividend could have been paid if voluntary dividend limitation had not barred the way. That would have been a notable achievement immediately after the increase in capital and it might have found some justification in the reduced rate of dividend in recent years compared with prewar. As it is, shareholders must wait.

It is right that "Shell" should at this stage conserve every penny of its surplus profits, in view of the magnitude of the capital projects which it has in train. This week, the other member of the diarchy, Royal Dutch Petroleum Company, though now freed from the restraint of dividend limitation, has also announced its adherence to last year's dividend rate of 9 per cent on the increased capital. According to the estimates of six months ago, the extension plans now being implemented by the Royal Dutch-Shell group will absorb £105 million of new capital. Even after the successful new issue, it was calculated that "Shell" Transport and Trading would have to find a further £14 million to complete its contribution of two-fifths of the total. The latest profits figures suggest that the task should be within the compass of the group's profit-earning potential, but unless the rising trend of costs is checked, the sum ultimately required to finish the extensions may indeed exceed last year's expectations.

Quicker Turn-round of Ships

The working party report on the turn-round of shipping in British ports, which was published on Tuesday, paints a disturbing picture. Last year, 50 per cent of the ships bringing iron ore to the Tees had to wait an average of 3 days for a berth. The squeezing of timber traffic into the short season allowed by the Baltic climate is not a new problem, but increased imports last year found merchants unprepared. Many were unable to handle their timber allocations; barges and wagons were kept in use and held up the discharge from subsequent ships. There are also complaints of slowness in unloading food cargoes. Since the Ministry of Transport has two million tons of dry cargo shipping under charter from foreign owners, the speed of turn-round has a direct bearing on the balance of payments. Yet it is only recently that the Ministry of Food has been prevailed on to

make overtime a universal practice where grain ships are to be unloaded, and it has not yet adopted double shifts; the working party recommends that it should do so.

War damage and arrears of maintenance are responsible for a great deal of the delay. Half the warehouses and transit sheds in Liverpool, 60 per cent in Southampton and Hull (which has also lost a dock) and one-third in London were destroyed. Shortages of labour and materials have retarded repairs, and the Minister of Transport's careful statements at a press conference on Tuesday scarcely held out promise of the urgent action which is recommended in the report. Meanwhile some ports are congested and others, on the Bristol Channel and the Clyde, for instance, are not working to full capacity. It is easy to demand efficient planning of the use of the ports, but can the importers who queue to use the straightened facilities of Hull be blamed if it would not pay them to import through Cardiff? No doubt this year's timber import programme (which is smaller) can be better planned throughout the season on the lines recommended by the working party; the Timber Controller has also made arrangements for stacking timber in the port areas.

The working party offers some reserved comments on the dock labourers' readiness to work, and their pursuit of restrictive practices—on the latter, it was satisfied that there was substance in "some of the complaints as regards both sides of the industry." Late starts, early finishes, and unauthorised morning and afternoon breaks come naturally to the docker, to whom the advantages and decasualisation are new and untested. The working party "feels that there is a need for improving the standard of supervision in the docks." It is able to point to Manchester, where an energetic campaign has rid the port of bad timekeeping. The 1946 Act has made for rigidity in dock labour. Employers and men must agree before labour can be transferred or reasonable overtime worked. Meanwhile, seasonal movements of imports which originally lead to casual dock work have impelled the National Dock Labour Board to institute seasonal registers for the employment of extra men at peak periods. Detailed recommendations relating to each port in the working party's report reveal a complex of problems such as shortage of weighing machines, major schemes for new cranes, sorting of fruit cargoes and Customs clearances. Many organisations and interests are concerned with the work of the docks, and the report rightly emphasises that each can play a part in reducing the present waste of shipping space and foreign exchange which is resulting from present delays to shipping in the ports.

Fifty Years on the Rand

The annual statements of the chairman of the Rand mining houses so far made this year have added some useful statistical material on the South African gold mining industry. Mr Brendan Bracken, speaking recently in Johannesburg at the fiftieth anniversary of Union Corporation, showed that from its inception in 1898 until 1923 the output of the group was double, and in the subsequent twenty-five years was again almost trebled. In 1947 the group produced 1,609,987 fine ounces, representing some 15 per cent of the total Witwatersrand production. Over the fifty years of operations output has exceeded 34 million fine ounces. Gross profit last year increased by £286,765 to £1,372,119.

The uneven experience of the "shops" in share dealing over the past year is demonstrated by the increase of £165,587 in the profits made by Central Mining and Investment from this source, which accounted for the whole of the total rise in profits from £711,947 to £842,487. On the other hand, General Mining and Finance profits decreased by £58,944 to £385,345, largely owing to the more restricted scope for share dealings. In his statement to Central Mining shareholders, Sir Clive Baillieu makes some interesting comparisons of costs in recent years. He has taken 1938 as the most suitable basis for comparison with 1947 since the tonnage milled on the Rand amounted to approximately 53½ million tons in each year. In 1947 the revenue of the industry was some £9.3 million more than in 1938 as the price of gold was 30s. higher. Against this Sir Clive has calculated that total costs have risen by around £19.5 million, of which European labour has accounted for £8,900,000, coloured wages £2,200,000 and stores and other costs £8,400,000. Moreover, the rise in total costs between the two years has been mitigated by the lower tonnage of ore developed in 1947 and the lag in the increased cost of stores due to accounting methods. This rise in costs has received considerable emphasis in the reports of the mining houses in recent years, and the policy of the new Government in the negotiations with the labour organisations which were interrupted by the elections will be of decisive importance for the future of the industry.

Anglo-Russian Trade

The Anglo-Russian Trade Agreement of last December stipulated that if "by May 31, 1948, the total value of Soviet orders placed for equipment . . . does not reach half of the whole value of this equipment, then the Government of the USSR will have the right to reconsider its undertaking relating to the making available to the United Kingdom of the last 200,000 tons out of the 750,000 tons of grain. . . ." Little information has filtered through about the progress of placing Russian contracts, apart from some inspired and unflattering guesses. Last week, however, Mr Bottomley, Secretary for Overseas Trade, presented Parliament with a progress report. Up to the end of May, Russia had shipped 337,500 tons of grain, and a further 137,000 tons were due for shipment in June. Under the agreement, Russia has agreed to deliver before the end of September, 750,000 tons of grain consisting of 450,000 tons of barley, 200,000 tons of maize and 100,000 tons of oats.

Britain in return agreed to deliver 25,000 tons of light rails of which not less than 10,000 tons were to come from new production. Some 12,000 tons of rails have already been shipped from stocks and negotiations are proceeding to supply the balance from new production. As for other equipment required by Russia, Mr Bottomley announced that tenders amounting to approximately 90 per cent of the total supplies contemplated under the Agreement have been submitted by British manufacturers to the Soviet Trade Delegation, though contracts have been signed so far for less than £1,000,000. The total value of the scheduled equipment has never been disclosed, but the total value of trade is probably of the order £20-25 million each way. Russia has also made large purchases of wool, rubber, cocoa beans and coffee; no information on the amounts bought has been given, but further contracts are in course of negotiation.

Mr Bottomley refrained from expressing an opinion whether, in this situation, the waiver clause might be applied. The Agreement states that "the value of contracts actually concluded and prepared for concluding . . . would be taken into account." It is unlikely that tenders submitted could be considered as "contracts prepared for concluding," even though the delay in accepting them is Moscow's responsibility, rather than Britain's. Mr Wilson has been in touch with the Soviet Ambassador about the resumption of the trade talks, but as yet no date has been fixed. Under the Agreement, representatives of the two Governments were to meet not later than May to review the progress of trade between the two countries and to expand the scope of the Agreement. Perhaps the President of the Board of Trade has yet to complete his training for a renewed bout with Russian conviviality.

West African Groundnuts

Publicity for the East African groundnuts scheme has overshadowed the importance of West Africa as a source of ground-

nuts. Before the war, Nigeria was second only to India among Empire producers; during the war and after, production more than doubled—from 145,000 tons (shelled weight) in 1939-40 to 313,000 tons in 1947-48. West Africa was an obvious region for possible development. The Report* of the Colonial Office Mission which has been studying conditions on the spot recommends that five areas should be developed covering in all 5,000,000 acres, of which 2,750,000 acres should be under cultivation. Two areas are on the Gold Coast, two in Northern Nigeria and one in Gambia. These districts are well suited for mechanised cultivation and the Mission recommends that they should be developed in entirely new forms of communities. Group farming should be based on "tractor units" of 600 acre blocks, which would become the basis for small hamlet communities. In each unit, 200 acres would be devoted to groundnuts, 200 acres to guinea corn or millet and 200 acres to grass ley, the whole being worked on a six-course rotation. In the initial stages natives would be employed as paid labour but eventually, the report suggests, they should be settled by permanent peasant communities cultivating the land co-operatively.

The Mission estimate that the total capital cost will be about £25 million, which is far in excess of the financial resources of the West African Governments. If the scheme is to materialise, it must therefore be carried out with the strong support of the Colonial Development Corporation. Annual production of not less than 225,000 tons (shelled weight) is believed to be possible at a cost per ton ranging from £16 7s. to £21 12s. fob West African ports. These estimates include interest charges and the amortisation of capital, but the West African Governments think that the actual cost will in fact be much higher.

Such a scheme would undoubtedly bring great benefits to the West African people. But many difficult problems remain—the provision of mechanised equipment, adequate transport facilities and the resettlement of native populations. Last week, the Colonial Secretary admitted that in Northern Nigeria 303,000 tons of groundnuts had accumulated out of a total crop of 313,000 tons, while on May 20th stocks still amounted to nearly 280,000 tons. Nigeria's railway facilities are quite unable to handle the present bumper harvests, and a radical improvement will be needed before the new scheme is started.

For these reasons, the Colonial Development Corporation is unlikely to accept the recommendations light-heartedly, despite the world shortage of oilseeds. The East African project has run into many unforeseen difficulties and its cost has far outstripped original intentions. Even now it apparently needs the constant personal supervision of Ministers. With that experience fresh in mind, a scheme for West Africa must first be worked out in detail, and co-ordinated with Britain's industrial programme. It will—if it is finally approved—be competing for scarce steel and machinery, and this time no dollars will be available for it as they were for East Africa.

* Report of Mission on West African Oilseeds. HMSO. 1s. 6d.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Hawker-Siddeley; Automatic Telephone; Siemens.

Prices, Year 1948 (Jan. 1 to June 9)	Name of Security	Price, June 2, 1948	Price, June 9, 1948	Net Yield, June 9, 1948 (%)	Gross Yield, June 9, 1948 (%)	Prices, Year 1948 (Jan. 1 to June 9)	Name of Security	Price, June 2, 1948	Price, June 9, 1948	Yield, June 9, 1948 (%)
High Low				(a) (b) (c)	(d) (e) (f)	High Low				
101 1/2 101 1/2	British Funds					104 1/2 104 1/2	Other Securities			
101 1/2 101 1/2	War Bonds 2 1/2% Aug. 1, 1949-51	101 1/2	101 1/2	4 1/2	4 1/2	104 1/2 104 1/2	Australia 3 1/2% 1965-69	104 1/2	104 1/2	4 1/2
101 1/2 101 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0 1/2	0 1/2	94 1/2 94 1/2	Birmingham 4 1/2% 1966-71	94 1/2	94 1/2	4 1/2
102 1/2 102 1/2	War Bonds 2 1/2% March 1, 1951-53	102 1/2	102 1/2	0 1/2	0 1/2	101 1/2 101 1/2	Argentina 3 1/2% 1966-71	101 1/2	101 1/2	3 1/2
102 1/2 102 1/2	War Bonds 2 1/2% March 1, 1952-54	102 1/2	102 1/2	0 1/2	0 1/2	101 1/2 101 1/2	Anglo-American Corp. 10s	101 1/2	101 1/2	10
104 1/2 104 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	104 1/2	104 1/2	1 1/2	1 1/2	94 1/2 94 1/2	Anglo-Iranian Oil (L) 10s	94 1/2	94 1/2	10
102 1/2 102 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	102 1/2	102 1/2	0 1/2	0 1/2	72 1/2 72 1/2	Assoc. Port. Cem. Ord. Stk. (L)	72 1/2	72 1/2	4 1/2
103 1/2 103 1/2	War Bonds 2 1/2% June 15, 1952-57	103 1/2	103 1/2	0 1/2	0 1/2	34 1/2 34 1/2	Austin Motor 'A' Ord. Stk. 5s	34 1/2	34 1/2	6 1/2
105 1/2 105 1/2	National Def. 3% July 15, 1954-58	105 1/2	105 1/2	1 1/2	1 1/2	78 1/2 78 1/2	Barclays Bank Ord. 'B' (L)	78 1/2	78 1/2	5 1/2
104 1/2 104 1/2	War Loan 3 1/2% Oct. 15, 1955-59	104 1/2	104 1/2	1 1/2	1 1/2	9 1/2 9 1/2	Bass Ratcliff Ord. (L)	9 1/2	9 1/2	4 1/2
102 1/2 102 1/2	Savings Bonds 3% Aug. 15, 1955-65	102 1/2	102 1/2	1 1/2	1 1/2	5 1/2 5 1/2	Countess of (L)	5 1/2	5 1/2	17 1/2
100 1/2 100 1/2	Funding 2 1/2% April 15, 1956-61	99 1/2	99 1/2	1 1/2	1 1/2	40 1/2 40 1/2	Distillers Co. Ord. (L)	40 1/2	40 1/2	3 1/2
102 1/2 102 1/2	Funding 3% April 15, 1959-69	102 1/2	102 1/2	1 1/2	1 1/2	27 1/2 27 1/2	Dorman Long Ord. (L)	27 1/2	27 1/2	5 1/2
114 1/2 114 1/2	Funding 4 1/2% May 1, 1960-90	114 1/2	114 1/2	2 1/2	2 1/2	32 1/2 32 1/2	Dunlop Rubber Ord. (L)	32 1/2	32 1/2	4 1/2
102 1/2 102 1/2	Savings Bonds 3% Sept. 1, 1960-70	102 1/2	102 1/2	1 1/2	1 1/2	53 1/2 53 1/2	Emp. Chem. Ind. Ord. Stk. (L)	53 1/2	53 1/2	4 1/2
96 1/2 96 1/2	Savings Bonds 2 1/2% May 1, 1964-67	95 1/2	95 1/2	1 1/2	1 1/2	6 1/2 6 1/2	Imperial Tobacco (L) 10s	6 1/2	6 1/2	17 1/2
112 1/2 112 1/2	Victory Bonds 3% Sept. 1, 1920-76	114 1/2	114 1/2	1 1/2	1 1/2	48 1/2 48 1/2	Lancs. Cotton Ord. Stk. (L)	48 1/2	48 1/2	4 1/2
101 1/2 101 1/2	Savings Bonds 4 1/2% (after Feb. 1, 1957)	101 1/2	101 1/2	1 1/2	1 1/2	56 1/2 56 1/2	Lever & Unilever Ord. (L)	56 1/2	56 1/2	4 1/2
110 1/2 110 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	105 1/2	105 1/2	1 1/2	1 1/2	61 1/2 61 1/2	London Brick Ord. Stk. (L)	61 1/2	61 1/2	3 1/2
99 1/2 99 1/2	Treas. Stk. 3% (after Apr. 1, 1975)	94 1/2	94 1/2	1 1/2	1 1/2	65 1/2 65 1/2	P. & O. Ind. Ord. Stk. 10s	65 1/2	65 1/2	4 1/2
99 1/2 99 1/2	Treas. Stk. 3% (after Apr. 5, 1966)	94 1/2	94 1/2	1 1/2	1 1/2	59 1/2 59 1/2	Prudential 'A' (L)	59 1/2	59 1/2	4 1/2
100 1/2 100 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	96 1/2	96 1/2	1 1/2	1 1/2	85 1/2 85 1/2	Stewart & Lloyd's Del. (L)	85 1/2	85 1/2	1 1/2
83 1/2 83 1/2	Consols 2 1/2%	76 1/2	76 1/2	1 1/2	1 1/2	7 1/2 7 1/2	'Shell' Transp. Ord. Stk. (L)	7 1/2	7 1/2	4 1/2
100 1/2 100 1/2	British Electricity 3% Gtd. 1968-73	99 1/2	99 1/2	1 1/2	1 1/2	90 1/2 90 1/2	Tube Invest. Ord. Stk. (L)	90 1/2	90 1/2	4 1/2
97 1/2 97 1/2	British Transport 3% Gtd. 1978-88	95 1/2	95 1/2	1 1/2	1 1/2	7 1/2 7 1/2	Turner & Newall Ord. Stk. (L)	7 1/2	7 1/2	4 1/2
99 1/2 99 1/2	British Transport 3% Gtd. 1968-73	99 1/2	99 1/2	1 1/2	1 1/2	93 1/2 93 1/2	Woolworth (P. W.) Ord. 5s	93 1/2	93 1/2	4 1/2

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked '2'), and those paying 3 per cent or less will be repaid at the latest date (marked '1'). (a) Net yields are calculated after allowing for tax at 9% in the U.K. (b) Flat yield. (c) Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 2 1/2 per cent free of income tax. Yield worked out on 15 per cent basis. (g) Fifteen months to March 31, 1947 (yield basis 7.6 per cent.). (h) To latest redemption date. (i) 15 months. Yield basis 25%. (j) Free of tax.

COMPANY MEETINGS

THE HAWKER SIDDELEY AIRCRAFT COMPANY, LIMITED

PROGRESS IN RESEARCH AND DEVELOPMENT

The twelfth annual meeting of Hawker Siddeley Aircraft Company, Limited, was held, on the 9th instant, in London. Mr T. O. M. Sopwith, C.B.E., F.R.Ae.S. (chairman) in the course of his speech said: "I am pleased to be able to report another year of successful operation by your group. It reveals steady progress in our policy of intensive research and development in aircraft and engines and continued expansion of the foundations and scope of your business, both at home and abroad. The development of the non-aircraft side has been particularly marked."

The Gloster "Meteor," the fastest fighter in squadron service in the world, is being supplied to the R.A.F. as their standard interceptor. The Hawker "Sea Fury" has been adopted by the Royal Navy and has also been selected by the Royal Canadian Navy, the Royal Australian Navy and the first Canadian Squadron is already in service. In the heavy bomber field the Avro "Lincoln," successor to the world famous "Lancaster," is being produced by Sir W. G. Armstrong Whitworth Aircraft Limited, both for the R.A.F. and abroad. A. V. Roe & Company, Limited are also completing another four-engined military aircraft, shortly to have its initial flight tests.

COMMERCIAL AIRCRAFT

In the commercial field we have the Avro "Tudor" series covering a range from 30- to 70-seaters. We are building under Government contract 50 "Tudor II" aircraft, 32 of which have already been allotted to two

British Corporations. Four "Tudor IV's" have already been delivered and 16 are being prepared.

On their gas turbine side, the "Mamba" has successfully completed its full military and civil type test. A larger gas turbine, the "Python," is now being prepared for type tests. A. V. Roe, Canada, Limited, an axial flow jet engine the "Chinook," has been designed and built, and is running satisfactorily—a remarkable achievement for about two years' work.

PREFABRICATED HOUSES

A. W. Hawksley, Limited, has helped considerably in widening our interests and up to date has made over 12,000 factory-built prefabricated houses. Our new designs for overseas are attracting considerable attention.

The motor car section of our business carried on by Armstrong Siddeley Motors, Limited, is working to capacity within the limits of material allocation. The cars are quality types which for almost half a century have upheld the tradition of British engineering standards all over the world. We have no intention of lowering these standards.

Dividends totalling 3 1/2 per cent. (less tax) for the year, have already been paid leaving £409,893 to be carried forward. An interest is being acquired, in conjunction with Leyland Motors, Limited, in a new Canadian company for the assembly and manufacture of motor commercial vehicles. Your group is engaged on export contracts to a value exceeding £14 million, thereby earning substantial sums of foreign currency.

In addition to Hawker Siddeley Aircraft Company, Limited and Armstrong Siddeley Development Company, Limited the group comprises 20 wholly-owned and 3 partly-owned subsidiary companies, and 11 associated companies. I look forward to the future with confidence.

The report was adopted and the resolution to change the company's name to Hawker Siddeley Group, Limited was approved.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

DIFFICULT CONDITIONS

The sixty-seventh ordinary general meeting of this company was held, on the 9th instant, in London.

Col. C. F. Birney, D.S.O. (the chairman) said that the gross trading profit was nearly £35,000 less than the previous year's figure. Their revenue was derived mainly from the sale of coal and timber products, and the fall was almost entirely on the coal side. In common with all other industries, costs had increased not only on wages, both European and Indian, but also on all purchased materials, and unfortunately the Government of India had so far declined to permit any increase in the selling price of their coal. The final result disclosed a balance of £31,991, to which must be added £26,365 carried over from the previous year.

The selling price of their coal was fixed by the Government of India in 1944, and in spite of greatly increased costs of every kind, they could not make any increase in their selling price. They were much concerned at the position and were pursuing the matter energetically with the Government of India. On the timber side, the steady demand for their tea chests continued.

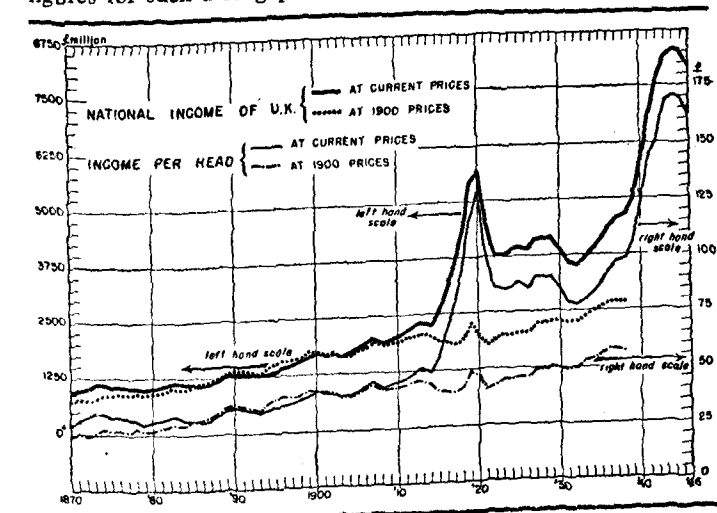
At the present time they were passing through a difficult period when considerable capital expenditure was essential and the controlled selling price of their coal left no margin of profit. The directors regretted they could not recommend any dividend on the B Stock and they had also decided to pass the dividend on the A Stock which would ordinarily have been paid on July 1st next.

He was not yet able to report any satisfactory issue of their approach to the Government of Assam for new forest leases.

The report and accounts were adopted.

British National Income 1870-1946

The current issue of the *Economic Journal* contains an important set of estimates of the national income of the United Kingdom from 1870 to 1946 by Mr A. R. Prest of the Department of Applied Economics at Cambridge. Mr Prest does not claim for his figures that they are more than first approximations, subject to a considerable margin of error. But he has nevertheless rendered a very great service in providing a continuous series of figures for such a long period. The estimates are charted in the



accompanying diagram, both in terms of current money and also in terms of pounds of the purchasing power of 1900. The figures of total national income include the whole of Ireland up to 1919, but only the six counties of Northern Ireland thereafter. The figures of income per head made an automatic correction for this discontinuity. Mr Prest has drawn heavily on previous estimates, on Professor Bowley's estimates of wages for the earlier period and on the national income estimates of Professor Brown, Mr Stone and the official White Papers for the later period. For the

purpose of deflating current-money figures to a constant-price basis, an index of the cost of living has been used throughout.

Those who are interested in the rate of economic progress will turn most eagerly to the estimates of "income per head at 1900 prices." Over the whole period from 1870 to 1938, the increase was from £24.63 to £57.37 per head per annum. This is an average rate of increase of almost exactly 1 1/2 per cent per annum compound. Possibly this understates the real rise, for it is probable that, over a period as long as 68 years, the prices of things-in-general rose very much less than those of the basic necessities included in an index of the cost of living. If this argument is acceptable, then it would seem permissible to go on using the figure of 1 1/2 per cent compound as the average annual rate of economic progress under free capitalism. Incidentally, Mr Prest's figures show a slightly more rapid rate of progress in the 38 years after 1900 than in the 30 years before that date.

Shorter Note

During 1947 the Zinc Corporation sold between 55 and 60 per cent of its total output of lead to the British Government, representing about 80 per cent of its total overseas sales. The price paid by the British Government was not disclosed, but Mr. John R. Govett, the Chairman, mentioned in his statement that while the 1947 prices were higher than the previous year they were less than those ruling in the other export markets. The average export price was £71 7s. 9d. a ton so that the British price must have been somewhat below this figure. On the other hand the Ministry of Supply's selling price for lead is £90 a ton. The Zinc Corporation has still to sell lead in Australia at a "ceiling price" of £17 12s. a ton, which according to Mr Govett is much less than half the current cost of production and now less than 20 per cent of the export price. The low Australian price for lead has caused a great increase in domestic consumption, although the rest of the world is suffering from a shortage of this metal. The Commonwealth Government has also made an appeal for an increase in sales of lead to dollar countries and a substantial quantity is expected to be shipped to the United States during 1948. This redirection of exports will mean a reduction in supplies to other overseas markets, though Britain will not be affected.

THE BURMAH OIL COMPANY, LIMITED

SATISFACTORY RESULTS—INCREASED PROFIT

BURDEN OF TAXATION

CONDITIONS IN INDIA AND BURMA

SIR KENNETH B. HARPER'S STATEMENT

The forty-sixth annual general meeting of the members of The Burmah Oil Company, Limited, was held on Friday, the 4th instant, in the Merchants' Hall, 30, George Square, Glasgow.

Sir Kenneth B. Harper, chairman and managing director, presided.

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

THE BOARD

In accordance with the announcement made by him in his chairman's statement last year, Mr Robert I. Watson retired from the leadership of your group of companies and from all his other business interests on December 31st last, but to the great regret of us all he was spared only three weeks to enjoy rest from the burdens he had laid down. His death came suddenly on January 26th. The Burmah Oil Company's interests were Mr Watson's life's work and no tribute we could pay him would be too high.

I am glad to inform you that Mr Thomas Taylor McCreath has accepted your directors' invitation to join the board. Mr McCreath has a long experience of the oil industry in Burma and India which will be a source of strength to us in our deliberations. His appointment will come up for confirmation at the annual general meeting and I am confident it will receive stockholders' warm approval.

PROFIT AND LOSS ACCOUNT

It is a matter for satisfaction to your board and one upon which the staff in the East are to be congratulated that in spite of difficulties which still persist to a considerable degree in Burma we are able to present the accounts to you in time to hold the annual general meeting in early June as was our prewar practice.

The group's profit for the year from trading in petroleum products was £1,603,227, as compared with £560,276 in 1946. The volume of sales increased in both Burma and India in 1947 and the profit shown also includes trading adjustments from previous years. In 1946 the profit from Burma trading was for nine months only. The figure of profit for 1947 is struck after charging all expenditure on prospecting and exploration, both in India and Burma. This item was £498,287 higher than in 1946.

Interest and dividends totalling £2,570,601 are almost the same as for 1946, being £1,565 down. The increased dividend received from Anglo-Iranian Oil Company, Limited, in respect of 1946 is offset by a reduction in dividend from Burmah-Shell Oil Storage and Distributing Company of India, Limited, and by the loss of dividends from investments realised to provide the finance referred to below in my remarks on the balance sheet. Total income therefore consisting of trading and investment profits and transfer fees amounted to £4,175,754.

On the debit side provision for taxation at £1,798,840 is £1,149,142 higher than for

1946. Much of this increase naturally follows from the higher profits, but it is to be noted that the incidence of income taxation in Burma and India is now greater than in the United Kingdom, and we have also to provide for business profits tax in India and profits tax in the United Kingdom.

The balance of profit for the year amounts to £2,366,498. Adding £470,285 brought forward from the previous year, the sum for disposal amounts to £2,836,783, out of which the board has allocated £250,000 to general reserve (bringing this reserve up to £4,600,000). If their recommendation of a final dividend of 10 per cent. is approved, preference and ordinary stock dividends will absorb £2,017,064 and allocations to provident funds will be £103,916. This will leave £465,803, which sum the board recommends should be carried forward.

THE BALANCE SHEET

The most noticeable item in the balance sheet is a drop in our investments of some £11,300,000, of which realisations from the sale of Government securities represents £10,400,000. The sums realised were used to reduce the amounts owing to subsidiary companies by £8,350,000 and to increase advances, mainly to our Burma subsidiaries, by £2,600,000. The Consolidated statement shows that the drop of £11,300,000 in our investments is accounted for by an increase in cash balances of £1,200,000, an increase in advances of £900,000, a reduction of creditors by £5,300,000, and an increase in stocks of stores and materials of £1,400,000. The year's expenditure on rehabilitation of our Burma properties was £2,500,000.

CONSTITUTIONAL CHANGES—BURMA AND INDIA

Within the past twelve months fundamental political changes have taken place both in Burma and India. From August 15, 1947, the old British India has been divided into two Dominions, India and Pakistan, each with complete self-government within the British Commonwealth. Burma has chosen to leave the Commonwealth and became an independent self-governing nation on January 4th this year. To all three countries we wish peace and progress in the evolution of their new independence.

As was natural, all three countries have immediately become engaged in formulating their social and economic policies, and as was to be expected these policies have a strong national bias.

Under an interim treaty, signed in October, 1947, between the Government of the United Kingdom and the then provisional Government of Burma, the latter undertook to respect contracts "made in the exercise of the executive authority in Burma before the coming into force of the constitution of the Union of Burma," a phrase which covers the concessionary rights of your Burma subsidiary companies.

The Government of the Union are in process of formulating the policy which will guide the future grant of petroleum conces-

sions for development by private enterprise, and we have reason to believe that under that policy our existing concessions will be fully recognised. The development of all natural resources in Burma is subject to the right of nationalisation, in which event the Government undertake to pay equitable compensation.

WAR DAMAGE AND DENIAL CLAIMS, BURMA

I need not remind stockholders of the circumstances in which, as a war measure, our group's Burma properties were destroyed under official instructions in 1942, following the Japanese invasion. In his recently published report, General Hutton states that "at that time all the information available pointed to the fact that, if it was not possible to hold Rangoon and the oilfields, the greatest service that could be rendered to the Allied cause would be a complete denial of the oil and refinery resources of Burma." The destruction of these properties was accordingly ordered and was effectively carried out, involving a heavy loss to our companies for which compensation is due to us. No settlement of our claims has yet been made, and the companies have now been compelled in view of limitation statutes to file suits in the appropriate Burma courts. As these cases are now *sub judice*, I feel I should not say anything more meantime except that we regret it has been necessary to take action which may have even an appearance of unfriendliness to the Union Government so soon after it has come into office. Such action, which was legally unavoidable, does not alter in the slightest our desire to maintain the most cordial relationship with the new Government of Burma. We feel that our companies have in the past rendered good service to Burma, and we hope to be able to continue to do so.

RECONSTRUCTION IN BURMA

Continuing to rely on our legitimate denial claims being met and on a square deal from the Government of the Union, we have proceeded with reconstruction of our plant and facilities in Burma according to plan. This reconstruction work falls into four parts:

- (a) The rebuilding of our installation, depots and other facilities for the distribution of oil products.
- (b) The re-starting of crude oil production at the oilfields.
- (c) Rehabilitation of the main pipeline to enable crude oil when produced to be pumped to Rangoon.
- (d) Rebuilding of the refinery.

Work on the first of these was begun as soon as we were allowed to go back to Burma after the war. Good progress was made and by the end of 1947 our organisation was in full swing. Work is in hand under the other three heads, but it is the rebuilding of the refinery which, because of its intricate nature and because of the long delays which are today inseparable from the provision of new plant, will inevitably take longest and will determine the date, now I fear not before 1951, when oilfields, pipeline and refinery will all be in operation. The scale of operation as now planned will be less than our prewar throughput, but the refinery is being rebuilt in such a way that its capacity can be increased if and when additional oil resources are discovered.

EXPLORATION AND DEVELOPMENT

This brings me to the subject of exploration. Although we have had no return from the very large sums of money which we have expended in the past in Burma in geological work and testing new areas, we are not yet satisfied that further oil deposits do not remain to be discovered by the most modern methods available, and we are ready to proceed with the further examination and testing of possible areas as soon as the terms on

which we shall hold prospecting licences and mining leases have been agreed. This matter is under discussion with the Government of the Union of Burma.

Our exploration programme includes also in its scope both Pakistan and the Union of India, in both of which countries we have been very active throughout the year and have large programmes of work ahead of us, subject again to our being able to agree reasonable terms, especially as regards security of tenure, with the Governments concerned.

UNIFICATION OF INTERESTS IN BURMA

Reconstruction of our properties in Burma has proceeded on the assumption that, as stated by the late chairman last year, there will be joint working of the concessions of The Burmah Oil Company (Burma Concessions), Limited, The Indo-Burma Petroleum Company, Limited, and The British Burmah Petroleum Company, Limited, and refining of the crude oil from them in a refinery jointly owned by the latter two companies and The Burmah Oil Company (Refineries), Limited. The formalities for this unification of interests are approaching completion. The marketing of the products of the joint refinery is not being merged and will continue as formerly, The British Burmah Petroleum Company's share of the products being marketed for them by The Burmah Oil Company (Burma Trading), Limited, and The Indo-Burma Petroleum Company maintaining their own separate organisation.

LABOUR SITUATION IN BURMA AND INDIA

In Burma the clerical staff abstained from work for a month and installation labour went out on two occasions during the year. These strikes were a part of the settling down process in the disturbed conditions following the war, but labour troubles in Burma have up to the present had a strongly political flavour. Although the labour situation throughout India and Pakistan was a troubled one, there were no strikes in our subsidiary companies in either country during the year. There are signs of a growing realisation that wages and conditions of employment in our companies are too good to be lightly thrown away.

The act of partitioning India was accompanied, as stockholders will remember, by attacks and reprisals by one community on another with very severe loss of lives. It has been a matter for relief and satisfaction that our staff, British and Asiatic, all came through safely. In Burma certain areas have remained disturbed ever since the country was recovered from the Japanese, but on the whole good progress has been made in the restoration of law and order.

As can be imagined, the political changes to which I have referred and the disturbances and problems which accompanied them have added complications to the lives and work of our staff in the East. They have taken these in their stride in the most admirable spirit, and I am sure stock holders will wish to join the board in an expression of appreciation and thanks to them. The staff at home have had their own difficulties of a different nature. Our thanks are due to them also for an admirable year's work.

The report and accounts were unanimously adopted.

The final dividend of 10 per cent. (2s. per £1 unit) on the ordinary stock for the year 1947, recommended by the directors, was approved and declared payable on June 11th, 1948.

Mr Thomas T. McCreath, who was recently appointed to the board, and Colonel Hugh E. Spens, C.B.E., D.S.O., D.L., the director retiring by rotation, were unanimously re-elected.

The auditors, Messrs Brown, Fleming and Murray, C.A., were re-appointed for the current year.

UNION CORPORATION, LIMITED

FIFTIETH ANNIVERSARY

THE RT. HON. BRENDAN BRACKEN'S ADDRESS

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held in Johannesburg recently, the Rt. Hon. Brendan Bracken presiding. The chairman said:—

Gentlemen,—Perhaps this is an occasion for a little pride. We meet to-day not only to transact our ordinary affairs but also to celebrate the fiftieth anniversary of this business. Small indeed was the company registered by our founders at Pretoria in 1897. If we can claim that for many years our affairs have prospered, we must remember with thanksgiving the labours and trials of those adventurous founders who, in many lands, sought opportunities for our shareholders. They were indeed men of vision and daring, full of intelligence and resourcefulness. In South Africa they were pioneers in opening up the Far East Rand, and to them also we owe our participation in manifold enterprises in the Union and other countries.

A COMPARISON

Some idea of the expansion that has taken place in our activities is given by a comparison of the gold output of the mines of the Union Corporation group now and in the past. In 1898 the mines of the group produced 259,698 ounces fine of gold; in 1923, 538,674 ounces, equivalent to 6 per cent. of the total Witwatersrand output; last year, 1947, their production was 1,609,987 ounces fine, and represented 15 per cent. of the total Witwatersrand production. The total production of the group for the half-century has amounted to over 34,000,000 ounces fine.

As marked as the expansion in the gold production of the mines of the group has been the broadening in the scope and field of the Corporation's activities. Its original interests were gold mining and exploration in South Africa; we are now interested in industries in many parts of the world. The most have prospered, though some have required years of anxious nursing.

ORANGE FREE STATE

In recent times we have been pioneers in large-scale mining operations in the Orange Free State. I know not what fate has in store for us in this venture. All I shall say to you now is that if the thought, experience, and skills of our managers and engineers are of any account, we can claim to have taken a carefully measured risk which may well be rewarding.

Risk-taking is the life of mining. Poor indeed will be the prospect of this corporation if through timidity or complacency we ever cease to take risks in searching for new business in Africa and in other parts of the world. Our jubilee has been marked by many kindly references in the Press to our earning power and prosperity. While it is pleasant to dilate on our great gains, it is healthy to remember that they have frequently been diminished by losses. We would have made few gains without a willingness to incur losses.

SIR HENRY STRAKOSCH

Fortunately the long and sure set policy of our late chairman, Sir Henry Strakosch, the principal architect of our fortunes, was to be bold in adventure but conservative in finance. And so we have long been well prepared to meet losses or disappointments. In all our future doings we must always strive to abide by his policy. So far it has been rewarding.

If our post-war experience is of any value, we can aver that there are plenty of opportunities for hopeful new ventures. Perhaps in these strange times it will be denied that growth is the only evidence of life. We, the shareholders in Union Cor-

poration, know of no better evidence. This belief is our best hope for a prosperous century.

MR ANDERSON'S SERVICES

Of the many men whose work has built the Corporation from small beginnings to its present position, I should like to mention only three: Mr Goetz, who founded the Corporation in 1897; Sir Henry Strakosch, who served it devotedly for 46 years from its inception, as manager, managing director, and chairman; and finally Mr P. M. Anderson, our deputy chairman and managing director. Mr Anderson joined the Union Corporation group in 1911. He became our consulting engineer in 1917, manager in Johannesburg in 1922, and in 1927 was elected to the Board of directors. I cannot overestimate all we owe to him. His wisdom and knowledge must be counted among the best of our assets. Rare indeed are the services he has rendered to South Africa and to this Corporation.

THE ACCOUNTS

And now let me deal briefly with the accounts of the Corporation for the year 1947 and your directors' report, which are submitted for your approval. The gross profit for the year was £1,372,119, an increase of £286,765 over the preceding year. The provision for taxation had, however, to be increased by £247,000 from £423,100 last year to £670,100 this year partly to provide for the increased profits tax payable for the year. The net profit for the year, after charging expenses and providing for taxation, was thus £663,458.

In the light of the Corporation's commitments for various new businesses, your directors have considered it desirable to transfer from profit and loss account £75,000 to reserve account and £100,000 to exploration reserve account.

NON-RESIDENT TAX

Of the remaining £488,548 profit for the year, £488,400 has been used for the payment of dividends totalling 6s. per share, free of United Kingdom income tax, or the same amount as in 1946.

The Union of South Africa Commissioner for Inland Revenue has now agreed under the terms of the double taxation relief agreement between the Union and the United Kingdom that non-resident shareholders' tax is no longer required to be deducted from dividends paid by the Corporation to its shareholders resident outside the Union.

Largely as the result of investments in the Orange Free State, South-West Africa and Tanganyika, share and debenture holdings have increased by £359,370.

WITWATERSRAND

Operations on the Witwatersrand in 1947 were disadvantaged by a 41-day strike of a section of the mineworkers' union. This strike was caused by dissension within the union and was in no way due to controversy between workers and their employers. Without the right to strike there can be no real freedom for workers. But this essential freedom is diminished by strife between power-seeking men in a large trade union. For the price of their personal squabbles is paid in full by the hardships of the men they throw out of work.

The tonnage milled by the industry in 1947 at 53,712,300 tons was 3,215,200 tons less than the previous year and the working revenue declined by over £6,500,000 to £92,740,023. Working costs rose by a further 1s. per ton milled and totalled £71,309,136, so that the working profit of the large Witwatersrand gold mines at £21,430,887 was

lower by nearly five million pounds than in 1946.

A POSTPONEMENT

Out of this amount shareholders received in dividend £11,268,022, which is £1,500,000 less than the previous year. It is estimated that the Government will receive £6,400,000 in taxation and share of profits, as compared with £10,600,000 in 1946. This decrease in taxation is due to the lower working profit, to a further step in the reduction of special war taxation and to the more rapid amortisation of capital expenditure incurred subsequent to the commencement of milling, which became effective on January 1, 1947. It must be remembered, however, that this provision for more rapid redemption of post-production capital expenditure is not a reduction in taxation, but it merely a postponement of taxation collections.

The amount of development footage carried out in 1947 decreased slightly and was again insufficient to maintain ore reserves, which declined by over 3,000,000 tons to 169,863,554 tons.

The shortage of labour, both European and native, from which the industry has been suffering in recent years, was no less marked in 1947. The average native labour strength was 10,600 less than in 1946, and 75,000 less than in the peak year, 1941. As regards European labour, the industry is particularly hampered by the shortage of underground productive labour, of artisans, and of suitable officials.

COSTS AND SHORTAGES

To some extent the reduction in operations of the Witwatersrand mines in 1946 and 1947 was due to the interruption caused by strikes. But the roots of the industry's troubles go deeper and are to be sought in rising costs and in shortages, both of materials and labour, which have grown steadily worse in recent years. These in their turn are the result of post-war inflation, from the effects of which neither South Africa nor the gold mining industry could expect to escape.

The gold mining industry cannot, as other industries do, pass on some of these inflated costs. It is squeezed between the upper millstone of a fixed price for its product and the nether millstone of high costs and shortages of materials and labour. Such suggestions as an increase in the price of gold, or subsidies for the gold mining industry, which have been much ventilated of late, are mere palliatives. Inflation is a polite name for the process of skinning the thrifty and diminishing the real earnings of those who work by mind or hand. It cannot be curbed save by co-operation between Government, employers and workers. And that co-operation cannot be achieved without a spirit of moderation in these three great partners in the community. One of the worst handicaps to recovery is the world-wide illusion that everyone can have more without producing more.

ORANGE FREE STATE

Progress to date in the testing and opening-up of this new field has been encouraging. In 1947, in addition to further extensive drilling of the area, the sinking of eight new shafts was begun on five separate properties. The railway line has now reached Odenaalsrus and is partially open to traffic. The transmission lines from the Vaal generating station have been erected and electric power is now available. Work has also started on laying the pipeline from the Vaal River to supply water to the gold mines in the area. As the full development of these mines depends very largely on their having an ample water supply, it is to be hoped that the Government will make every effort to complete this service as soon as possible.

While there are hopeful signs that much gold will come from the Orange Free State, you need hardly be reminded that the existence of gold is not always synonymous with large profits for producers.

HEAVY BURDEN

The problems of the industry on the Witwatersrand cannot be isolated from the Orange Free State. The high costs of production and shortages of labour to which I have already referred must react on the mines of the Free State as they have on the mines of the Witwatersrand. Moreover, the mines of the Orange Free State, in common with other mines, will be confronted with a very heavy burden of capital expenditure owing to present very high costs of plant, equipment and transport.

I will now deal briefly with the affairs of the companies in which we are chiefly interested.

GOLD INTERESTS EAST GEDULD MINES LIMITED

The amount of ore milled in 1947 was lower at 1,722,000 tons but the net profit was £1,302,202, or £155,202 more than in 1946. Dividends totalling 12s. 6d. per share, or 9d. more than in 1946, were declared, and the carry-forward was increased by £75,750 to £571,117.

GEDULD-PROPRIETARY MINES, LIMITED

The ore milled was 1,197,000 tons, or 68,000 tons less than in 1946. The working profit was £625,076, and the addition of dividend income from holdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, together with sundry revenue, brought the total profit to £1,078,384. The net profit was £786,364 and dividends declared totalling 10s. 3d. per share, a decrease of 3d. per share. The amount carried forward was £368,999, being an increase of £32,100.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

The tonnage milled, namely, 1,785,000 tons, was 137,000 tons lower than the record figure set up in 1946. The net profit rose by £102,109 to £1,174,755. Dividends declared were equivalent to 1s. 7½d. per 5s. unit of stock, being three farthings per unit less than in 1946. The amount carried forward was £475,069, or an increase of £106,078 over the previous year. The extension to the reduction plant, referred to last year, is unlikely to be available before next year owing to delays in delivery of equipment.

MARIEVALE CONSOLIDATED MINES, LIMITED

The tonnage milled in 1947 at 617,000 tons showed a decrease of 32,000 tons over the previous year. The net profit rose from £308,917 to £402,918. Dividends declared totalling 10d. per share, or 2d. less than the previous year, and the carry-forward was increased by £79,798 to £339,247.

VAN DYK CONSOLIDATED MINES, LIMITED

The tonnage milled at 1,145,300 tons showed a reduction of 42,700 tons as compared with the previous year. The working profit was £236,575. Capital expenditure, principally in connection with the new deep level No. 5 shaft in the southern section of the property, absorbed £370,636 and the amount carried forward was £291,743.

THE WITKOP PROPRIETARY COMPANY, LIMITED

The company is continuing its policy of waiting until further information becomes available from the development of adjacent areas.

THE MODDERFONTEIN DEEP LEVELS, LIMITED (IN LIQUIDATION)

During the year ended March 31, 1948, the ore milled was 353,500 tons and the working profit was £77,250. A liquidation distribution of 9d. per share was declared, making a total of 8s. 4½d. per share since the company went into liquidation.

ST. HELENA GOLD MINES, LIMITED

No. 3 shaft, a 30 degree incline, had by the end of March, 1948 reached a depth of 2,161 ft. from the collar. It is expected that this shaft, which will have a final incline depth of 3,000 ft., will be completed and equipped by the end of this year, whereupon development on reef will be commenced. No. 4 vertical shaft at the end of March had reached a depth of 432 ft. The headgear is nearly complete. This shaft will be completed to a final depth of about 2,750 ft. Many of the necessary mine buildings, houses for employees and accommodation for natives have been completed.

POTCHEFSTROOM MINING AREAS, LIMITED

The company continues to hold prospecting contracts over a large area in the Potchefstroom and Klerksdorp districts. A number of borcholes are in progress, including the one on the farm Doornplaat No. 70, referred to last year.

OTHER INTERESTS

Bay Hall Trust had another satisfactory year. It maintained its dividend of 6 per cent., free of tax, while the appreciation of its holdings over book cost increased from £1,298,708 to £1,310,989.

The working profit of British Enka was increased from £215,101 in 1946 to £348,361 in 1947. A dividend of 7½ per cent. has again been declared, and the opportunity has been taken of writing down the book value of patents, etc., to £1.

The Corporation continued to mine chrome ore from two of its properties and substantial tonnages were sold abroad. But for the shortage of local railway transport facilities sales would have been greater. During the year a subsidiary company, Uni-chrome Mines, Limited, was formed to handle the Corporation's chrome business. Since the close of the year the name of this company has been changed to Chrome Mines of South Africa, Limited, and amalgamation with other interests is under discussion.

San Francisco Mines of Mexico earned large profits, but rising costs of materials and wages, together with heavy taxation, absorbed a large proportion of the increased gross earnings.

S.A. PULP AND PAPER

South African Pulp and Paper Industries, Limited, continued to operate successfully. The profit earned, after providing for depreciation, was £180,790, as compared with £152,862 for the previous year. Taxation amounted to £58,000. Dividends declared totalling 1s 3d. per share, being an increase of 3d. per share over the previous year.

The Tsumeb Corporation, Limited, has made good progress in unwatering and opening up the mine of the former Otavi Mines and Railway Company at Tsumeb in South-West Africa. In 1947 the company made satisfactory profits from the sale of ore from dumps on the property.

The Ultramar Company has maintained its 50 per cent. interest in S.A.P. Las Mercedes, which company continued its active drilling programme in Venezuela during the year. Substantial additional reserves of oil have been proved. The construction of the pipelines is nearing completion and it is expected that oil will be flowing to the coast before the end of June.

In the lease areas of Uruwira Minerals, Limited, the Corporation was unable, owing to factors beyond its control, to carry out the full exploration programme which it had recommended. The period of prospecting and the option which your Corporation holds over a further block of shares of Uruwira Minerals, Limited, has, therefore, by agreement with the latter company, been extended till September 30, 1948.

The report and accounts were adopted and the retiring directors re-elected.

SECOND MANAGED INVESTMENTS (UNIT SECURITIES), LIMITED

GRATIFYING RESULTS

APPRECIATION OF HOLDINGS

MR R. K. FRAAY'S REVIEW

The third annual general meeting of Second Managed Investments (Unit Securities), Limited, was held in Johannesburg on the 28th ultimo.

Mr R. K. Fraay, the chairman, in the course of his speech, said: The total revenue received during the year under review was £297,629 (£170,986 in the previous year), sub-divided as follows: Dividends received and accrued, £154,903; profits less losses on investments realised, £142,531; sundry revenue, £195. You will agree with me that these results are very gratifying indeed. I am especially pleased that the revenue under "dividends received and accrued" showed such a satisfactory increase because I feel that an increase under this heading shows more convincingly than anything else the strength of an investment company such as yours.

DIVIDENDS TO SHAREHOLDERS

During the financial period ended December 31, 1945, a total dividend of 6 per cent. was declared. The dividend was increased to 7½ per cent. in 1946, while your directors were able to declare two dividends totalling 10 per cent. during the year under review; a truly remarkable record for a company with such a short history. I fully expect that it will be possible to maintain dividends totalling 10 per cent. during the current year.

It has been possible to increase the unappropriated balance of profits from £42,027 at January 1, 1948, to £143,903 at April 30, 1948. In arriving at this balance, no provision has been made for taxation for the first four months of the current year.

INVESTMENTS

The investments of your company at December 31, 1947, consisting of fully paid up stocks and shares in 111 companies, appear in the balance sheet at £2,438,574 which represents their cost including brokerage. The market value of these securities, based on the ex-dividend quotations on January 5, 1948 (the first business day in 1948 on the Johannesburg Stock Exchange) was £2,638,200. At the end of the year under review, there was therefore an appreciation of £199,626 in the market value of your holdings as compared with cost.

ANALYSIS OF HOLDINGS

An analysis of the holding of your company at December 31, 1947, gives the following position:—

Type of Company	Number of Companies	Amount Invested £	Percentage of Total Holding
Gold Mining Companies.	24	667,969	27.39%
Land and Financial Co's (excl. our Assoc. Co's)	17	330,100	13.53%
Holding in Assoc. Co's	7	672,230	27.57%
Industrial & Commercial Companies	51	706,615	28.98%
Coal, Diamond and Base Metal Companies	6	61,660	2.53%
	111	2,438,574	100.00%

93.48 per cent. of the holding was invested in quoted dividend-paying securities; 4.61 per cent. in quoted securities which had not yet reached the dividend-paying stage, and only 1.91 per cent. in shares not quoted on the Stock Exchange.

TOTAL VALUES

The chairman then gave a full list of the company's holdings at May 20, 1948, and continued: The total book value of the holding of shares in 15 land and other financial

companies at May 20, 1948, was £319,002, being 12.93 per cent. of the total holding.

The investments of your company at May 20, 1948, consisted of shares in 105 companies, with a total book value of £2,467,166, inclusive of brokerage, and a market value of £2,727,389.

INVESTMENT POLICY OF THE GROUP

The present period of opposing stresses and strains calls for great courage and initiative on the part of investment managers. It seems to me that we have nowadays to approach investment problems with a certain amount of audacity, tempered by caution based on long experience.

I addressed you at length at the last annual general meeting in connection with the investment policy followed by our group of investment companies. I would refer you to what I said then about our general policy, as I wish today to deal specifically with one point in our investment policy which is sometimes criticised, namely, the valuation of our investments for balance sheet purposes. The basis of valuation which we have adopted is the average cost price of shares on hand, and this basis has been consistently maintained. It has been suggested that the basis of valuation of our investments for balance sheet purposes should be cost or market value, whichever is the lower, or alternatively that we should transfer each year from our total profits to a reserve account, a sufficiently large amount to cover any depreciation on our holdings.

EIGHT COMPANIES FORMED

I hope that you will bear with me if I make the points at issue quite clear to you. The following companies forming part of our group, were established to enable holders of Unit Certificates as issued by the Unit Securities and Trust Company of South Africa, Limited, to convert their certificates into shares in managed investment companies.—Managed Investments (Unit Securities), Limited, Second Managed Investments (Unit Securities), Limited, Affiliated Investments (Unit Securities), Limited, Huguenot Investments (Unit Securities), Limited, Drakensberg Investments (Unit Securities), Limited, while recently (May 7, 1948), a sixth company was formed for the same purpose, namely Tugela Investments, Limited. Our group includes in addition:—Nassau Investment Corporation, Limited, and Second Nassau Investment Corporation, Limited.

These eight investment companies follow the same principles of investment and are, in effect, nothing but partnerships with limited liability of a great number of investors, who entrust to the directors of their companies part or the whole of their resources in order to invest their combined funds to common advantage, and in such manner that these companies can do better for their shareholders than individual investors could do. It is well known that our companies have been highly successful, notwithstanding difficult times.

Our shareholders have not only obtained satisfactory dividends, but the shares of our companies are among the best known investment securities on the local market. The market prices of these shares move within narrow limits, as first class investment securities should do.

The revenue of these companies consists of:—

1. Dividends received.
2. Profits less losses on investments realised.

3. Other revenue (such as underwriting commission, etc.). In arriving at the revenue under item 2, only profits and losses on securities actually sold during the year are taken into account.

The net profits of our companies are allocated in such a manner that, whenever possible, substantial amounts are appropriated for building up strong reserves over a period of years.

METHOD OF SHOWING VALUES

The value of the holding of our investments at the end of the year is shown at cost, while information is also given on the balance sheet and in the directors' report about the market value of the holding, based on the market prices in force on the first business day on the Johannesburg Stock Exchange following the date of the balance sheet. There is, of course, bound to be a difference between cost and market value due to market fluctuations, and I have repeatedly told the shareholders of all the companies in our group, as I have told you today, not to attach undue importance to market fluctuations in the prices of the securities held. Investment companies such as yours acquire their investments mainly for investment purposes; that is, to obtain an income from dividends.

It is necessary to effect more changes in one's investment portfolio in these uncertain times than in more normal times, and profits or losses result from such changes, but the main function of our companies is to act as investment companies, and to obtain a regular income for our shareholders.

BOARD'S POLICY

Under our policy it is, of course, possible at the end of the year that certain investments may have a market value below cost, while others show an appreciation over cost. In the case of the holding of your company, for instance, some dividend-paying gold mining shares had a market value below cost at the end of the financial year, while other securities show an appreciation above cost. The total market value of your holding, however, showed an appreciation over cost, as is clear from the accounts now before you.

I wish to impress upon you, however, that market values of securities are not a true standard of value, subject as these market prices are, to fluctuations due to a variety of causes which have nothing whatsoever to do with intrinsic values.

The fact that there are these variations in market value was the main reason why it was decided by our directors and the directors of our associated companies to show investments on the balance sheets at cost, accompanied by a statement as to the market value, and only to take account in our profit and loss accounts of profits and losses when these are actually made on realisation.

VALUATION OF HOLDINGS

In my opinion the practice of valuing the holdings of an investment company for balance sheet purposes at cost or market value, whichever is the lower, would be against the interests of those shareholders who rely upon dividend income. I submit that such a policy would be based on fear, and would reduce the responsibility of directors and other interested parties, because it would have the effect of retaining in the companies, part of the profits each year to cover possible losses which might never occur. The directors of all the companies of our group are opposed to undue variations in the dividends declared by our companies. I claim that our system of investment has been highly successful. The report was adopted.

A copy of the full speech, which contains a complete list of holdings at May 20, 1948, may be obtained from the company's office, Unit Security House., Cor. Fox and Sauer Sts, Johannesburg, or Dorland (City), Ltd., 1, Royal Exchange Avenue, London, E.C.3.

PHENIX ASSURANCE COMPANY, LIMITED

MR. R. Y. SKETCH'S STATEMENT

The ordinary general meeting of the Phoenix Assurance Company, Limited, was held, on the 2nd instant, at Phoenix House, King William Street, London, E.C., Mr R. Y. Sketch, F.C.I.I., the chairman, presiding.

The following is his statement circulated with the report and accounts for the year 1947:—Since our last annual general meeting, the board has appointed two new directors, Mr A. C. Barnes and the Rt. Hon. Anthony Eden. Each of these gentlemen brings to our counsel's exceptional gifts and wide international experience of men and affairs.

1947, the 166th year of the company's existence, has been one of exceptional difficulties. It has been characterised by an abnormal growth of premium income accompanied by excessive fire damage and enhanced claims for casualties. These conditions have necessitated substantial additions to the respective reserves, the outcome being that we have an adverse balance on our total underwriting revenue accounts. Our anticipation is that when these reserves are run off, a much better result of our 1947 transactions will develop, but that is for the future to disclose.

RATE OF EXCHANGE

Part of the increase in income has arisen from the alteration that has been made in the rate of exchange of the United States and Canadian dollars. Having regard to the fact that early in 1947 the International Monetary Fund began exchange transactions based on the revised par value of currencies determined in the manner laid down in the Fund Agreement, it was decided that there was no longer any justification for the retention of our fixed book rate of this exchange at \$5 to the £. In place of this, the obvious course was to adopt the official rate of \$4.03 to the £ for the year 1947. In all items of the revenue accounts, United States and Canadian figures have therefore been converted at the new rate, and appropriate adjustments are shown in the respective accounts. In the profit and loss account, necessary provisions have been made by transfers from the exchange reserve and investment inner reserve, both of these reserves already containing profits arising respectively from remittances of dollar funds, and from the sale of dollar investments which have been accumulated for such a purpose.

Although it was felt to be essential to treat the revenue transactions in this way, the directors held the view that the sterling equivalent of our investments in the United States and Canada should not be written up, and they thus remain in the books at their previous values. As and when any such investments are sold, the net profit on realisation will be consequently increased. In the meantime, the appreciation on our assets is strengthened. The wisdom of this course will doubtless commend itself to you.

FIRE ACCOUNT

Our fire premium income has increased by £1,192,000; more than 50 per cent. of this increase arises from the higher sterling value of our dollar income. The rest of the increase is derived from our trading in all parts of the world. The loss ratio at 53.3 per cent. is higher by five points than in 1946. The worldwide fire wastage was very heavy in 1947. The U.S.A. suffered an estimated loss of over \$692,000,000—the greatest in its history. There were three major catastrophes in that country; the chemical explosion at Texas City, the New England forest fires, and the Florida and Gulf Coast hurricanes. The total damage arising from these occurrences is put at some \$60,000,000.

At home, the estimated damage is £18,500,000, but it is probably considerably

higher than that; in any case, it is also the heaviest year for losses that this country has experienced. It is difficult to say how much of this increase is due to a greater number of fires or to the higher values of commodities and property. Probably the rising cost of claims settlements accounts largely for the sharp increase in fire waste figures, and because of this inflationary tendency it may be unwise to make too close comparisons with previous years. The prognostications made last year that fire losses would tend to increase have proved correct. The many difficulties under which industry laboured during the crises of 1947 have left their mark on insurance, and our important home account must necessarily bear its share. A feature of the year's losses was the number of fires reported as total in circumstances in which one would have expected something less than complete destruction.

Our expenses are up by slightly more than 1 per cent., towards which higher salary costs is the main contributor. The reserve for unexpired risks calls for an additional £476,000. Under such conditions it is not surprising that the amount of profit obtained from this account should represent such a small margin of the premiums. The alteration in the rate of exchange has reduced that percentage of profit below what it would otherwise have been.

ACCIDENT FIGURES

In the accident account we show an increase in premium income of rather more than £2,750,000, of which slightly less than half is attributable to the adoption of the official American dollar rate of exchange. Had this alteration not been made, the increase would still have been just over £1,500,000—a quite unprecedented figure. As in the fire department, we have a 5 per cent. increase in our claims ratio. The very large increase in income already referred to has enabled a drop of approximately 1 per cent. in the expenses to be secured.

Our reserve for unexpired risks called for an increase of £1,105,000. The result of all this is that we have a debit balance on this account of just over 5 per cent. In common with all our figures, this loss is exaggerated owing to the alteration in the rate of the dollar exchange. As our reserves for unexpired liability and for outstanding claims together amount to £8,891,000, it is reasonable to anticipate that in the running off, the position of this account will be a very different one.

I have on more than one occasion drawn attention to the way in which this business runs in cycles. During the last quinquennium we have had three good years and two bad years. The good years produced profits totalling £1,065,300. The two bad years produced losses of £710,950; so that over the quinquennium, in spite of the exceptional conditions prevailing, we have made over £354,000.

The main cause of the present unsatisfactory position is motor business, heavy losses in this section being common to most parts of the world and of particular severity in the United States and Canada. It seems clear that, broadly speaking and in present circumstances, rates for motor insurance throughout the world are too low.

MARINE ACCOUNT

Once again this department has made a handsome contribution to the profit and loss account, but it is hardly likely that substantial transfers on the scale either of last year or this year can be repeated in the near future. In carrying on marine business it is essential to see that ample provision is made for future liabilities arising out of past

transactions, and I need hardly assure you that this necessary precaution has been exercised by us.

The premium income of this account has increased from £1,393,000 to £1,987,000. The total outgo for claims is up by some £470,000. The funds at the end of the year of £2,810,000 are just over 141 per cent. of the premium income, and we are satisfied that in this figure there is not only sufficient for our liabilities, but material additional protection.

LIFE ACCOUNT

Turning from these three revenue accounts which affect the general funds of the company, we now come to the life department. Here the year's operations have resulted in an increase in funds of nearly £700,000. The premiums show a reasonable and healthy increase—a remark that also applies to the interest, dividends and rents. The net rate of interest on our life fund has gone from £2 18s. 10d. per cent. to £3 0s. 3d. per cent. Death claims increased by £98,000, but are still within the anticipated mortality.

PROFIT AND LOSS ACCOUNT

Although the balance carried forward has been reduced by £215,000, it still amounts to the impressive figure of £1,373,920. This has accumulated during prosperous years in order to protect in adverse years not only our policy-holders but our shareholders, and having regard to the very difficult times through which we are passing the reduction referred to does not unduly perturb us.

Our interest, dividends and rents, plus the life department contribution, total £430,000. Our outgo for dividends and interest on debenture stocks amounts to £380,000. We should be therefore in a strong position to maintain our present rate of dividend.

BALANCE SHEET

Our investments in mortgages have been increased to the extent of some £700,000 during 1947. During the year, as is well known, there has been steady depreciation in the market value of Stock Exchange securities. In our case the average reduction over all invested funds can be put at 4½ per cent., and this trend has continued into 1948.

Nevertheless, we can report that the company's position as regards appreciation is very satisfactory. In the life funds the market values of our securities exceed our balance sheet values by very nearly 13 per cent. In the general funds the market values exceed our balance sheet values by a substantially greater figure than that at the end of 1946. In this case we have been assisted by the fact that our American investments, as I have already mentioned, have not been written up. You will therefore see that the important item of our investment and contingencies reserve totalling £1,833,124 is not impinged upon but continues to be a free reserve.

INVESTMENT CATEGORIES

In our Stock Exchange securities, the item for British Government securities at over £14,000,000 is still the largest individual holding although it is lower by £1,189,000 than the corresponding figure in 1946. This year we have sub-divided the heading of foreign government securities into U.S.A. and other government securities. The U.S.A. figure stands at £7,972,000, an increase during the year of £1,214,000. There has been a drop in our debenture holdings of rather over £500,000, a number of securities of this class having been repaid. Preference stocks and ordinary stocks have each been increased by approximately £600,000, from which alteration it is anticipated that interest earnings will benefit.

Our outstanding accounts at £2,542,616 are down by approximately £1,000,000. This is principally due to the payment of tax, including excess profits tax, coupled with the fact that the reserve for taxation which goes into this account is this year on a lower level than hitherto. Our total assets at £53,184,759 are up by no less than £3,000,000.

It will be obvious from consideration of the figures submitted that we are well able to sustain any temporary buffeting of misfortune with the knowledge that we have an admirable organisation of ample financial strength to take care of any responsibility placed on our shoulders by our policyholders, and, at the same time, to be able to look with confidence to the maintenance of our shareholders' interests.

TRIBUTE TO EXECUTIVES AND STAFF

Once again it is my privilege to refer appreciatively to the efforts put forward by the executive and staff both at home and abroad.

It has been an anxious and difficult period for all those in authority and although worldwide conditions have conspired to defeat the skill and concentration that have been devoted to our affairs, we can none the less, be grateful for those efforts, feeling confident that the ability that has enabled us to maintain the outstanding position which this company occupies will once again bear good fruit.

The report and accounts were unanimously adopted.

SPEAR AND JACKSON, LIMITED

UNDIMINISHED DEMAND

Mr A. K. WILSON'S STATEMENT

The forty-third ordinary general meeting of Spear and Jackson, Limited, was held, on the 10th instant, at the staff dining room, Aetna Works, Savile Street East, Sheffield.

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

Due to existing conditions it is still as difficult as ever for most of our shareholders to attend our annual meeting and I am, therefore, continuing my practice of issuing a statement with the directors' report and accounts as I have done for several years.

THE ACCOUNTS

As regards the accounts: their presentation is similar in form to that of the last two years. The net profit is £45,749, which shows an increase of £8,399 compared with the year 1946. While bearing in mind the Chancellor's request regarding the limitation of dividends the directors still feel justified in recommending that the dividend for the year shall again be 15 per cent. and that a further £5,000 be added to general reserve, which report shows a balance to be carried forward to next year of £24,329 against £12,330 for the year 1946.

Fixed Assets.—The increase of £8,603 in the value of freehold land and buildings is represented by the purchase of buildings which were erected on our premises by the Government during the war.

Floating Assets.—These show an increase of £13,706, which is made up of: Increases in stock on hand and work in progress £43,633, sundry debtors, bills receivable and prepayments £8,988. Trade and other investments £39,000, and cash in hand and at bank on current account £8,025, less decreases in debt due by subsidiary company £1,314 and cash at bank on deposit £84,626.

SOUTH AFRICAN INTERESTS

Towards the end of the year your company availed itself of an opportunity to obtain

a considerable interest in two South African companies, one of which has been in production for a number of years, and has shown consistently good profits. The other company is at present building a factory for the manufacture of various tools in good demand in South Africa. One of our directors has visited the site of the new factory and his report of the progress made justifies your directors in believing that the prospects appear very satisfactory. It is hoped to be in production before the end of 1948.

Turning to the liabilities side of the balance-sheet the capital and the capital reserve show no alteration and the general reserve and profit and loss accounts have been dealt with above. The only other item is current liabilities. Under this heading are included the reserves for deferred repairs and rehabilitation, and although restrictions on supplies of materials and shortage of labour render the execution of these items very difficult, I am pleased to say we are making reasonable progress. As regards the provision for taxation, I would draw your attention to the fact that this covers not only the current taxes, but also the estimated liability to income-tax and profits tax on the profits of the year under review. This liability was largely covered by the holding of tax reserve certificates at December 31, 1947.

SUBSIDIARY WORKS IN AMERICA

Our subsidiary works in Vancouver and Eugene (U.S.A.) have again had a most successful year and the prospects for the current year are good. During 1947 a dividend was declared out of the profits of the year 1946 by the Vancouver Company and is included in these accounts.

I am glad to say that the year 1947 has proved somewhat less exacting than anticipated as regards stoppages due to cuts in fuel and power supplies. On the other hand, supplies of raw materials continue to worry us and we are still short of labour of all descriptions.

SUPPLIES RATIONED

The demand for our products continues undiminished. In order to retain our valuable goodwill we have been forced to ration supplies. This has been done on the basis of sending as much as possible to old and valued customers, although many new ones have been anxious to obtain our branded tools. It has not been possible for us to produce the wide variety of tools as was the case prior to 1939, and we have had to concentrate on those essential to the needs of this country and the overseas markets.

During the year we have been pleased to receive visits from a larger number of our overseas representatives than has been possible for a number of years and this has been of great benefit to the company and I believe to them also.

Mr J. E. Whitten, the chairman and managing director of our Vancouver subsidiary, has also visited us quite recently.

RESEARCH

While under today's conditions all efforts must be directed to achieving the greatest possible output, research is not overlooked and is being carried on continually in our modern laboratories.

The relations between the management and the workers still continue good, and I once again, in all sincerity, express the Board's appreciation to the company's management, staff and employees for their efforts to overcome the many difficulties which have arisen during the year and congratulate them on the results achieved.

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

UNION INSURANCE SOCIETY OF CANTON, LIMITED

CONTINUED EXPANSION

The ordinary yearly meeting of this Company was held at the society's head office, Hong Kong, on the 21st ultimo, Mr N. O. C. Marsh, the chairman, presiding.

THE DIRECTORS' REPORT

The following are extracts from the directors' report:—

Marine.—The net premiums for the year amounted to £2,390,646. After providing £100,000 for taxation and transferring £200,000 to profit and loss account, the marine fund stands at £2,120,349.

Fire.—The net premiums for the year amounted to £1,501,083. £14,914 has been transferred to profit and loss account. The fire fund stands at £718,433.

Accident and General.—The net premiums for the year amounted to £498,480. £47,134 has been transferred to profit and loss account. The accident and general fund stands at £255,892.

Profit and Loss Account.—The amount at credit of the profit and loss account at the beginning of the year was £301,939, to which have been added interest and dividends £179,635 (which includes £7,734 in respect of previous years) and transfers from underwriting accounts £262,048. After providing for the dividend, charging taxation and other outgoings, and transferring £25,000 to staff pension fund, there remains a balance of £309,904 to be carried forward.

CHAIRMAN'S STATEMENT

The following is an extract from the chairman's circulated statement: The chief matter of importance and interest to shareholders which occurred during 1947 was the transfer of the society's head and registered offices back to Hong Kong. You will recall the board's decision reported to shareholders at the ordinary yearly meeting held in Sydney, New South Wales, in May last year, to transfer the head and registered offices of the society back to Hong Kong as soon as possible following that meeting. I am pleased to be able to tell you that the transfer was completed and the registered office officially reopened in Hong Kong on July 17, 1947.

Turning now to the accounts for the year, you will observe that our business shows a further considerable expansion in all departments. Trading results were satisfactory and the total of the assets shown in the consolidated balance-sheet now exceeds £9,000,000 sterling.

I now come to another matter of importance to shareholders. It is the opinion of your board that the paid-up capital of the society would be more in keeping with the volume of the premium income and the importance of the undertaking if it were augmented, and consequently a decision has been reached to capitalise the sum of £540,000 by the transfer of this amount from the "Exchange and investment fluctuation account" to "Capital account."

This sum will be utilised in the payment of a call of £4 per share, representing the balance of the unpaid liability at present outstanding on each share, and following this transfer the paid-up capital will stand in the balance-sheet at £1,350,000. The steps necessary to accomplish this have been set out in the notice of an extraordinary general meeting to be held at the conclusion of the ordinary yearly meeting. I am sure this step will have the approval of all shareholders.

The report was adopted and the resolution capitalising the sum of £540,000 was confirmed.

OLYMPIA LIMITED

RETURN TO NORMAL TRADING

A SATISFACTORY RESULT

MR LOUIS NICHOLAS'S STATEMENT

The nineteenth ordinary general meeting of Olympia, Limited, was held, on the 2nd instant, at 55-56 Pall Mall, London, S.W., Mr Louis Nicholas, J.P., F.C.A., the chairman, presiding.

The following is the chairman's statement circulated with the report and accounts:—

Shareholders will observe from the annexed accounts that the year ended December 31st last has proved to be a successful return to normal trading. The profit of the company as shown in the directors' report amounts to £163,193 before charging debenture and bank interest, trustees' and directors' fees, depreciation, amount payable under management agreement to the company's wholly owned subsidiary, the Kensington Property Company, Limited, and provision for taxation. After providing these sums there is a net profit available of £64,367, from which should be deducted the accumulated loss at December 31, 1946, of £45,435 (which shareholders are aware arose during the suspension of the company's trading as a result of the war and the occupation of its buildings by the Government from 1939 to the middle of the year 1946); leaving a balance of £18,932, which your directors recommend should be carried forward.

EXCEPTIONAL DIFFICULTIES

The satisfactory result shown by the accounts before you has been achieved notwithstanding quite exceptional difficulties which had to be met during the periods exhibitions were in preparation. War damage repairs were in progress, dilapidations were being made good, the general organisation of Olympia was being built up from a skeleton staff, and last but not least, the fuel crisis nearly brought the whole organisation to a standstill, but notwithstanding all these troubles, none of our tenants lost a single day through the closing of the halls to the public. This was only rendered possible by the hard work and loyal support of the company's executives and staff.

It will be of interest to shareholders to know that the company's standfitting and constructional department has considerably expanded during the past year, and that never in the company's history have exhibitions at Olympia attracted so many members of the public, thus showing that Olympia is once again the exhibition centre of the country. The company has made some considerable contribution to the export trade, as in addition to the British Industries Fair, eight other exhibitions of a trade character have been successfully held during the year, these attracting a considerable number of foreign buyers.

IMPROVEMENTS

After a blank period of nearly seven years it is important that Olympia should be brought up to date to meet the needs and comfort of our tenants, their exhibitors and the public—this has and will continue to involve capital expenditure. These improvements include a reserve bank of twelve generators to ensure a supply of electricity should other sources fail, and canteens for the use not only of the company's employees but for the employees of sub-contractors working in the building. There are a number of other improvements under consideration which are necessary but which are held up

for the time being owing to the difficulty of obtaining licences.

In common with all other businesses, salaries, wages and the cost of materials have considerably increased, and we hope that our tenants will bear these matters in mind, together with the improved services and amenities now available, when they are considering the higher rental charges that we have been forced to quote for future lettings. The company's claims in respect of the cost of repairing war damage, making good the dilapidations caused to the buildings during the Government occupation and the loss of rental sustained by the company during the period of rehabilitation have not yet been agreed, but it is considered that the amount shown in the balance-sheet as being recoverable is approximately correct.

BALANCE-SHEET ITEMS

Shareholders will notice from the balance-sheet that full provision has been made for debenture interest in arrear. The figure mentioned is the gross amount of this interest which will be subject to deduction of income-tax when paid. They will also notice that the amount due to the company's bankers has slightly increased, but on the other side they will see that the company had in hand and with its bankers on current accounts the sum of £98,170. I must remind the shareholders that the £100,000 advanced by the company's bankers, secured in priority to the First Mortgage debenture stock, is subject to an arrangement with the debenture stock holders committee that this loan is to be repaid before any dividends are paid upon the share capital of the company. The addition to plant, machinery and office furniture reflects the cost of the generators mentioned above, together with other plant and machinery that has been purchased during the year and, although these additions are practically new, this item has been fully depreciated.

The investment in subsidiary companies includes the shares in and loan to our wholly owned subsidiary, Kensington Property Company, Limited. Shareholders will be aware that the main asset of this company is some 3½ acres of freehold land in Kensington High Street, close to Olympia, which was purchased many years ago. During the year under review active negotiations for the sale of this land at a satisfactory price were in progress, but unfortunately when the provisions of the Town and Country Planning Act, 1947, became known, the proposed purchasers retired from the negotiations. Recently negotiations have been revived but I regret I am unable to express any opinion as to the likelihood of these resulting in a sale. Shareholders may be assured that the directors are pursuing the matter with diligence.

DIVIDEND OUTLOOK

I do not think any other items in the balance-sheet require explanation, but shareholders will naturally desire some information with regard to the possibility of the company resuming payment of dividends. This, of course, depends largely upon future progress, and in addition I would ask them to bear the following in mind: The interest upon the debenture stock is some two years in arrear, but subject to any unforeseen circumstances arising it is intended to discharge these arrears together with the half-year's interest due on June 1, 1948, on that date. The

sinking fund payments upon the stock are nine years in arrear, and your directors are considering the best method of dealing with the matter in the interest of the shareholders. The dividend upon the preference shares is also nine years in arrear and although the company shows every sign of having returned to a reasonable profit-earning basis, its prior commitments as mentioned above may prevent resumption of these dividends for the time being.

In September last, Mr R. G. Heaton, who had been managing director of the company since its formation, felt compelled owing to advancing years to tender his resignation, which was reluctantly accepted by the board, but he has agreed to act as advisory director for such period as the company may require his services. Mr C. P. Heselden, who has acted as secretary since 1931, has relinquished his post, but as he has now joined your board, the company will continue to receive the benefit of his long experience in its affairs.

In closing I wish to pay tribute to the work of the company's staff, from the highest to the lowest, who have responded most loyally to the demands made upon them, and I am sure the shareholders would desire me to express their thanks for the admirable services which these employees have rendered.

The report and accounts were unanimously adopted; the retiring directors, Mr Charles P. Heselden, Mr R. G. Heaton and Mr Hugh M. Clowes, were re-elected; and the auditors, Messrs Price Waterhouse and Company, were reappointed.

At a subsequent separate meeting of the holders of the cumulative preference shares a resolution was passed sanctioning the creation by the company of £1,200,000 4 per cent. first mortgage debenture stock.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

APOLLINARIS AND PRESTA, LIMITED

PROPRIETARY BRANDS AGAIN

The 51st ordinary general meeting of Apollinaris & Presta, Limited, was held, on the 3rd instant, in London.

Mr J. Douglas Broad, the chairman, in the course of his speech, said: Since January 31st last, when the Concentration Scheme ended, we have been able to re-introduce our own proprietary lines, and to use our Presta labels. Although absent from the market for five years, the demand for these high quality beverages is already in excess of the quantities which we are able to produce owing to the restricted quantities of sugar allotted to the Soft Drinks Industry. The sales of Sparkling Buxton Water have increased, as since October last, we have been able to supply this Water to our customers throughout the whole of the country.

We are now in full operational control of both the Spring and Bottle Works in Germany. The Spring has throughout been in production, and it is hoped early in June to light the first furnace at the Bottle Works and re-start production of bottles, so urgently needed. We do not, however, expect any immediate financial advantage on this side, owing to currency regulations. In order to facilitate export sales and operations a French company has been formed, with headquarters in Paris.

It was not sufficient to arrange with the French Authorities the terms upon which Apollinaris could be exported to England; we also had to get an import permit here, and I am glad to advise you that, after some negotiations, we have just succeeded in obtaining a permit to import a restricted supply of Apollinaris Water into the United Kingdom, which will be rationed amongst our many customers.

The report was adopted.

TARRAN INDUSTRIES, LIMITED

SUCCESS OF THE "NEWLAND" HOUSE

EXTENSION OF ACTIVITIES

Lt-Col. A. RIDLEY MARTIN'S SURVEY

The thirteenth annual general meeting of Tarran Industries, Limited, was held, on the 4th instant, at Hull, Lt-Col. A. Ridley Martin, O.B.E. (chairman of the company), presiding.

The Chairman, in moving the adoption of the report and accounts, said: During the year under review your board and the management of the company generally have been largely reconstituted. Following the resignation of Mr S. A. Lane, the managing director, and Mr V. J. Chalwin and Mr E. McCann from their executive positions and seats on the board, Mr G. H. West was appointed managing director and our Scottish manager, Mr Edgar Richards, was appointed general manager. Both these executives of proved experience have already shown our selection to have been a wise one in every respect.

We were also fortunate in bringing to the board the experience of Mr W. E. Sykes, and he joined us on November 11, 1947. He is a chartered accountant with a wide commercial experience and a director of many important companies, some of which carry on business of a nature allied to our own. We have also been fortunate to obtain the services as a director of Captain H. D. Tolle-mache, R.N. He is a director of the Carlton Main Colliery Company, Limited, with experience in the housing of colliery operatives and of constructional engineering in general. Under the articles of association these two gentlemen retire, but we shall invite you to reappoint them.

CHANGE OF NAME

For reasons which will be readily understood we have decided to recommend a change in the name of the company, and in order to maintain our close association with this ancient city and county, we have adopted the suggestion of one of its leading citizens to take the old Saxon name of Myton as the new name of the company. As a matter of interest, this name covered that part of the city in olden times in which our factory and head office are now situated. If the resolution is approved at the extraordinary general meeting, to which I shall refer later, the company will henceforth be known as Myton, Limited.

Now as regards the company's results for the 15 months ended December 31, 1947, the loss of £95,422 disclosed in the accounts was chiefly incurred during the first half of 1947. During this period, although orders were forthcoming, no sites were available. Production costs, maintenance, salaries and wages were, however, continued at the previous high level.

When the Newland House was introduced it met with immediate success, as I informed you at the meeting in July, 1947. Orders were received under the Government's 1947 programme for 2,153 houses, and, in spite of the initial delay of several months before work could be started on sites, 300 houses have already been handed over to the various local authorities; 1,600 are now in the process of erection, leaving a balance of 253 to be completed when the necessary sites become available.

It is fair to say, as pointed out in the directors' report, that it was only in the last six months of 1947 that site construction and factory production could be welded together on a reasonably balanced level.

1948 PROGRAMME

For the 1948 programme the company is in receipt of provisional orders from local authorities for approximately 2,000 houses. These, of course, require the sanction of the Ministry of Health, and, while we do not

yet know what allocation of this number will be granted to us, we are hopeful that a substantial proportion of these orders will be approved. On February 2, 1948, the company's factory at Bellshill, near Glasgow, having been modernised and re-equipped, was reopened by the Under-Secretary of State for Scotland, and provided a valuable extension of our business in Scotland. The Clyde House (the Scottish equivalent of the Newland House) is in production at that factory and an initial order has been received from the Department of Health for Scotland for 250 houses for the mining areas of Lanarkshire. These houses are now in the process of erection.

A demand for a factory-made bungalow has led the company to produce a building of the type required for Scotland, of which plans and specifications have been approved and is known as the "Solway" bungalow. We are hoping to receive a pilot order to demonstrate the advantages of this type of building in the west and south west areas of Scotland.

SCHOOL CONSTRUCTION

I now wish to refer to schools, for which our system of construction is so eminently suitable. Here your company has been in the forefront and buildings erected at Paisley, Glasgow, and in several villages in Lanarkshire, have met with the approval of the educational authorities. In addition, further orders have been received for similar buildings both in England and Scotland.

The company has maintained and extended its activities in traditional building, and we have received orders for 390 traditional houses, of which 270 have been completed. In addition, an order in traditional building for a large block of municipal flats in Porter Street, Hull, has been received and work thereon commenced. Similarly, our traditional building activities have been extended in the south, and orders for 75 houses and a block of flats for erection in the London and suburban areas have been received.

THE FUTURE AND CAPITAL RECONSTRUCTION

With the above volume of business on hand and in prospect, together with the large savings in overhead expenses resulting from the very thorough overhaul and re-organisation of all departments which has taken place during the past six months, the board feels that, provided a reasonable price is approved by the Ministry for our Newland houses, your company can look forward to satisfactory trading results in the future. If, as we have reason to hope, the year 1948 shows at its close that the company has turned the corner, then, but not before then, will your directors place before the shareholders a scheme of capital reconstruction. It is quite apparent that, with the deficiency of £450,162 shown in the balance-sheet under review, more than the whole of the share capital has been lost. On the other hand, we are advised that the present value of our freehold and leasehold properties and the fixed plant and machinery is in excess of the figures at which they appear in the company's books. All these are factors which must be taken into consideration, in conjunction with the prospective earning capacity of the business, when considering a capital reconstruction scheme, and your board believes that the time to formulate a definite scheme will be at the end of the current financial year.

In the meantime, as you will appreciate, the company requires further financial resources to enable it to carry through its present programme. I am happy to be able to tell you that arrangements have been made which will ensure the continued support of the company's bankers. To regularise this position, you will be asked at an extraordinary general meeting to be held on June 29, 1948, to increase the company's borrowing powers to £1,300,000 and to change the name of the company as already mentioned.

TRIBUTE TO EXECUTIVES AND STAFF

I cannot close my remarks without expressing the thanks of the board to the executives and to the whole of our employees for their loyal support during a very difficult period. The shareholders will appreciate the problems with which the board has been faced, but I am happy to be able to tell them that the members of the board have the utmost confidence in the present executives, all of whom are working with the board in the closest harmony for the future prosperity of the company.

The report and accounts were adopted.

THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

SIR JOHN HAY'S STATEMENT

RUBBER AND THE SYNTHETIC SUBSTITUTE

In the course of his statement circulated with the report and accounts to be submitted at the annual general meeting (52/54 Gracechurch Street, E.C.3, on the 17th instant, at noon), the chairman, Sir John Hay, states:— It has been frequently stated that natural rubber has now to compete with the synthetic product, made chiefly in the U.S.A. Such a statement is only a half-truth masking the true position. Our American friends' devotion to the system of private enterprise and free competition is not so unqualified as to prevent them from departing from it when it seems to serve their interests to do so. Synthetic rubber has been put under the shelter of protective legislation well beyond the reach of the cold, blasting winds of free competition. Its use up to a minimum of 225,000 tons per annum is enforced by law and it is supplied to manufacturers from Government-owned factories at the fixed price of 18½ cents (U.S.A.) per lb. The manufacturer, in his turn, is protected against the competition of tyres made from natural rubber by the prohibition of the import of tyres the content of which does not include a specified quantity of the synthetic substitute. So safeguarded from the competition of any superior tyre made from natural rubber, U.S.A. manufacturers can and do, by arrangement amongst themselves, use more than the prescribed minimum of synthetic. There may at the present time be some degree of justification for that, since the amount of natural rubber now available would be hardly sufficient to meet all trade requirements in excess of the specified minimum as well as demands for stockpiling in which the U.S.A. Government is now engaged. But the original impulse to do this comes from a determined intention to keep down the price of the natural product.

AMERICAN ATTITUDE

In the course of evidence given before a Congressional Committee, which led up to the present legislation, the view was expressed that the price of natural rubber should not be allowed to go above 20 cents (U.S.A.) per lb., and it seemed to be a matter for indignation, of varying degree, that it should have ever done so. This figure of 20 cents (U.S.A.) per lb. was not reached by any careful computation based on the ascertained cost of production, nor by reference to prevailing values, nor, so far as one can detect, by any recognisable process of reasoning. It was an expression of emotion directed against the idea that the U.S.A. should have to buy an essential raw material from an overseas territory and at a price necessary to give the producer a profit. It so happens that the present price of rubber has gone beyond this mystical figure of 20 cents, but this is not due to any relenting on the part of our American friends. In the expectation of lower prices resulting from greater quantities of rubber coming from Indonesia, there was a general holding off of buying by manu-

facturers. Owing to continuing unsettlement in that territory these expectations have not been realised. Trade buying can no longer be postponed and the rubber available to meet these deferred purchases, as well as for stockpiling, is for the time being hardly adequate. This fortuitous combination of circumstances may continue for some time and rubber producers, after a long interval, may enjoy the now somewhat strange experience of making some profit, although barely sufficient to permit of adequate sums being set aside for replanting and other prudent provisions, and of a fair payment to stockholders who, for the most part, have had no return for seven years.

TRANSCENDING IMPORTANCE OF RUBBER EXPORTS

Viewed in their wider context, these are matters which transcend the interests of the rubber-producing industry. Rubber is still our greatest export to the U.S.A. and exceeds in value the total of all domestic exports from the U.K. Even at the present improved price, which is largely fortuitous, calculated in terms of wheat and cotton, two of our chief imports from the U.S.A., it is only worth one-third of its 1940 value. With this continuing wide disparity in prices as between our chief export to and our main imports from the U.S.A., it is vain to expect that we can fill the gap in our transatlantic trading account. The official reason given for the present U.S.A. policy in the matter of rubber is national security. To serve that high purpose it is conceivable that other steps could be taken which would not entail a twin measure of total protection permitting practices which distort seriously our already ill-balanced international trade which, if not adjusted, will be productive of widespread distress.

Full copies of Sir John Hay's statement may be obtained from the Secretaries, 52/54 Gracechurch Street, E.C.3.

JAMES W. COOK AND COMPANY, LIMITED

YEAR OF FULL ACTIVITY

The fifty-first annual general meeting of James W. Cook and Company, Limited, was held, on the 4th instant, in London.

Mr W. J. Clarke (chairman and managing director) said that he was glad to be able to present accounts for 1947 showing a profit figure of £80,145. That had been secured after a year of full activity in every direction.

Their shipyard at Wivenhoe had now reached full production and during the last part of the year had begun to function well. The activity was enabling them to repair and recondition their own craft and tankers and take in outside work as well. Their wharves and showrooms had been busy during the year and the lighterage business had been good both in London and Hull. Their new lighterage concern had done quite well, too.

The combined figure of profit on baulage last year was satisfactory. The Transport Act being now in existence, it was obvious that sooner or later some of their businesses would be lost to them. They had registered a small company under the name of "Eastern Roadways (Engineers), Limited," for the purpose of the sale and servicing of agricultural implements as that was a promising field for development. Another small venture was "Eastern Auto Electrical Services, Limited," a business to supply and service electrical equipment. They had further established a forwarding agency under the name of "Eurocook, Limited," dealing with the importation of continental fruit and vegetables. To make up for the possible loss of income from their baulage, they had established and developed those new concerns and strengthened the older ones.

The report was adopted.

ENGLISH AND CALEDONIAN INVESTMENT COMPANY, LIMITED

DIVIDEND MAINTAINED

The twenty-fifth annual general meeting of the English and Caledonian Investment Company, Limited, was held in London, on the 4th instant, Mr Henry S. Loebl, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1948:—

The company's investments at March 31, 1948, stood in the balance sheet at £909,987, which compares with £923,064 at March 31st of the previous year. The value, however, of the investments at March 31, 1948, on the basis mentioned in the directors' report was £1,286,656, which showed an appreciation of £376,669, which expressed as a percentage is 41.39, compared with 46.37 per cent. at March 31, 1947. The changes in the company's investments during the year have again resulted in a surplus which has been added to the contingency fund. The figures disclose a further increase in the proportion of the company's funds invested within the Empire.

The company's interest in its subsidiary, Encal Estates, Limited, has been increased from £12,500 to £63,000 by subscribing for a further 17,500 £1 shares and a loan to that company of £33,000. This additional finance was required by our subsidiary to purchase two more properties, making three properties in all. Any dividend which may be paid by Encal Estates, Limited, will be included in the income of your company for the current year. The general reserve has been increased from £52,000 to £55,000 by the appropriation of £3,000 from undistributed revenue.

INCREASED INCOME

Turning to the revenue account, it will be noted that our income for the year excluding transfer fees amounted to £63,340, being some £1,100 more than the income for the previous year. That the increase in our income is not greater is explained by the fact that we had during the year substantial sums in cash and gilt-edged securities, and that the income for the past year did not include any dividend from Encal Estates, Limited. You may recall that I indicated last year that our very conservative policy might have an adverse effect on our income.

After deducting administrative and sundry expenses and also interest on borrowed monies including the debenture stocks, the net revenue for the year was £40,778 against £39,861 for the previous year. After charging the sum of £17,522 for taxation and deducting the dividend on the preference stock for the year to March 31, 1948, the amount earned on the ordinary stock amounted to £15,006, equivalent to 13.64 per cent. as against 12.62 per cent. for the previous year.

An interim dividend of 1½ per cent. has already been paid on the ordinary stock, and the payment of a final dividend of 5 per cent. is now recommended, making 6½ per cent. for the year, being the same dividend as for the previous year. Your directors have transferred the sum of £3,000 to general reserve, leaving a sum of £10,178 to be carried forward.

Since I referred last year to the intolerable burden of taxation which the community is bearing, we have been presented with another Budget, still further increasing taxation, which is now substantially greater than it was at the height of the war. Until Government expenditure is reduced, and with it taxation, it is unlikely that inflation will be checked and the full energies of the nation released.

The report was adopted.

CENTRAL MINING AND INVESTMENT CORPORATION LIMITED

INCREASED PROFIT

The 43rd annual general meeting of the Central Mining and Investment Corporation, Limited, will be held, on the 15th instant, in London.

The following is an extract from the statement by the chairman, Sir Clive Baillicu, K.B.E., C.M.G., circulated with the report and accounts for the year 1947:—

Our operations yielded a profit of £842,487, representing an increase of £130,540 in comparison with 1946. Income from dividends was higher by some £31,000. Net receipts from interest, however, showed a further contraction due to the effects throughout the full year of the reduced rates allowed on bank deposits in South Africa and to the lower rate of interest carried by short-dated gilt-edged securities. On the other hand, a special receipt under the heading of interest was a sum of about £17,000 from the Anglo-Spanish Construction Company, in reduction of outstanding interest on our holding of debentures of that company. Profits on realisation of shares at £432,815 show an increase of £165,587. In considering this satisfactory improvement I must remark that it reflects in part certain special transactions which should be regarded as non-recurring.

EXPENSES GREATER

The net expenses of the Corporation's organisation have increased by almost £14,000 to £106,001, due, in the main, to increase in salaries and administration costs and to the cost of visits between London and Johannesburg of executives and officials. I attach great importance to personal consultations between those responsible for the conduct of our business. The problems of administration and control of our group with such wide-flung and diverse activities are manifold and complex. The smooth and efficient conduct of our affairs will be greatly helped by the closer and more frequent contact between the staffs of the Corporation here and overseas which modern means of travel now make possible. In determining the provision for writing down the value of shares, investments and interests at £139,916 we have pursued our normal policy of ensuring that these assets are carried in our books at prudent levels.

There is a large increase in the provision for taxation due for the most part to the incidence of the increased profits tax, which alone will absorb some £95,000 more than last year. The net benefit to the Corporation of the increased profits of £130,000 is only £23,000 after providing for taxation. I call your attention to this heavy burden, with the penalty which it imposes on enterprise and the obstacle which it creates to the ploughing back of profits for the financing of new ventures. This is of particular importance to a Corporation such as ours, whose assets in the main are wasting assets.

EXPLORATION RESERVE

The board has felt it wise that the surplus remaining after allowing for dividends should be used to strengthen the exploration reserve. An amount of £193,080 has therefore been transferred to the credit of that reserve, which now stands at £480,000 after meeting expenditure of £73,080 during the year. It is very necessary that we should continue to have ample resources to finance our exploratory work.

Your board proposes that the final distribution on the ordinary capital for 1947 should be 9s. 3d. per share plus a bonus of 4s. 9d. subject to United Kingdom income tax. The total ordinary distribution for 1947 would then amount to 18s. 6d. per £8 share, or 11.56 per cent., which is the same as for 1946. Expressed in terms of capital actually employed in the business the return is no more than 5.95 per cent.

GOVERNMENT RETURNS

For the week ended June 5, 1948, total ordinary revenue was £58,991,000, against ordinary expenditure of £63,993,000 and issues to sinking funds £250,000. Thus, including sinking fund allocations of £1,664,000 the surplus accrued since April 1st is £166,944,460 against £202,563,881 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to June 7, 1947	April 1 to June 5, 1948	Week ended June 7, 1947	Week ended June 5, 1948
ORDINARY REVENUE					
Income Tax	130,915	152,025	163,682	9,769	9,687
Sur-tax	90,000	10,510	15,750	650	1,000
Estate, etc., Duties	160,000	30,853	33,400	2,885	2,950
Stamps	55,000	8,570	11,085	800	1,300
Profits Tax	250,000	4,340	15,310	130	1,510
E.P.T.	1,000	35,375	31,600	2,410	2,500
Other Inland Rev.	50,000	...	...	...	5
Special Contributions	...	...	...	...	...
Total Inland Rev.	191,515	241,733	270,892	16,644	18,952
Customs	820,600	150,069	156,401	14,892	16,816
Excise	726,550	104,400	148,600	2,300	3,650
Total Customs & Excise	1,547,150	254,469	305,001	17,192	20,466
Motor Duties	50,000	5,508	4,596	611	1,084
Surplus War Stores	102,000	28,564	18,708	2,253	17,445
Surplus Receipts from Trading	57,000	...	826	...	...
P.O. Net Receipts	...	2,950	3,460	...	300
Wireless Licences	11,000	1,670	1,680	...	...
Crown Lands	1,000	180	170	...	...
Receipts from Sundry Loans	14,000	3,724	1,920	...	40
Miscell. Receipts	68,000	136,255	12,555	...	32
Total Ord. Rev.	3,765,300	675,052	619,808	37,082	58,991
SELF-BALANCING					
Post Office	150,200	24,100	26,000	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,786	1,588	309	111
Total	3,931,500	703,938	647,396	39,291	61,102

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to June 7, 1947	April 1 to June 5, 1948	Week ended June 7, 1947	Week ended June 5, 1948
ORDINARY EXPENDITURE					
Int. & Mail of Nat. Debt	500,000	105,074	103,167	32,128	32,328
Payments to N. Ireland	26,000	4,186	3,358	696	764
Other Cons. Fund Services	8,000	319	315	...	...
Total	534,000	109,579	106,840	32,824	33,093
Supply Services	244,167	360,741	344,359	34,300	30,900
Total Ord. Expd.	297,567	470,320	451,199	67,124	63,993
Sinking Funds	...	...	1,664	...	250
SELF-BALANCING					
Post Office	150,200	24,100	26,000	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,786	1,588	309	111
Total	314,167	499,206	480,452	69,333	66,354

After increasing Exchequer balances by £109,736 to £2,892,942, the other operations for the week increased the gross National Debt by £14,924,370 to £25,676 million.

NET RECEIPTS (£ thousand)		
Tithe Act, 1936, sec. 26	...	305
NET ISSUES (£ thousand)		
P.O. and Telegraph	...	540
E.P.T. Refunds	...	134
Overseas Trade Guarantee Act, 1939, sec. 4 (1)	...	15
Housing (Scott.) Act, 1944, sec. 4 (2) and Housing (Fin. Prov.) (Scott.) Act, 1946, sec. 13 (2)	...	520
Local Authorities Loans Act, 1945, sec. 3 (1)	...	4,150
War Damage: Board of Trade	...	3,000
War Damage Commission	...	50
Finance Acts, 1946 and 1947, Post-war Credits	...	50
Finance Act, 1935, sec. 30 (1)	...	9,867

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
2½% Def. Bonds 598	Treasury Bills 3,427
Tax Reserve Certs. 5,980	Nat. Savings 900
Treasury Deposits. 33,000	3½% Def. Bonds 2,670
	3% Ter. Annuities 1,101
	Other Debt:—
	Internal 40
	Ways and Means
	Advances 16,515
39,578	24,653

* Including £2,157,000 paid off on maturity.

FLOATING DEBT						
(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
June 7	2180.0	2584.9	341.5	5.5	1463.5	6575.4
1948						
Feb. 21	2160.0	2346.8	447.6	...	1236.5	6190.9
" 28	2160.0	2342.4	492.7	2.5	1201.0	6198.6
Mar. 6	2160.0	2667.5	446.3	...	1259.5	6533.3
" 13	2160.0	2692.2	416.7	6.0	1239.5	6514.4
" 20	2160.0	2712.5	403.8	20.5	1249.5	6546.3
" 31	4910.2		334.8	6.0	1291.0	6542.0
Apr. 10	2160.0	2752.0	328.9	...	1326.5	6567.4
" 17	2160.0	2750.0	324.4	...	1340.5	6574.9
" 24	2170.0	2716.9	322.5	...	1349.5	6558.9
May 1	2180.0	2689.3	322.9	...	1346.5	6538.7
" 8	2200.0	2643.2	310.2	...	1346.5	6499.9
" 15	2210.0	2643.5	301.0	20.3	1326.5	6501.3
" 22	2210.0	2628.6	297.8	14.8	1362.0	6511.1
" 29	2210.0	2620.2	303.5	...	1377.0	6510.5
June 5	2210.0	2616.7	283.2	3.5	1410.0	6523.8

TREASURY BILLS						
(£ million)						
Date of Tender	Amount			Average Rate of Allot- ment %		Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted			
1947						
June 6	170.0	290.5	170.0	10	1.49	45
1948						
Mar. 5	170.0	292.7	170.0	10	1.10	40
" 12	170.0	286.3	170.0	10	1.48	45
" 19	170.0	266.5	170.0	10	1.74	54
" 25	170.0	300.5	170.0	10	2.87	30
Apr. 2	170.0	295.1	170.0	10	2.49	42
" 9	170.0	291.2	170.0	10	2.62	44
" 16	170.0	267.8	170.0	10	3.15	55
" 23	170.0	295.1	170.0	10	2.51	42
" 30	170.0	287.9	170.0	10	1.34	45
May 7	170.0	290.3	170.0	10	1.24	43
" 14	170.0	290.7	170.0	10	1.36	45
" 21	170.0	294.5	170.0	10	1.26	43
" 28	170.0	278.6	170.0	10	1.68	50
June 4	170.0	295.8	170.0	10	1.20	40

On June 4th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 40 per cent. of the amount applied for at 99 17s. 5d. and applications at 99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for June 11th. For the week ended June 12th the Banks will be asked for Treasury deposits to the amount of £60 million (maximum).

NATIONAL SAVINGS			
(£ thousand)			
	Week Ended		Totals, Apr. 1 to May 29, 1948
	May 31, 1947	May 29, 1948	
Savings Certificates :—			
Receipts	2,000	2,000	20,200
Repayments	2,000	2,850	21,250
Net Savings	...	Dr. 850	Dr1,050
Defence Bonds :—			
Receipts	1,440	750	7,320
Repayments	561	828	7,579
Net Savings	879	Dr. 78	Dr. 259
P.O. and Trustee Savings Banks :—			
Receipts	11,271	10,367	103,591
Repayments	13,765	10,573	98,030
Net Savings	Dr2,494	Dr. 806	5,561
Total Net Savings	Dr1,615	Dr1,134	4,252
Interest on certificates repaid	400	513	4,723
Interest accrued on savings remaining invested	2,247	2,291	19,341

BANK OF ENGLAND RETURNS

JUNE 1, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt ...	11,015,100
In Circulation 1249,388,745		Other Govt. Securities ...	1288,193,156
In Bank Dep. 50,859,088		Other Secs. ...	786,374
		Other (other than gold) ...	5,370
		Am't. of Fid. Issue ...	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine) ...	247,833
			1300,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	336,494,291
Res.	3,487,983	Other Secs.	15,786,392
Public Depts.*.	12,213,021	Discounts and Advances	19,436,391
Other Depts. :-		Securities	35,222,783
Bankers.	802,122,757		
Other Accts.	90,907,630	Notes.	50,859,088
		Coin.	708,229
	393,030,387		
	423,284,391		423,284,391

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1. To receive the Profit and Loss Account for the Eighteen months ended 27th September, 1947, and the Balance Sheet as at that date with the Reports of the Directors and Auditors attached thereto.
2. To sanction the declaration and payment of Dividends.
3. To elect a Director in place of the one retiring.
4. To appoint Auditors for the ensuing year.
5. To transact any other ordinary business that may be lawfully dealt with at a General Meeting of the Company.

Dated this 4th day of June, 1948.

By Order of the Board,

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Old Boss Writ Large

THE domestic propaganda of the Labour Party on the one hand, and the resolutions of the trade union conferences on the other, show that one of the most haunting skeletons in the cupboard at Transport House is again rattling its bones. Nearly three years of Socialist government have passed, and yet organised labour feels deeply conscious that the worker has too little say in the direction of industry, and that even in nationalised industries the old boss has merely been exchanged for a new one. The rattle is unmistakable; it is loudest in coal-mining but was plainly audible in the resolution which was proposed by the Amalgamated Engineering Union at Scarborough, supported by several other unions, for a larger proportion of workers' representation in the nationalised industries. This resolution was opposed from the platform, but the Conference referred it to the Executive for discussion with the Trades Union Congress, and there are signs that the section of the party that believes in direct workers' control—that is, in the main, the unions—will not allow the matter to drop. Moreover, when, and if, the economic tide turns, and the nationalised Boards are compelled to play such dirty employers' tricks as dismissing labour and asking for lower wages, the skeleton will step right out of the cupboard.

There is nothing very surprising about the persistence of demand for workers' control of industry. Whatever its present biological basis may be, the springs which fed the British Labour movement were the orthodoxies of Marx and Engels, and among them "ownership by the workers of the means of production, distribution and exchange." That is a golden ideal which became implanted in the minds of working class Socialists while this century was still young, and it has done as much as anything to keep the movement alive throughout its lean times. Many years ago, however, the impossibility of its achievement, except in the sense of "ownership by the state, as trustee for the people" became apparent (partly as the result of the lessons of Russian industry after 1917) and the official policy of the party moved quietly away from syndicalism towards nationalisation—or, as some would say, from democratic socialism to state capitalism. But the leaders never dared make explicit to the rank and file of Labour that they had abandoned workers' ownership; it was too useful as a forced draught to keep the fires burning. The divergence of thought has been severe, as the Grimethorpe and Waleswood coal strikes demonstrated. It is significant that the most extreme advocate among the unions of complete syndicalism is the Union of Post Office Workers, which has more experience of nationalisation than any other.

The main argument against the direct control of industries by those who work in them—whether the doctrine is christened syndicalism or guild socialism—is that it does not work, any more than the various experiments that have been made throughout history to run an army by delegates from the ranks have ever worked. There is a more sophisticated doctrine which calls for a joint Parliament of Industry as part of the Constitution, but no democrat who has thought the matter out wants to exalt the authority of mutually conflicting, monopoly-minded special

interests above that of citizenship in general. There is room for corporatism, of the Left or of the Right, in an authoritarian state where corporations are only the instrument of the Leader's or the Party's will, but not in a democracy, which has quite enough difficulty as it is in asserting the general interest of the whole community against the much more articulate and persistent representatives of special interests. There are, undoubtedly, elements in the Labour Party for whom the authoritarian bias of syndicalism tells in its favour; and just over the border into Communism it is not unlikely that some support for "workers' control" is motivated by the possibilities which it offers for trouble-making. Mr Arthur Horner's old threat that the mines would close in the event of war with Russia would be easier to carry out if the right people, from his point of view, were in authority on the Coal Board.

★

But because workers' control would, as the leaders of the Labour Party have long recognised, result in massive impoverishment and economic chaos does not mean that the human aspirations from which the demand for it arises can be ignored. They were touched on by Mr Herbert Morrison in his speech at Cardiff last Sunday. "One of the worst crimes which the Victorian capitalists committed" he said

was to devise a system which robbed large numbers of workers of the satisfaction and human respect which should always go with doing a job well. They pretended that fear of starvation or a craving for more money were the only forces that make people work . . . While not rejecting individual material incentives, we assert the need for the great incentive of public service:

Here is the sound and positive argument for industrial democracy; that it can restore some, at least, of the destruction wrought by the machine age on human personality. Ideally, it should turn the mere "hand" back into a man or woman and harness to the cause of general betterment those qualities which, denied by the nineteenth-century industrial system, found their expression in the great trade union movements. The British working man, convinced by the industrial history of the early nineteenth-century of the helplessness of the individual employee, sank his individuality in the stern collective discipline of the union. But some of the early idealism of the union movement has vanished, and instead of being a breeding ground for new ideas on the technical and human progress of industry, the unions have become almost entirely absorbed in the question of getting more money for less work. To the extent that this is so, they have become a purely negative element in the industrial structure of the country, demanding much and contributing little.

For a generation past, the supporters of Socialism have been taught by their party to pin their hopes of a new and positive industrial democracy on the device of nationalisation. But the fact is that nationalisation in practice makes that democracy harder to attain. Mr Morrison's officially expressed preference for guiding things "upwards from the bottom instead of downwards from the top" is invariably overridden, in practice, by the tendency to centralise all decisions at the top. It is much more difficult to bring either a grievance or a constructive suggestion to the attention of the National Coal Board where it sits in the stratosphere than to that of Mr Z, the colliery owner. Even if one has a well-founded loathing of Mr Z, and his deputies, they are at least there to be shot at; whether in a stand-up fight or in co-operative effort, the worker is attacking a human target. Nationalisation has in this sense brought the worst of both worlds; as likely as not (since there is no one else technically qualified) the old enemy remains in immediate authority, but behind him there looms a huge and sluggish hierarchy in whose mazes (as the worker sees them) either grievance or constructive contribution are likely to get permanently lost. This has the natural result of strengthening the demand, already strong enough, for control at the higher

levels, through seats on the controlling Board elected representatives of the workers. This is to be satisfied, in the form in which it is put, for all the reasons which make syndicalism undesirable. And it cannot at present be satisfied in any form because (as Sir Stafford Cripps got into trouble for saying) there are not enough workers qualified to do managerial jobs.

To say this is not to deny the existence of enormous funds of latent ability, hitherto tragically wasted, in the lower ranks of industry. What, however, is wanted is not latent ability but ability trained, experienced and ready to contribute here and now to the solution of problems which will not wait. The training ground for that ability is precisely in that smaller-scale day-to-day co-operation of workers and management for which Mr Morrison pleaded, and which such organisations as the Joint Production Councils were devised to provide. Nor is the problem confined to the nationalised industries. It is inherent in all large scale industries, and it is particularly severe where the industrial process demands, as in engineering, a high degree of technical knowledge on the part of management. But it is aggravated in the nationalised industries, partly because of the enormous size of the management unit and partly because the workers expected something better.

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Neither management nor labour has any right to dogmatise upon the problem of industrial democracy since neither has yet found a solution to it. Joint consultation between management and labour at the workshop level breaks down unless there is an unusually high calibre of men on both sides. Capital-sharing and profit-sharing have only a limited application to a working population that is prepared to enjoy the fruits but not to bear the risks of capitalism. Many useful experiments have been made, but no one can pretend that the problem is solved, or that principles of general validity have been worked out.

The greatest obstacle to participation by the workers in the direction of industry is, as Mr Morrison pointed out, their own habit "of behaving as if there were some sinister boss in the background whom it was necessary to defeat by achieving as little as possible." That is exactly what Mr Morrison's party has been telling its supporters for the past two generations. It is this fantastic belief that the worker can punish the boss by working less, without hurting himself in the process, that marks the essential difference between the teaching of the American and British labour movements. Mr John L. Lewis will fight the employers for a larger share of the proceeds of production with at least as much ferocity as any British trade unionist. But he is under no illusion about the necessity for output; on the contrary, he is wont to make scornful comparisons between his union's and the British unions' attitudes to production and efficiency. Every American worker knows that his standard of living is directly dependent on his standard of production. The British worker has been taught that there is such a thick cushion of "exploitation" in the economic system that there is virtually no connection between the effort he puts out and the reward that he can demand.

The British Labour Party, having for so long sown the seeds of workers' control cannot now complain if they reap the harvest of industrial sluggishness and a growing disillusionment with the effects of nationalisation upon the lot of the worker. The tragedy is that the leadership of the Labour Party, having progressed from syndicalism and guild socialism to a more workable policy, has not educated its rank and file to accept the realities of industrial organisation. Mr Morrison must devote much of his time to breaking down an attitude which his party, deliberately or by implication, has done everything to foster. The British Labour Party inculcated the unnatural attitude of the British worker towards his work; the British Labour Party will have to solve the problem it has created.

Communism in South-East Asia

SUDDENLY, in a matter of days, the European nations with vital interests in Asia have been warned that the attack on them which has been held in the West is being switched to the East. The warning has come as a shock to those who have been allowed to forget—by the lack of space in their newspapers for regular news from the other side of the world—that for three years now there has been continuous or intermittent war in China, French Indo-China, Dutch Indonesia. And the shock has come in the form of most disturbing news about what appears to be concerted disorder and violence in Malaya and Burma. It is not "cold war" that has been declared, but a campaign to bring to fever heat the violent and jealous passions which have racked South-east Asia since the Japanese occupation left the whole area unsettled and disorganised.

In this stage the campaign can only be met by force, by the emergency military and police measures which Mr Creech Jones spoke of in the House of Commons on Wednesday when questioned about the murders of British planters in Malaya. It will not be overlooked that to apply this force and to maintain order in South-east Asia will place a new strain on the resources of western Europe, a commitment which has already involved important numbers of French troops in Indo-China and Dutch troops in Indonesia. In fact the challenge in South-east Asia is not only to government and order in India and China, but to the common interests of the Powers which signed the Brussels Pact. And if it is not met firmly, now by repression and in the future by constructive common action, the economic health of Europe and many of the assumptions of the European Recovery Programme may be undermined.

South-east Asia is today a region of primary importance in world economy as a supplier of foodstuffs and raw materials. In rice, sugar, copra and coconut oil, palm oil, coffee, spices, rubber, petroleum, tin and tungsten, South-east Asia is one of the principal providers of the world market. Above all, it is in part, and potentially to a much greater extent than now, a dollar-earning area, as indicated in the table overleaf. In 1938 three of the five countries of South-east Asia listed in the table—namely, Malaya, Indonesia and Indo-China—had favourable balances of trade with the United States. In 1947, 30 per cent of Malayan exports were sent to the United States, representing 5 per cent of total American imports and equivalent to 24 per cent of the United Kingdom's deficit in visible trade with the United States. The condition of developing still further this capacity to earn dollars and meet the world demand for food and raw materials is that

stability and order should be maintained in the face of nationalist demands.

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The great economic development of South-east Asia in recent times has been brought about almost entirely by investment of foreign capital, which was formerly everywhere, except in Siam, under the protection of colonial administrations of European states. The foreign capital coming from Western sources and financing most of the larger enterprises of production and transport has been in the past mainly, but by no means exclusively, drawn from the "metropolitan" countries respectively concerned in each part of the region. In addition there has been much capital investment by Indians and Chinese in smaller enterprises, but there has hitherto been hardly any significant business activity (except in one or two areas, such as southern Celebes) carried on by natives of the region, whether Burmese, Siamese, Vietnamese, Cambodians, Malays or Indonesians.

The rise of nationalism in South-east Asia was therefore bound to have a marked economic as well as a political aspect. It involved a challenge to foreign capital, with demands that in each country it should conform to an overriding national economic policy, contribute more through taxation to national revenues and provide for the training and employment of increasing numbers of natives in administrative and technical posts. Wherever nationalists gained power, however devoted to capitalist economics, they could be expected to have a special regard for the business enterprises of their own fellow-countrymen and voters. Beyond this, if the nationalists were also Socialists—as would be the more natural in the absence of any considerable native capitalist class—the question of nationalisation of foreign concerns would be bound to arise. And, finally, it could be foreseen that there would be extremist politicians who would urge complete expropriation of foreign property without payment of compensation. All these degrees of action against foreign capital would become theoretically possible if the European sovereignties were to come to an end.

Nevertheless, wherever a nationalist movement took a normal course, there were, and are, certain sanctions against extreme policies of expropriation, quite apart from the use of military force. An economically backward people whose rulers go too far in the first enthusiasm of independence finds that it can no longer profitably operate the expropriated enterprises and that

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it cannot obtain fresh capital from abroad. The rulers generally see that such a policy does not pay, even when their ignorant followers do not. Thus, in spite of tension and mutual recriminations, there is a tendency towards a new adjustment, a more or less satisfactory compromise, between the new nationalist regime and the foreign capitalist. But this only happens if the rulers, or dominant political group, really want to raise the productivity and standard of living of their country and see the need to come to terms with foreign interests if their revenues and credit are to be maintained.

It is quite otherwise if policies are determined or largely influenced by ideological and world-political considerations for which certain politicians are prepared to inflict most serious damage on the national economy and actually to impoverish the people they profess to benefit. Unfortunately it looks as if the infiltration of Moscow-trained Communists into South-East Asia and their manipulation of organised nationalist movements have involved just such a subordination of real national and local interests to the grand strategy of the Kremlin. Its declared aim is to weaken and cripple the Western democratic nations, and one of the most effective ways of doing this is to disrupt their financial and commercial relations with parts of the world which are emerging from a colonial or semi-colonial status—what Mr Zhdanov has called the “rear of the capitalist system.”

The influence of the Communists has had just this effect and has prevented the success of solutions by negotiation both in Indonesia, where the Moscow-trained Communist Alimin has been one of the most influential personalities of the revolution, and in Indo-China, where the Communists were absorbed into the Viet Minh amalgamation of parties, but have remained the most active element within it. Even when they have formally consented to the making of agreements with the French or Dutch, the Communist leaders have proclaimed that these are to be regarded only as “breathing spaces” preliminary to further violent struggle. Immediately after the Vietnam agreement with France, concluded on March 6th, 1946, the Viet Minh Central Committee circulated to its local branches instructions which were quoted in a debate on Indo-China in the French National Assembly:—

We must act in such a way that, in two years at the most, all Frenchmen will have left Vietnam, by their own free will or otherwise. To attain these ends, we must endeavour to make their private and public lives a burden to them. No servants, hence no comfort; no benefits for France, hence French trade, industry, plantations and technicians are to be boycotted. No coolies or workmen are to work on French plants, whatever the agreements that may be concluded in the future. If we are compelled to provide workers, let sabotage render all French plants unproductive.

Such a spirit goes far beyond what is to be expected in mere nationalism; in the determination utterly to destroy all assets of the metropolitan state as well as in the cynical intention of violating the terms of whatever agreements may be made, the ascendancy of Communist influence is clearly apparent. In pursuing their policy the ruling clique of the Viet Minh did not shrink from consequences which, even without the renewal of active hostilities, must have been economically disastrous for

the Vietnamese as well as for the French. The Communists would certainly act in the same way in Burma and Malaya if they had a sufficient degree of political control.

The Communists have attained their present influence in South-east Asian countries, not by reason of their numbers—for their party membership has never been large—but by their discipline and by the use of a highly developed tactical technique among inexperienced peoples entering suddenly into political life. Numerous parties have sprung up, centred on personalities and lacking organisation, coherence or principles; it has not been difficult for the Communists to penetrate them and make their leaders dependent on the Communist apparatus for their political advancement.

Nevertheless, there are notable differences between the various countries concerned. In spite of the precarious position of the present Burmese Government, the Communists have so far no such hold on Burma as they have on the regimes of Soekarno and Ho Chi Minh. It may appear to some observers in this country that the policy of conceding full independence to Burma has not justified itself by results. Yet, if the state of affairs in Burma (described in an article on p. 1022) is compared with the troubles which still afflict the French and the Dutch in Indo-China and Indonesia, we should count ourselves fortunate.

The very fact that the Burmese Communists have had to resort to open revolt has been due to their failure to manipulate the AFPFL Government.

In the long run the extreme revolutionary trends in South-east Asia cannot be overcome by European action alone. The only hopeful prospect of moderation and compromise lies in the emergence of strong native parties, independent of European support, yet willing to bargain with the metropolitan nations for mutual economic benefit.

Britain and America, as the countries which made the greatest sacrifices in liberating South-east Asia from the Japanese, should recognise the problem for what it is—a problem affecting the prosperity, strength and prestige of the West in an area on which its recovery depends. The machinery for their consultation with France and Holland lies ready to hand: in the first place in the Brussels Pact, and in the second in the United Nations, where India and China too have their contribution to make.

sequence of its policies towards India and Burma since the war, and while armed violence must be suppressed, no misgivings should be allowed to halt orderly progress towards self-government in Malaya. Yet more cessions of political power from London, Paris and The Hague are by themselves not enough. In London it should be the policy to try to work with the responsible elements of Burmese and Malayan nationalism by inviting their participation in plans of long-term economic development. Into these plans—which would need American support—particular items of capital investment, whether from private or public funds or from an international agency, could be fitted as parts of an ordered scheme, with the emphasis no longer on European convenience, but on the raising of living standards in South-east Asia.

Development under the Planning Act

THE Town and Country Planning Act comes fully into force on July 1st. Its complex financial provisions are to be administered by a Central Land Board, and Mr Silkin—very wisely—has called on the stalwarts of the War Damage Commission to essay a still harder task. The chairman, Sir Malcolm Trustram Eve, remarked on Tuesday

I am seriously worried only about one thing in this new work of ours—the complete ignorance at the present time of nearly everyone that in two weeks from now a new Act of Parliament comes into force which will affect very many owners of land, houses, and other buildings. It produces changes in land tenure and in land practice probably greater than any statute for several centuries past.

Sir Malcolm is undoubtedly right; yet even his eyes must find it hard to penetrate through the encircling gloom to the full shape of things to come.

The general aim of the Act is to give the State effective control over all material changes in the use of land. It does this by restricting the owners' interest in his land to the enjoyment of its existing use, whatever that may be, and transferring to the State the exclusive right to derive financial benefit from the development of land or from changes in its use. Land-owners are to be compensated, once and for all, for the loss of the right to develop their land as they please (or to work it for minerals or sell it for development) out of a very inadequate global fund of £300 million. The scheme for the distribution of this sum may not be issued for some years (payment will be by 1953 at latest) so as to enable owners' claims to be analysed, but the claims must be in by March 31st next. Any owner who thinks his land is capable of being put to a more profitable use should make a claim. The smallness of the fund means that in many cases the award may be very much less than the agreed claim—unless, indeed, some future Government takes advantage of the delay to increase it.

All development rights being in this way publicly vested, the State will be in a position to sell back its interest in the land to any one who gets the permission of the planning authorities to change the land's use. It equally follows that, if permission to change use is refused by the local authority (or on appeal by the Minister), no compensation will normally be payable. The levying of these development charges, and also the administration of the compensation scheme, is the job of the Central Land Board, acting under the general guidance of the Minister and the Treasury. Now that the Board's general intentions have been clarified, it is possible to venture some estimate of how the scheme will operate.

In the first place, it is to be noticed that a private developer has two hurdles to cross before he can start operations—or three in the case of factory building, for a certificate must also be secured from the Board of Trade. An arrangement has been made whereby a single application will suffice both for securing planning permission and for ascertaining the amount of development charge. Fears that enterprise will be slowed down should, to some extent, be quieted by the Land Board's promise to settle the amount of development charge within one month of getting an application, and by Sir Malcolm's categorical statement that “above all we must not hold up approved development—that will be our main aim, and we intend to succeed in it.” This, at least, is a good start for the Board.

The list of exemptions from development charge has also been drawn fairly sensibly, although it could profitably concede more to the ordinary householder. He is, indeed, allowed to rebuild or enlarge his house, or add a garage, without payment, but only so long as the existing cubic capacity is not increased by more than 10 per cent, or 1,750 cubic feet. (Does this mean

that a claim for compensation will lie in the case of every dwelling-house that could be enlarged by one-tenth? If so, the £300 million will be more inadequate than ever.) He can add buildings without limit for the enjoyment of his garden. The construction of farm buildings is exempt, and also of rural cottages so long as these are occupied by farm workers. A general or light industrial building or a shop can, generally speaking, be changed from one use to another without charge. Planning permission is still necessary, however, in many of these cases.

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The chief controversy to date concerns the rate at which development charge should be levied. Originally it was intended to keep this extremely flexible, but in the end a change was made imposing a stiff uniform rate, amounting to the full 100 per cent of the anticipated increase in land value arising from the proposed development. The case for this rests partly on grounds of pure equity, and partly on technical considerations of simplicity and convenience of collection, although the effect may merely be that haggling goes on over what value will really be created by development instead of over what rate of incidence to impose. It is also claimed, however, that the levying of the full rate is essential to the whole conception of the Act, which is to ensure that land changes hands freely in the open market at its existing use value, without containing any element of profit on possible development. It is further argued that the developer will be quite ready to pay the 100 per cent charge, since existing value *plus* development value should add up to no more than the old free market price.

This is all very well in theory. But land values have always been elusive and particularly susceptible to boom and slump. If developers had usually had to pay for their land a sum equal to the full value it would have after they had developed it, much development would have been stillborn. The actual price paid has usually been somewhere between the existing use value and the ultimate developed value. Conditions can be imagined in which private builders will be quite unwilling to pay the full development value to the Board, and others—of which the present time may furnish an example—in which owners will be reluctant to sell to developers at “existing use” value. Possibly such difficulties will be overcome through infusing considerable flexibility into the actual practice of valuation. But the scheme may be brought to work smoothly only through some dilution of the purity of its original intentions.

It will readily be seen that the Act puts the public authorities in a greatly strengthened position and private owners and builders in a much weakened one. Local authorities and Government departments are their own masters where planning decisions are concerned; but private developers can be chased from pillar to post by the planning pundits and told to lay their bricks on certain sites or lump it. Some of them may sometimes choose to lump it. On this point, Professor Sir Arnold Plant, writing in the *Westminster Bank Review*, argues strongly against the idea that this island contains a fixed fund of land values which planning will redistribute but not diminish. He can, at least, claim with some plausibility that “if development is prohibited in an area which enjoys both potentiality and the favourable interest of a risk bearer, an equivalent result will not erupt automatically elsewhere.”

The Act counters this possibility by attempting to ensure that, in so far as private enterprise refuses to play ball, public enterprise will supplant it. Both the local planning authorities and the Central Land Board possess a number of coercive powers, including that of compulsory purchase, for removing impediments to desirable development such as a recalcitrant vendor

TRADE BETWEEN THE UNITED STATES AND SOUTH EASTERN ASIA (in million dollars)						
	1938			1947		
	Imports from U.S.A.	Exports to U.S.A.	Balance with U.S.A.	Imports from U.S.A.	Exports to U.S.A.	Balance with U.S.A.
Southern & S. Eastern Asia	169	362	+ 193	1,101	786	— 315
Of which:—						
Burma	2	—	— 2	6	—	— 6
Malaya	9	112	+ 103	66	284	+ 218
Indonesia	28	69	+ 41	104	34	— 70
Siam	3	—	— 3	13	18	+ 5
French Indo-China	3	7	+ 4	24	4	— 20
India	33	58	+ 25	401	254	— 147
Ceylon	1	16	+ 15	47	30	— 17
United Kingdom	521	118	— 403	1,112	205	— 907
Europe	1,326	567	— 759	5,202	817	— 4,385
All Countries	3,094	1,960	— 1,134	14,456	5,739	— 8,717

might present. The local authorities have much wider powers than heretofore to purchase land compulsorily, and to undertake most types of building activity themselves. Local authorities are normally liable to development charges on the same basis as private builders—a fact which should suffice to ensure that revenue from this source eventually exceeds, perhaps far surpasses, the £300 million which the taxpayer must find immediately for the compensation fund. But some important categories of public land escape the net of the development charge—notably those large areas of “blitzed” and “blighted” land earmarked for comprehensive redevelopment and also the land of New Town Development Corporations.

To the local authorities, and especially for “blitzed” and overcrowded cities, the Act brings many benefits. It is no doubt good, even though it is a century late, that they should at last be given the powers to replan and to rebuild their areas as they like, subject only to Ministerial supervision and to the annoying intrusions of other Government departments. But the close restrictions which this entails on the private owner can only possibly be justified if these powers are well used. The Act is based on the assumption that public planning of land use will be wise and good, where unregulated private development has proved to be mischievous and irresponsible. But a glance round the countryside at what is going up at the present time by no means confirms this belief—while to listen to a typical Council debate on the subject of land use is none too encouraging. Undoubtedly, it is still too early to pass judgment. But the medley of public authorities must greatly improve their judgment, taste, dispatch, and harmonics for the Act, even on its planning side, to be accounted a real blessing.

The long-term effect of the Act on the rate of building activity must largely depend on how much is expected of private enterprise. If local authorities are permanently to be responsible for the great bulk of housebuilding; if they are prepared to step

in with their reserve powers whenever private developers are obdurate—then, although few development charges will be collected from private sources, the curtailment of activity envisaged in Sir Arnold Plant's criticisms will certainly not take place. But it is doubtful whether such a complete *bouleversement* of public and private roles, or such a large-scale eclipse of private enterprise is really likely—or is even fully intended by the Act's framers. What happens when the Conservatives return to power, as one day they will? What happens when the taxpayer and ratepayer finally jib at shouldering the heavy cost of providing an expanding volume of subsidised municipal housing? When these things occur, to lay off public enterprise without laying on private enterprise would mean ruining the building industry and bringing grave unpopularity on the Government of the day. But private enterprise cannot be turned on at will if its tap has been choked.

For the moment these problems are hidden. Private enterprise can, in any case, do little at present. But a time will come when the services of private enterprise will be badly needed. They will not be forthcoming unless planning control is administered with moderation and dispatch, development charges are levied with some degree of imagination and flexibility, and the whole scheme is operated with the maximum of encouragement and the minimum of intimidation. The Central Land Board has indicated that it means to operate the scheme in the right sort of spirit. But the Board must realise that the cards are now stacked very strongly on the side of the public authorities. To some extent, no doubt, this change of emphasis is desirable—but it can easily be pushed too far. There needs to be more opportunity to give private enterprise its due share of encouragement; and one possibility that commends itself, whatever the technical difficulties, is that the rate of levy of development charge should be lowered at times of falling business activity to give a necessary stimulus to development.

NOTES OF THE WEEK

Growing Pains in the West?

It looks as if the caps were thrown in the air too soon about the materialisation of the Marshall Plan. American policy has a curious habit of moving two steps forward and then one back, and ever since the passage of the Economic Co-operation Act, which seemed to catch a fine flowing tide of enthusiasm and gratitude, the nations of Western Europe have been making one painful discovery after another of the many strings that are attached to American generosity.

In the nine months from the Harvard speech in June of last year to the passage of the Act in March, the Western world seemed to acquire at least the outline of a grand strategy. The European Recovery Programme, the project of Western Association and the integration of a German state into both represent a comprehensive plan for the revival of Europe and for its close partnership with the United States in the making of a free world. But the very scale of the project, which, on the one hand, is its best hope of success, on the other lays it open to hazards and risks with which more modest policies would never be plagued. The larger the operation, the more it demands flexibility in its method, genuine confidence between its partners and a fund of energy and enthusiasm to maintain its momentum. None of these qualities has been in much evidence in the West in recent weeks. The grand strategy is passing through its first crisis of growing pains.

The first shock was the discovery that free grants of Marshall dollars would not be made unless the recipient countries took loans as well, the proportion of loan to grant varying from country to country. The second shock was the cut in the appropriation made by Mr Taber's Committee—though this was mitigated by the belief that the Senate would restore the full amount. But there are further shocks in the conditions proposed in the American draft treaty laying down the conditions of aid, which has been handed in almost identical terms to each government. The most unacceptable clauses cover the problems of international trade, of exchange rates and currency stabilisation, and the use

of local currency funds. The American draft requires the Sixteen to return to the strict American trade philosophy of unfettered free trade such as it appeared in the original American draft Charter for ITO; the escape clauses and compromises introduced into the Charter at Geneva and Havana, at the cost of lengthy negotiation, which enabled nations less favourably situated than the United States to accept it, appear to have been left out.

The conditions laid down for currency stabilisation are so rigid as to surpass any standard of achievement possible in France or Italy for some time to come; one of them, which all Sixteen will reject, appears to transfer the power of fixing European rates of exchange to the American Government. Lastly, the most unfavourable feature of the local currency stipulations lays it down that the funds built up by the sale of American goods and materials may later be used to “purchase” vital raw materials for the United States, thus withdrawing these materials from the category of normal commercial sales to the United States and correspondingly weakening the European countries' ability to earn dollars and achieve independence.

The provisions taken separately are disturbing enough, but they will presumably be modified once detailed bilateral negotiations are under way in Washington. What the Sixteen find much more disquieting is the general American attitude of mind revealed by the conditions. They point to a continued failure in America to understand the nature of Europe's economic crisis and a continued belief, even in the most friendly circles of the Administration, that the European countries really could pay their way at once if only they would obey the Golden Rule and adopt the American Way of Life. If it were simply a matter of a conflict between what the Americans want to do and what the Europeans want to do, it might be enough to shrug the shoulders and say that beggars cannot be choosers. What is so distressing to Europeans is to see all the generosity of the helping hand stultified, and its purposes frustrated, by conditions that postpone the date when Europe can stand on its own feet.

Grudging Yes from France

The need for greater confidence between the Western Allies has been dramatically illustrated in the last weeks not only by such American actions as Mr Taber's in cutting back the appropriations for Marshall aid, but also by the remarkably bad reception accorded in France to the Six Power proposals for Germany.

The essence of France's objections to the proposals is a fundamental lack of confidence in the staying power, if not in the intentions, of its allies. This lack of confidence betrays itself in three ways: in the demand that any revival of German industry should be balanced by complete international control of the Ruhr; in the proposal—pressed with especial emphasis by M. Blum—that another effort should be made to associate the Russians with the new proposals for Germany; and in the demand that the United States should give more precise military guarantees to France before the French people are asked to risk a revival of German power.

Behind each of these demands lurks the suspicion that America cannot be relied on in the long run to maintain its interest in Europe, that a separate Western German state may either become dominant in its own right (through control of the Ruhr) or be absorbed by a more powerful and more sustained Russian effort into a single unified Reich under Communist control. Through all these objections runs the single thread of distrust—the fear that Western European Association, German integration and American partnership are ventures built on sand.

These fears explain the Assembly debate upon the Six Power proposals. Throughout the three days of discussion, it was the old hesitations, not the new possibilities, that filled men's minds. One speaker alone—M. Reynaud—tried to draw the debate into the realm of reality. He pointed out that France was not facing the situation of 1919. A new world had come into being and the problem was to integrate Western Germany into a European Union, without which Europe would in any case succumb. France's role, therefore, should not be to hesitate and hold back but take the lead in the movement towards unity.

It is doubtful whether M. Reynaud swayed many votes. A tiny majority was finally secured for a grudging and confused acceptance of the terms, provided the Government undertook to modify them by continued negotiation. And even this meagre success was secured less on the merits of the proposals than on anti-Communist fears, fanned to new strength by the news of strikes and rioting at Clermont-Ferrand and other industrial centres.

Challenge to Europe

These French delays and uncertainties are all the more tragic in that they contribute to what is probably the greatest of all dangers to the West's Grand Strategy—the danger that its momentum will be lost. The European governments should have no illusions about the extent to which their own performance will provide the test for future American appropriations. The majority in the House of Representatives in favour of Mr Taber's cuts is a reminder of how easily, even in the enthusiasm of the first year, American support may slacken. But perhaps even more ominous are the words of the Recovery Programme's chief supporters. One of Mr Vandenberg's strongest pleas in urging the restoration of the Taber cuts was his contention that ECA had not been given time to prove itself. He urged Congress to give the programme the benefit of the doubt,

until next January when we shall know whereof we speak. When the second annual appropriation impends . . . we shall know to what extent self-help and mutual co-operation are meeting our expectations.

Notice could not be more clearly served that next year's appropriations depend upon Europe's showing this year.

In one sense, this American expectation is unjust and excessive. The calculations of the Paris Report at their most optimistic only forecast a return to the standards of 1938 after four years of the Plan. And these calculations have already been upset in two vital instances: the aid offered by America is much less and world prices, far from falling, have continued to rise. But, even supposing that the goal of 1938 standards can be attained, it is clearly a very modest goal compared with the new federal heaven and the new co-operative earth envisaged by many American supporters of the Plan. The economic results in particular cannot fail, after only six months, to appear very meagre indeed next January.

Is there then no way out of the dilemma—that America demands as a condition of further aid a degree of progress which present aid is insufficient to secure? The answer lies surely in the political and psychological field. Even if economic revival must be slow, political co-operation could be full and immediate. If the Western Union Defence Pact were already such that its

terms could be published and American participation invited; if plans for regular Prime Ministers' meetings in Western Europe were already laid; above all, if France were a trusting not a hesitant partner in all Western schemes, including those for Germany, the atmosphere both in Europe and in Washington could be changed overnight. It is precisely the present fears of the West that are breeding future distrust. As Mr Walter Lippmann put it, the “unprecedented venture” of the Western Powers “can be sustained only if they contribute . . . not merely sweat and austerity, but also audacity and faith.”

Parliamentary Timetable

The rejection of the Parliament Bill by the House of Lords last week makes it possible to map out a rough timetable for the remainder of this Parliament's life. The presumption is that the Government will force the Parliament Bill through under the machinery of the existing Parliament Act of 1911, which it is designed to amend, in order that the Steel Nationalisation Bill—to which they are committed up to the hilt, much as most of them hate it—may follow on as quickly as possible.

The existing Parliament Act provides that a Bill can be presented for the royal assent without the concurrence of the Lords if four conditions are met—(a) that it has been passed three times by the Commons and rejected three times by the Lords, (b) that this has happened in three consecutive sessions, (c) that it has on each occasion been sent up to the Lords at least one month before the end of the session, and (d) that at least two years have elapsed between the second reading in the Commons on the first round and the third reading on the third round. The Parliament Bill would change the three sessions in conditions (b) into two, and the two years in condition (d) into one. The Parliament Bill received its second reading in the Commons on November 11, 1947. It will therefore presumably be given its third reading on the third round on November 11, 1949. But to be valid, this must be in the third of three consecutive sessions, and the current session is still the same one as that in which the Bill passed the Commons for the first time. It follows that between now and November 11, 1949, there must be one complete session (other than the present one) and another one must be started in sufficient time to get the Parliament Bill to third reading by that date. This is why Mr Morrison is considering an extra session for this autumn, to be completed before the regular session of 1948-49 begins.

The fun will really begin on November 11, 1949, when the Lords get the Parliament Bill for the third time. Condition (c) means that their Lordships may safely delay a month, until December 1, 1949 (December 11 will be a Sunday). Curiously enough, the Parliament Act of 1911 did not say what constitutes “rejection” of a Bill by the Lords. One authority has committed himself to the view that delay of over one month by itself constitutes rejection, but the text of the Act does not support this. It seems to be the general belief that the only way the Government could force the Lords to come to a decision would be to end the session by prorogation, sacrificing all other legislation still in process at that date. If this is so, then presumably the session will be prorogued on December 12, 1949, the Bill will be deemed rejected for the third time by the Lords and will become law without their consent.

The Parliament Bill has a retrospective clause by which any Bill which, at the time of the Parliament Bill's passing into law, has already fulfilled the conditions as amended by the Parliament Bill may become law immediately. What this appears to mean is that if the Steel Bill is passed by the Commons and rejected by the Lords for the first time at the extra session this autumn and passed a second time by the Commons a year later (but before November 11, 1949), it would become law on the same day as the Parliament Bill itself—that is, before Christmas next year. If, on the other hand, the Steel Bill is not brought forward at the extra session but is kept for the regular session of 1948-49, it cannot become law until March, 1950, at the very earliest and more probably not until the Dissolution immediately before the election. According to some reports, the Cabinet is divided between these courses. The slower would formally redeem the promise to pass the Steel Bill into law during the present Parliament, but would leave its fate to be settled at the election itself, since if the Opposition were to be returned to power, they would have time to repeal it before it took effect. The quicker timetable might leave just enough time to bring the nationalisation of the steel industry actually into force before the election, but at the cost of subordinating the whole Parliamentary timetable to that one object.

Representation of the People

The report stage of the Representation of the People Bill makes sorry reading. On Monday the House of Commons debated a new clause inserted by the Government which limits the number of cars which a candidate may use to one for every 1,500 electors in county seats, and one for every 2,500 in borough constituencies. The avowed intention of this is to limit the advantage which rich Tory candidates with Rolls-Royces apparently enjoy over their humble Labour brethren. The objectionable provision is to declare it illegal for a citizen—not the candidate himself or any of his agents—to use a motor-car (outside the permitted number) to convey persons to the polls for the purpose of promoting the election of a particular candidate. You may give your political enemies lifts but not your friends—a completely bogus crime by any standard of British justice, and moreover unenforceable.

After Tuesday's debate upon the redistribution of seats the opposition has a genuine cause for bitterness. In March the Government during the committee stage obtained the Boundary Commission's approval for the addition of seventeen urban seats to the original redistribution plan. The opposition asked for the Boundary Commission's blessing to the creation of eight new rural and suburban seats and obtained it for five of them. On Tuesday the seventeen were voted in and the five rejected.

It is true that the Boundary Commission's original proposals were slightly weighted towards the rural areas, and that there was a case for some of the additional seventeen seats. It is also true that some of the opposition's proposals were rather sketchy. But coupled with the Parliament Bill, the abolition of the City of London constituency, and of the University seats the Government's action can only be represented as a determination to weight the constitution in their favour while they have the chance. Because Parliament is sovereign, the constitution can only be upheld by the self-restraint of the political parties, and the Socialist Party may well find that they have set a precedent which will boomerang upon themselves. If they find that the next Tory government (and the Tories have no claim to be considered scrupulously constitutional) restores the University members and introduces another electoral reform Bill, the Socialists will have only themselves to blame. The British constitution will then have become merely whatever the party with a majority chooses to make of it, and instead of evolving smoothly with the times, it will—like the rolling English drunkard—reel from left to right and back again.

Regrets in the Desert

In the Palestine talks which Count Bernadotte is arranging at Rhodes, the problem of Jerusalem will be the first to be attacked. After Jerusalem Haifa will probably give most trouble. In neither case will it be easy to find any common ground between Arabs and Jews.

An important difficulty is that both Arab and Jewish delegates will be looking over their shoulders to see the effect on the public opinion behind them of anything to which they may agree. Neither can count on broad popular backing of their credentials. The Jews will represent a provisional government which is not

completely master of its own house of Israel. The Irgun Zvai Leumi continues its activities—its requisitionings and arrests—and although its relative failure in the recent organised fighting is reported to have lessened its prestige somewhat, its membership is swollen to about 20,000 members. If the Government were to make a false move, Irgun would be the first to exploit it. The majority leaders and the Hagana will try not to risk a show-down with the Irgun while any Arab opposition is still to be feared. But the show-down will have to come.

On the Arab side, there have lately been some more encouraging developments. From Amman comes the news that more friendly relations are now shaping between the traditional rivals King Ibn Saud and King Abdullah than have existed for a generation. At the critical meeting of the Arab League political committee which accepted the truce proposals, it was Egypt and Saudi Arabia which supported Transjordan's efforts in favour of a cease-fire. This alignment of moderates, who represented most of the armed force at the League's disposal, was too strong for those in favour of fighting on. Increasingly polite notes have been exchanged between the Saudi and Hashimi rulers during the past few months, since King Ibn Saud asked for permission to send troops through Transjordan to Palestine. The war-shyness of Egypt, the hopeless weakness of Syria, the great access of prestige to King Abdullah through the relative efficiency of the Arab Legion and the obliteration of the Mufti, have caused a shift in the Arab balance of power which may have important consequences.

Who Gets the Coal?

Mr Bevin's use of the first person singular in his speeches suggests more magisterial powers than he in fact wields. In Sheffield on Saturday he told an audience of Labour women that in international politics Britain was working "on a bilateral system" and went on to say

I must be satisfied when I put my hand to an agreement that the departments advising me are in a position to deliver the goods I am contracting to supply.

This suggests that the power behind the trade agreements which Britain signs with foreign countries lies in the Foreign Office and not in the Board of Trade, that politics play in them a larger part than is admitted. It is arguable that Mr Bevin should play the decisive rôle—as Mr Molotov appears to in Russian export policy—but before he attempts to do so on any important scale there will have to be some tightening up of Cabinet consultation on such statements as the Minister of Fuel and Power made earlier in the week.

For European countries, which count on getting sterling coal from Britain instead of dollar coal from the United States, will understand Mr Gaitskell as meaning only one thing: that exports of coal may not have priority over domestic consumption of all kinds. The threat is all the more unwelcome because the British export drive started well and by the end of the winter had risen to two million tons above the figure hoped for. Now, with production running 100,000 tons a week below requirements, Mr Gaitskell sees the prospect of attaining the necessary weekly exports of 350,000 tons fading as the holiday season draws near. First priority goes to building up stocks to meet Britain's winter needs; therefore, argued Mr Gaitskell,

if output is lower or consumption higher than it should be, we shall have no alternative but to reduce the rate of coal exports.

It will be interesting to see just what happens in Paris when the British representative on OEEC is questioned on this matter by his 16 collaborators in the European Recovery Plan. Eleven of them will be affected in varying degrees, and they expect altogether this year just under seven million tons of coal from Britain under existing trade agreements—at least half of it deep-mined coal. Will they and their American colleagues say flatly that ERP should come first in British calculations? They would be entitled to do so. Will they suggest certain measures by which domestic consumption in this country could be cut so that the British household would be using power, light and gas on a scale less extravagant by present continental standards? Some such test case is bound to arise out of ERP sooner or later. It will be a pity if the first one should arise over the raw material in which Britain is richest. On the Continent people have not forgotten Mr Harriman's estimate that their expenditure on American coal could be cut by over \$700 million a year if British exports were what they should be.

On the same day that Mr Gaitskell spoke, the Economic Commission for Europe issued from Geneva figures which showed a steady improvement in Europe's coal production. The deficit

to be met from American shipments in the third quarter of this year—7,600,000 metric tons—is the lowest since the war, and 1,400,000 tons less than in the quarter ending on June 30. The main contributor to the improvement was Poland, which offered 5,100,000 tons for allocation in the third quarter. The Ruhr offered 3,500,000 tons and Belgium nearly a million. The British offer was 2,720,000 tons.

Defence of Norway

Deep differences of opinion between Norway and Sweden over the international rôle to be played by the Scandinavian states have come into the open in the last two weeks. It had been obvious for some time that the conflicting views of the prospective members of any Scandinavian bloc could be reconciled only on terms which would strip it of real military value. At their frequent meetings, however, the Premiers of Denmark, Norway and Sweden and their colleagues kept up a brave show of the closest collaboration and of a unified policy towards the outside world. Then they went home and reaffirmed national policies which, on balance, intensified their differences.

The basic conflict is between Norway and Denmark on the one hand and Sweden on the other. The first two—and particularly Norway—consider that a Scandinavian bloc must be in fact, if not in form, part of a wider system of alliances. Sweden rejects this view and prefers to work for an independent northern alliance strong enough to defend itself—a possibility which the other states doubt. In spite of agreement to differ there was also a growing understanding that useful but limited collaboration was possible without depriving any of the three governments of their right to enter into wider commitments. Sweden seems then to have gone further, and proposed to Norway what amounted to a formal military alliance; but the offer stipulated that Norway should undertake not to enter into any engagements with other Powers. In other words, Norway was not to bind itself to Britain or America.

The Norwegians had for some time been quietly exasperated with the Swedes. Exasperation had increased when Russia's ostentatiously mild treatment of Finland encouraged in Sweden the advocacy of policies which Norway had hoped were being discredited. The reaction to these Swedish overtures was therefore strong and unfavourable. It culminated in the proposal of the non-party, but pro-British Oslo newspaper *Verdens Gang*, that Norway should ally itself with England "if it becomes necessary to obtain security through agreement with another Power."

The proviso is wise. It would be rash to rush into an alliance now as a result of pique with Sweden. It is surely better for all concerned to work for the largest measure of co-operation now, even if that may be inadequate in a more dangerous international situation. But this country should be the last to forget that Norway holds a key position in the control of the North Atlantic. Its security was shown by the last war to be as vital a British and American interest as that of the Low Countries. Unfortunately Norway cannot simply choose between being a Scandinavian power and being an Atlantic power. It is both. The Swedish proposal that it should confine itself to Scandinavia is obviously unreasonable.

Lowlands and Highlands

Most of the population problems which can afflict any country press with especial severity on Scotland. A field study by the Scottish Council of Social Service on *Scotland's Changing Population* is therefore very valuable. The facts are not new, but their recital gives, in this case, much food for thought—and, it is to be hoped, for Government action. Scotland over the last seventy-five years has exhibited two exceptionally strong and persistent population trends—a mass exodus from the country which has hardly been equalled elsewhere in Europe, and an internal migration from the large rural areas of the Highlands and Border to the narrow industrial belt in the centre. Migration out of the country caused a net loss of some 1,250,000 between 1871 and 1931; and the procedure is not yet reversed. At the same time, despite its vast stretches of open country, Scotland's population is more heavily concentrated even than is England's. Over one-fifth of the inhabitants live in Glasgow and its conurbation, and over three-fifths within 30 miles of either Glasgow or Edinburgh. While the population of this small area has steadily grown, that of the Highland and Border counties has dimly dwindled, and in consequence most parts of Scotland are either overcrowded or else underpopulated.

Overcrowding presents the more tractable problem. The ap-

proaching exhaustion of parts of the coalfield is both a danger and an opportunity, if industry can be fostered in the right places with sufficient skill. But the problems of the rural communities in the Highlands will not bear postponing, for many of them—especially those on the numerous small peninsulas where communications are especially bad—will be dead within a generation. There comes a point in the depopulation of a village below which the economic wheels are unable to turn.

The prospect is still not hopeless. The agricultural expansion plan, the vast Scottish planting programme of the Forestry Commission, the development of the Scottish tourist industry, and the power of the North of Scotland Hydro-Electric Board to provide cheap subsidised electricity are four big potential aids to recovery, although their benefits will be spread somewhat unevenly. Orkney and the Hebrides could supply England with many food delicacies, if suitable light air transport were developed. Elsewhere the expense of sea transport has virtually closed many market outlets, and has driven the crofter back on a subsistence farming, whose poverty is at present partly masked by the high price of tweed and livestock. Only in such areas as Lewis, with developed industries, has decay up to now been arrested.

In one Highland parish, by no means untypical, a survey found that of 64 houses, 38 are in ruins and 22 are definitely unfit. The decayed housing conditions are partly due to the strange fact that the crofter, being at law the owner of his house, cannot be provided with a new one by the county council. Such conditions, together with the great paucity of social centres (due in part to ancient pruderies) will soon drive the last young Scotsmen and women out from a society whose population is already rapidly ageing. A Highlands and Islands Advisory Panel was recently instituted. But advice is no substitute for action, and only concerted attack on the social and economic maladies of the Highlands can prevent a large part of Britain from falling into disuse.

Ten-a-Penny

The Ministry of Education is about to launch a campaign to recruit more of the women teachers so urgently needed for junior and infant schools. In an unguarded moment Mr Tomlinson said recently that men teachers were "ten-a-penny" and deeply wounded their susceptibilities. Though this is an exaggeration, it is true that in most areas there are now sufficient men teachers to go round and that it is possible for local authorities to be reasonably selective when they make appointments.

To explain the position to local education authorities, the Ministry have estimated the number of teachers of both sexes required in maintained secondary and primary schools over the next five years. The estimates allow for the rise in the birthrate and for the reduction of the size of classes to 30 for children over eleven and to 40 for those under

ESTIMATED REQUIREMENTS OF TEACHERS IN MAINTAINED SECONDARY AND PRIMARY (INCLUDING NURSERY) SCHOOLS IN JANUARY OF EACH OF THE YEARS 1949-53 ('000)

Teachers of	1948 (Est'd. Actual)	Required in				
		1949	1950	1951	1952	1953
Seniors	79.5	97.0	97.5	98.0	98.0	98.0
Juniors	66.5	67.5	67.5	67.5	69.5	73.5
Infants and under 5's ...	50.0	53.0	58.0	59.0	62.5	66.0
TOTALS	196.0	217.5	223.0	224.5	230.0	237.5

eleven. There are at the present time 196,000 teachers in England and Wales in maintained schools compared to 187,000 in 1938: the objective is to reach 237,000 by 1953. This means training 96,000 teachers during these five years, half to make good wastage and half to increase numbers. The table above shows the increased demand for teachers in the younger classes as the new generation enters at the bottom. No difficulty is expected in recruiting the male teachers, whose numbers will rise only slightly over the five years. Women, however, have not entered the emergency training scheme in anything like the same numbers. Hence the new recruiting campaign. To ease the position further, local authorities are being pressed to employ a larger proportion of men, particularly in the junior classes, in order to release women for the infant classes. In 1938 32 per cent of teachers were men, now 34.8 per cent are; by 1951 it is expected that 37 per cent will be men.

But for the rise in the birthrate, the position in the schools would be much more satisfactory than was anticipated two years

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ago. Until very recently all attention was concentrated on meeting the claims of the extra age group: now, however, most authorities have enough teachers to meet the raising of the school-leaving age, and huts and equipment are on the whole arriving just in time. The weight of anxiety has now shifted from the problem of a single age group of 390,000 at the top to the more difficult one of absorbing successive waves of youngsters at the bottom. In 1939 there were in England and Wales 2.8 million children under five: in 1947 there were 3.6 million. With this increase in the child population women teachers are worth not copper but gold.

Commonwealth Conference

There are now better prospects of a conference of Dominion Prime Ministers in London next October. It is unlikely to be a full-dress Commonwealth meeting, prepared to discuss the broadest constitutional questions; but it may well be a conference full enough to discuss Mr Bevin's western union policy and the questions of defence and trade which it raises now and for the future. If attention is concentrated on this vast matter it should be possible to avoid discussion of some less important questions on which some Dominions do not see eye to eye. Even for a meeting of this limited scope there is a great deal of preparatory work to be done, and it would be both courteous and useful if the Ministers in charge of Commonwealth Relations could perform some of it in flying visits to the Dominion capitals.

There has been some rather petty criticism of Mr Noel Baker for spending so much time at Uno; although time spent in trying to prevent war between India and Pakistan over Kashmir can hardly be called wasted. This criticism is less likely to deter Mr Noel Baker from leaving London than the persistent rumour that Mr Dalton is to deal with some aspects of Commonwealth affairs. He uttered some very correct sentiments on the subject during the Labour Party conference and has since developed them elsewhere. But it would be difficult to imagine a sphere of Cabinet activity (outside the Treasury and the Foreign Office) in which his intrusion would do more harm. *Bonhomie* and bright ideas are not popular among Dominion statesmen, and the only voice from overseas which has been heard to hail the prospect of the ex-Chancellor's sharing Mr Noel Baker's mantle is that of Mr Calwell, Australian Minister of Immigration.

There is a special reason for this. Mr Calwell shares with Mr Dalton the bright idea of the migration of millions from Britain to the Dominions, with a "planned dispersal" of vital industries and skilled workers over the Commonwealth. This still theoretical proposal, the economic implications of which have received no detailed and serious study, is one to which some Socialist Ministers tend to turn in moments of despair about the problems of feeding and defending Britain. It should be recognised for the defeatist, strategically unsound idea that it is. A concentrated, closely-knit industrial system is the foundation of striking power in modern war; to diffuse it is to weaken it mortally. And to set in motion and carry through such a mass migration, over whatever period, would need such tyrannical powers of direction over human beings and their property as even Mr Dalton would hardly dare to ask for.

New Brooms in South Africa

Dr Malan's first moves as South Africa's new Prime Minister could hardly have been more unfortunate. Last Friday, his government released five "political prisoners," among whom were three Nazi agents—one convicted of sabotage, the other two of blowing up a post office and killing a passer-by. On Tuesday, it was announced that the training of natives as artisans was to stop immediately. Such measures must cause uneasiness among all moderate South Africans—and, indeed, throughout the Commonwealth. For they not only weaken the Commonwealth's greatest asset, the moral prestige of its liberal and tolerant traditions, but also give the Communists a piece of news and an argument useful all over the world.

But these moves by a Nationalist government still in the first, fine flush of power are neither surprising, nor necessarily even alarming. Dr Malan has included in his cabinet of otherwise moderate and experienced men three individuals whose records of extremist activities leads one to expect such measures from them now that they are in office. Mr Strydom, who takes over the Department of Lands, has a long reputation of near-Fascist policies; Mr Eric Louw, in charge of Economic Development and Mines, has, in spite of an early record of good work in the diplomatic service, developed violent anti-semitic views; Mr

Swart, as Minister of Justice, was originally in General Hertzog's government, but, when General Hertzog joined General Smuts, became one of the coalition's bitterest opponents and will presumably for a time continue to oppose closer ties between English-speaking and Afrikaans-speaking South Africans. It has to be remembered that in South Africa joint Cabinet responsibility is not so marked as in the other Dominions. It is possible for one Minister to recommend publicly and, to some extent, even to carry out policies with which his colleagues do not agree.

But it is still early to read the portents accurately. Dr Malan has a working majority of only four. He cannot constitutionally, therefore, carry out an extreme policy, and he has frequently expressed his firm belief in constitutional methods of government. Moreover, once the exhilaration of taking office has subsided, Dr Malan and his ministers, like other ministers new to power, may well find the onerous duties of administration a strong antidote to extremism.

Dr Malan has an abler team of ministers than General Smuts had, but judgment on their intentions must be reserved until it is certain that they have rid themselves of the extremist faction for which the Nationalist Party has been notorious.

Prison Labour

Freed from the passions released by the proposal to abolish capital punishment, the House of Lords has resumed the committee stage of the Criminal Justice Bill in a less emotional atmosphere. The controversy over capital punishment has, in fact, obscured from public view the far more valuable parts of the Bill. In the long run it is much more important to society that no one under seventeen years of age should be sentenced to prison, and that imprisonment for anyone under twenty-one is to be a last resort, than that eleven murderers a year should or should not escape hanging.

In Tuesday's debate, Lord Templewood brought out the reformative aspects of the Bill by his amendment to specify employment among the subjects upon which the Home Secretary can make regulations for the management of prisons. It is a technical amendment, for the power is clearly covered by the original wording, but Lord Templewood, by moving it, and the Lord Chancellor, by accepting it, showed that in their view the employment of prisoners is the key to their reformation. Surely they are right. A great deal is proposed by the Bill to prevent people from being sent to prison at all—by the extension of the probation system, with psychiatric treatment, and by the provision of remand centres and detention centres. The tacit assumption behind these proposals is that a prison sentence is likely to do more harm than good. But whatever provision there may be for special methods, there will always remain the problem of the prison inmates, whose reformation, notwithstanding the bad conditions of the prison service today, must always be attempted.

Nothing [said Lord Jowitt] is more likely to give a man back his self-respect than to be able to get down to work which is worth doing—work in which he can feel some pride.

During the war work of this sort was readily forthcoming from the Services and elsewhere, and the effect on the prisoners who were employed was most marked. Now, however, conditions are becoming more difficult again. It is impossible to obtain the machinery needed for employment inside prisons and there are not enough prison officers to supervise prisoners taken to work outside, on farms and in the forests. Yet Lord Templewood was certainly right in insisting that far more could be done within the present limitations. Earnings, for instance, have only recently been increased from 6d. to 9d. a week—hardly enough to earn a cigarette a day, totally inadequate to provide anything for their families. If a return is made to the pre-war practice of spreading work to enable it to go round, of encouraging prisoners—in the words of a committee of 1933—to waste time unobtrusively, a large part of the purpose of the Criminal Justice Bill will be frustrated. Hard labour must be replaced by hard work.

Light on the Economy

Statistics in the past have notoriously been a by-product of administration; the building up of a quantitatively accurate and complete picture, month by month and year by year, of social and economic conditions and trends, has only lately become an aim in itself. It is an aim still very imperfectly fulfilled; as witness the controversy between Mr Harrod and the official statisticians on the question whether national consumption has increased

remained the same, or severely diminished since 1939—a question so obviously fundamental that any doubt as to the answer, in a community bent on controlling its own economic destiny, is almost ridiculous. Or the difficulties faced by the London and Cambridge Economic Service in computing movements in the volume of production, for the prewar period, in such a way as to present a continuous series with today's figures. Most European countries, it is safe to say, are more thoroughly blinkered by bad or inadequate statistics than is Britain; it is to America, to free enterprise, bureaucracy-hating America, that one must turn to see economic control working with reasonably full data and economists able to check their theoretical constructions against a reliable political arithmetic. The National Bureau of Economic Research, whose twenty-eighth Annual Report has just been published under the title of *The Cumulation of Economic Knowledge*, comprises a formidable team of research workers whose combined efforts have illuminated the American economy to an extent which planners—or academic inquirers—in this country must envy in vain. No criticism of British economists, or rather econometricians, whether inside, or outside the Central Statistical Office, is implied in this comparison; one cannot make bricks without straw, though some people will always try.

It is more reasonable to criticise the light-headed optimism of a Government which, claiming an overriding wisdom and authority in economic matters and dismissing with scorn the old self-balancing mechanisms of free enterprise, neglects to provide itself with that first requisite of genuine planning, a full set of data. But the blame cannot justly be laid on the Government alone. Every attempt which it has made to improve those data has been fought tooth and nail by trade interests; the reception accorded to the "pilot census" on distribution is a recent case in point. Party feeling no doubt entered in, but no party proposes a return to economic passivity, and any positive policy, Socialist or not, demands adequate statistical illumination. The British public has itself at least partly to blame if its economic affairs are conducted by an administration working by the lightning-flashes of its own intuition.

Rod in Pickle for Turkey

Direct Russian pressure upon Turkey has been less in evidence in recent months, but there are more ways of keeping a small neighbour in constant disquiet than by the straightforward methods of threats and propaganda. A disturbance on Turkey's Balkan flank has developed since the turn of the year and may be used to embitter still further Turkey's relations with the Slav bloc.

Last February, two Turkish Spitfires were shot down in the sea off the Bulgarian Black Sea port of Sozopol, some 30 miles north of the Turkish-Bulgarian frontier. It is common knowledge in Bulgaria that the Turkish planes were shot down by Soviet manned anti-aircraft guns, with which the Russians have fortified the whole of the Bulgarian Black Sea coast. Both Spitfires were destroyed and only one of the Turkish pilots escaped by swimming to the shore, where he was first arrested and then packed back to Turkey. The Communist press in Sofia played up this incident to the full as a sign of the "aggressive designs of the Anglo-American imperialists and their Turkish allies."

Two months later the Communist Militia in Sofia published in the press the "confessions" of a Bulgarian ex-Army officer, who was said to have admitted that he had been in touch with the Turkish Military Attaché in Bulgaria, and had supplied him with information on the Soviet Army as well as on Bulgarian military secrets. Dimitrov's Foreign Minister requested that the Turkish Military Attaché should leave Bulgaria. The Turks retaliated by expelling from Turkey the Bulgarian Military Attaché and all his staff.

Then last week, under the glare of a well organised publicity campaign, a special Turkish delegation, representing "the Turkish minority in Bulgaria," visited the President of the Republic in Sofia and expressed its feelings of "unlimited loyalty" towards the "new regime of the people's republic under the great leadership of the teacher of the nation, George Dimitrov." The delegation sent its "brotherly greetings of sympathy and encouragement" to the Turks in Turkey, who were "living under awful conditions of capitalist exploitation and Anglo-American military oppression." The formation of a special Turkish "voluntary" brigade to work during the summer on the railways and other public works was announced. It is expected that this brigade will number about 20,000 young Turks.

There are over 800,000 Turks living in Bulgaria, mostly in the north-eastern parts of the country. In the past they have been

poor, hard working and loyal peasants, who enjoyed full religious and cultural freedom, and never caused any trouble to the Bulgarian governments. Now, however, their schools and all their other cultural organisations and clubs have been put under strict Communist control. In this way the Communists may build up a considerable army of fanatically indoctrinated young Turks, ready to do anything for the "liberation" of their brethren in Turkey from the "oppression of the imperialist and reactionary powers."

Limited Self-Government for the Sudan

The British Government have at last made public their support for the reforms in the Sudan. For too long this support has been tacit rather than avowed. It made relations with Egypt even more complicated than they already were and imposed a severe strain on the Sudan Government. In his statement in the House of Commons on Monday, Mr Mayhew, Under-Secretary for Foreign Affairs, made it clear that the Governor-General was now free to promulgate his ordinance for an increased measure of self-government "in accordance with his duties and obligations for the good government of the Sudan under the Agreement of 1899." The international status of the Sudan must still remain a matter for argument and negotiation between Britain and Egypt, but at least the internal affairs of the Sudanese should now be removed from the diplomatic arena.

It can and doubtless will be argued by Egypt that Britain had no right to take this unilateral step. But Mr Mayhew has pointed out that the Egyptian Government was given more than two weeks to ratify the agreement reached on May 28th with the Egyptian Minister for Foreign Affairs. The Egyptian Senate has rejected the Agreement, but the Egyptian Government itself has made no comment in spite of urgent telegrams from Britain. Presumably, also, the Governor-General's offer to accept the same number of Egyptian as British advisers on his Executive Council still holds good, in which case Egypt has no legitimate grounds of complaint.

Music Slump?

Opinions differ sharply about the state of the music market. There are those who, like Sir Thomas Beecham, get into a pet when a concert hall is half empty and bitterly decry the musical ignorance of the public. Others are happy enough because a well-known name or a well-known symphony can provide an audience of 6,000 at the Royal Albert Hall and make a handsome profit for the promoters. A glance at the figures show, however, that while concert audiences are smaller than a year ago, there has been a steady rise in concerts and concert goers over the past thirty years.

The primary cause of the present change is quite simply that people have less money to spend than a year ago, and cannot go to concerts, or for that matter plays or films, so often. This was bound to happen. Assuming, then, the natural result that they now go to two concerts for every three that they used to attend, what is the present picture? There are no reliable statistics for comparison, but it is obvious that more serious music is being played, and is being listened to by more people than ten years ago. To take a very rough guide: on Sunday, May 28, 1938, nine concerts were advertised in *The Times*; ten years later, on Saturday, May 29, 1948, thirty-two concerts were advertised. This is no small increase. Or, again, one hears a great deal about empty seats at the Albert Hall, but if the Queen's Hall could be rebuilt overnight it would be found to be much too small. Without counting the variable number of seats behind the orchestra, the normal seating of the Queen's Hall was 2,000; only on a few nights in the year was it sold out. The Albert Hall has 5,000 seats and 1,000 standing places: the present average attendance is in excess of 3,000. This does not look like a depression.

Another loud complaint is the poor quality of the programmes. Orchestras of repute lament that a year ago it was possible to make a concert meet its expenses with a programme of the less-hackneyed symphonies and concertos, but that now it is necessary to take the lowest common denominator of the less-scrupulous concert promoters and select a programme at their level. There is, of course, a lot in this: in boom conditions there are enough concert goers to listen to new music as well as old; outside the boom the selective concert-goers are too few. But it is unnecessary to be depressed about this. The fashion for Tchaikovsky, which now bores the orchestras to desperation, will wear off; it is no new phenomenon. In the 1920s Schubert's Unfinished Symphony filled the concert halls for years. In the 1930s it was Bach, who, by the way, drew a larger male audience than any other composer. By 1950 there may be a new fashion.

To inherit the earth is not enough



Millions will starve this year, while millions more go hungry. Although two-thirds of the people of the world are normally engaged in producing food, two-thirds of the people of the world do not have enough to eat.

The majority of the world's farmers are fighting a losing battle. Their production methods are antiquated and have not kept pace with the mechanisation of industry. They are attempting to solve the world's food crisis with the ancient methods of only scratching the reluctant land with an implement trailing from either animal or vehicle. This is as fruitless as ploughing the sea.

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AMERICAN SURVEY

Control of Western Water

(From Our US Editorial Staff)

IF the House action on the European recovery plan has given Senator Vandenberg an opportunity, just before the Republican Convention, to rush funds to stave off disaster and thereby look every inch a President, the Columbia River has supplied Mr Truman with a somewhat similar, if more localised, opportunity in the course of his Western tour. The President's speech of June 10th at Seattle, in which he deplored the cuts made last year by the Republicans in Congress in the appropriations for Western river development, was made as 60,000 people were homeless in the flooded Columbia River Valley, and as the third successive crest poured through barriers washed out by previous high water.

Most of the Western rivers are supplied from melted snow. This year, the high mountains were unusually heavily laden. Unseasonably, the temperature shot up—to the nineties—and the waters correspondingly shot down. On June 9th, at Vancouver, on the Columbia River in the State of Washington, where the flood stage on the river markers begins at 15, the current reading was 29.9. The Columbia, even in a normal year, discharges more water than all the other great western rivers—the Sacramento, the San Joaquin, the Colorado, the Rio Grande—combined; 160,000,000 acre feet go into the Pacific after all withdrawals along the way.

Loss of lives, homes, crops and urban properties on a scale such as the present flood has occasioned inevitably intensifies the search for means of control. Today, Washington and Oregon are suffering from too much water. Yet only yesterday the disaster news on the West Coast was the prolonged drought in the great Central Valley of California. How can the water supplies of the West be equalized? Mr Truman has proposed the Tennessee Valley Authority as the model to be followed in the development of the other great river basins.

Certainly the record of the TVA is impressive. In 1946 and 1947 the Tennessee Valley had the fifth and sixth highest volumes of water on record. But its flood control system, except for some work on minor tributaries of chiefly local importance, is complete. Because of the operation of this system of dams, a crest in 1946 that would have reached 45.8 feet at Chattanooga was kept down to 35.7 feet, and damage which it was estimated would have been around \$10 million without flood control was held to \$90,000.

The TVA has done a comparable job on the other functions it was established to perform, including the creation of a navigable channel as far up as Knoxville, the production of power for agricultural, urban, and industrial uses—the last includes provision of power for the Oak Ridge atomic plant—and co-operation in the development of a soil conservation programme and recreational facilities which have very considerably increased the income of the area. Over the years, moreover, early antagonisms to the undertaking have been reduced; until even Senator McKellar has been forced to abate his virulence. Why then, given the TVA's thirteen year record of performance, is the Valley Authority model not gaining more rapid acceptance farther West?

The reasons are many. The TVA covers no mean territory, including sizable parts of seven states. But the Missouri River Valley, which it is often urged should be developed on the TVA model, includes one sixth of the entire area of the United States. The problems which the TVA was created to handle, moreover, were fairly uniform throughout the course of the Tennessee river. On the Western rivers, the claims of irrigation and reclamation in the upper reaches, and flood control and navigation in the lower reaches, differ and usually clash. And in the Great Plains the political antagonism to the Federal

Government, which in the South took the form of a jealous defence of states rights, is multiplied in the rugged government-be-damned individualism of the sons of yesterday's pioneers.

But perhaps the greatest difference is that the TVA's problems concern a valley where there is a yearly average of 40 inches of rainfall to control, whereas in the Western country there is less than 20 inches a year to distribute. West of the 97th meridian, which runs through Kansas and Nebraska, water is the limiting factor on life and growth. Land is there in abundance: 20 million acres of it have been brought from desert to high production by adding water, and current projects imply the ultimate availability of at least that much more. But there is not enough water to go around. In the Central Valley of California, when the water level falls in the Sacramento and the San Joaquin rivers, the danger is not only that of drought: the sea backs in from San Francisco Bay and acres carefully prepared for special crops are ruined by salinity.

The cold war between California and Arizona over the waters of the Colorado is mitigated solely by their common antagonism to the 1944 treaty between the United States and Mexico which guarantees a flow of 1,500,000 acre feet per year over the



boundary at Yuma. Either the expansion of the recently irrigated area around Phoenix, Arizona, must be restricted, or the Chamber of Commerce of Los Angeles must accept the fact that there is a limit to that city's growth.

The bitterness with which water rights are contested is complicated again in areas like the Missouri and Columbia valleys by the conflict of water laws in the several states: as a drop of water crosses a border a complete reversal in its legal disposition may, and in numerous instances does, take place. The differences in water law symbolise how great are the great open spaces, and how their size, during the period of settlement, obscured the ultimate necessity of treating the total resources of the rivers by unified means if their potential yield is to be fully realised.

Similarly, the public agencies—Federal and State—created in the area were concerned with one, or at most a few, of the factors in the life of a valley. The two major Federal agencies are the army engineers, traditionally charged with facilitating river navigation and flood control, and the Reclamation Service of the Department of the Interior, established in 1902 as a result

of the first Roosevelt's enthusiasm for the West. Partly because in their case there is usually a rivalry of function as well as a normal bureaucratic rivalry, little love is lost between them; their relations range from those of a marriage of convenience to those of a shotgun wedding. A variety of other Federal agencies have important interests in the West—the Forest Service and the Soil Conservation Service of the Department of Agriculture, the Bureau of Indian Affairs and the Fish and Wildlife Service of the Department of the Interior, the Commerce Department, and the Federal Power Commission. Then on the State level, there are the interests of the several states, represented in their general form by their Governors, and the specialised agencies representing agricultural, grazing, power, industrial and municipal uses.

Progress in obtaining a unified programme has gone furthest in respect to the Missouri Basin. The TVA plan for unified river development was executive in origin: it was drawn up by the Authority's Board under a very general mandate; it went to Congress merely in the form of a report. Congress has what amounts to a veto power on construction, exercised in connection with the TVA's annual appropriations for new work. But it does not pass on plans in detail, and the execution of those plans, since it all takes place under a single authority, raises no questions of interagency jurisdiction.

But, in sharp contrast, the present authority for Missouri river development is legislative in origin. It arises from the Flood Control Act of 1944, based on a report on the Missouri basin, which was initiated by the Bureau of Reclamation and cleared with the other Federal agencies concerned. The Act sets forth the functions to be performed by each agency, the priorities of the various types of water claims along the river, and a set of very specific plans for development by annual stages. (A similar, though even more voluminous, report on the Columbia River Basin is now in process of circulation round the agencies of the Government.)

The means of unifying the approach to the Western rivers which has so far been acceptable is thus a Congressional plan, under whose paper unity particular tasks are assigned to particular agencies. Such an arrangement vests overall concern for river development in Congress, whose interest is only fitful. By contrast to such an arrangement, the efficiency of the River Valley Authority seems demonstrable. Pressure, either from repeated spectacular disaster, from the long attrition of falling water tables, or from limitations on economic or municipal growth, may, in the years to come, induce a willingness to adapt the TVA approach to Western conditions. But at the moment there is great reluctance to concentrate, in a small executive group, so much power over the existing variety, intensity and conflict of claims for water in a dry land.

Electoral Geography—III: Pennsylvania

[FROM A CORRESPONDENT IN PHILADELPHIA]

THE political prophets who have been wrong so often in the various State Presidential primaries may now safely join in one prediction: the next President of the United States will be nominated in Philadelphia. The Republican Party opens its nominating convention in Pennsylvania's largest city on June 21st. The Democrats will converge on the city on July 12th and the members of Mr Wallace's Third Party on July 23rd. In the case of the Republicans and Democrats, the choice of Philadelphia was influenced by a certified cheque for \$200,000 to each party for convention expenses, plus an additional \$50,000 for the entertainment of delegates, alternates and other visitors. Mr Wallace's convention is coming to Philadelphia unbidden, but will get the use of the Municipal Convention Auditorium rent free and will find the hall completely and expensively equipped with facilities for the press, radio, television and newsreels, thanks to lavish outlays by the Republicans and Democrats.

Mere money and convenience, however, were only attractive incidentals to an important objective—the winning of Penn-

sylvania's 35 electoral votes, a prize second only to New York's bloc of 47 votes. Pennsylvania, with its 10,000,000 inhabitants, is an empire in itself and is sometimes described as the Ruhr of America. Stretching 350 miles from the Delaware River to the Ohio line, bordered on the north by New York State and on the south by Delaware, Maryland and West Virginia, it is bisected by the Allegheny range of the Appalachian Mountains. In the south-eastern corner of the state is the old industrial city of Philadelphia, the third city of the nation, with a population of slightly more than 2,000,000. Fifty to sixty miles to the north-east are the rich anthracite coal fields. Over the Alleghenies, in the far western part of the State, is Pittsburgh, centre of the nation's steel industry, and immediately adjacent and extending south-westward is the busy and booming bituminous coal area. Between the industrial and mining regions of eastern and western Pennsylvania are fertile, rolling agricultural areas, here and there dotted with small but thriving manufacturing towns.

Pennsylvania has been a political battleground since the advent of Mr Roosevelt's New Deal. Before that, for generations, the State was overwhelmingly Republican, and was known as "the Gibraltar of Republicanism." In those days the Republican Party in Pennsylvania was ruled by wealthy industrialists, who believed in a high protective tariff for industry and "the full dinner pail" (which tended in practice to mean steady employment at low wages and long hours) for the working man and woman. This is still true to a large extent. But with the emergence of Mr Roosevelt's New Deal, workers from the mines, the mills and the factories deserted the Republican Party and flocked to the Democrats. They were joined by many sincere liberals of the intellectual classes and by many more opportunists who saw and seized an opportunity to make personal profit out of the revitalised Democratic Party. In the national elections of 1936, 1940 and 1944 Mr Roosevelt and his party swept the State, but in the State elections since his death the Republicans have won by large majorities. Now on the eve of the national nominating conventions and with the Presidential election only five months away, there is no indication of any reversal of the clear Republican trend.

Pennsylvania's Republican leaders are confident of state-wide victory to the point of over-confidence. But they are divided in their preferences for a Presidential candidate. The State's delegation of 73 members to the Republican National Convention is committed to the favourite son candidacy of Senator Edward Martin, a former Governor of Pennsylvania. (He is not the Mr Martin of Massachusetts, Speaker of the House, whose chances of securing the nomination were discussed in the issue of May 1, 1948.) But the Pennsylvania delegation's pledge to support Senator Martin may not last beyond the first ballot. Admittedly, he is the darkest kind of a dark horse. His candidacy is mainly a device to hold the Pennsylvania group together as a potent force in the final selection of a Presidential nominee. In 1940, while the Pennsylvania delegation was still trying to decide whether it should desert its favourite son, Mr Willkie was nominated on the sixth ballot. The Pennsylvania Republicans do not want to "miss the bus" again this year. But there is a possibility that they may, if their leaders on the floor of the convention are not on the alert and cling too long to the Martin candidacy. Pennsylvania comes thirty-eighth in the alphabetical roll call of the 48 States. Its leaders must be quick to anticipate trends in the balloting if their delegation is to assert its power either by leading or by blocking their development. This can only be achieved if the State's voting strength is kept intact and cast at the psychological moment, which may involve inducing one of the States near the top of the roll call—such as

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

Alabama, Arizona or Arkansas—to yield its place to Pennsylvania.

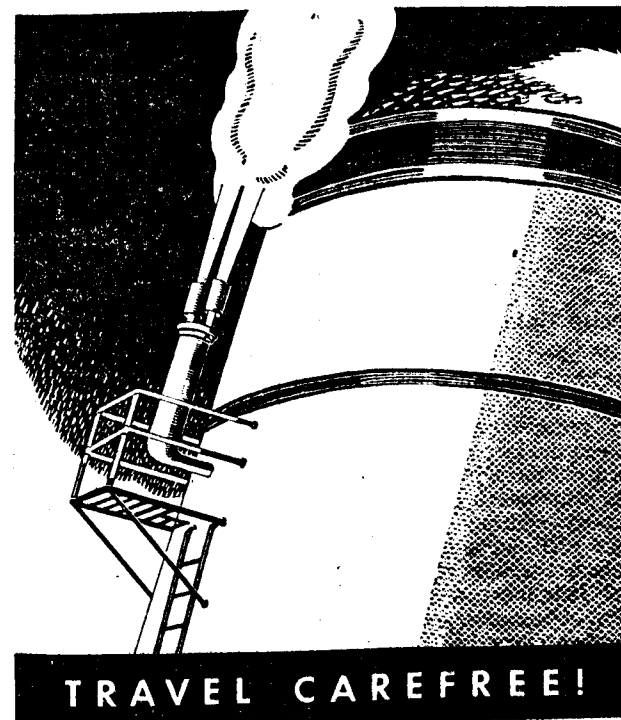
The Pennsylvania Republican faction, headed by the venerable Mr Joseph R. Grundy, is reported to favour the candidacy of Senator Taft. Mr Grundy, a retired woollen mill owner and a silver-haired bachelor, is as vigorous at the age of 85 as a man of 50. He knows all the tricks of the political trade from first-hand experience. Since the days of President McKinley, Mr Grundy has been the country's outstanding advocate of the protective tariff. As an astute practical politician, accustomed to keeping a finger on the public pulse, he, of course, knows that Mr Taft lacks glamour and political vote appeal. Senator Martin is a close political and personal friend of Mr Grundy and shares his political and economic views. Conceivably, these two gentlemen might easily be induced to switch to Mr Dewey, particularly if in doing so they could blight the chances of Mr Stassen.

The big question in the Pennsylvania delegation is posed by its chairman, Governor James H. Duff. He comes from Scotch-Presbyterian stock, is red-headed, stubborn, independent and, though he is a party man who owes his present political position to Mr Grundy and Senator Martin, he has a vein of liberalism that is disturbing to his conservative colleagues. Before America's entry into the war, he upset many of his fellow Republicans by forcing his party's State Committee to endorse Mr Roosevelt's proposal for aid to Britain. It is no secret in Pennsylvania that Governor Duff does not take Senator Martin's candidacy seriously. Some of Mr Martin's friends say that Governor Duff is hopeful that the political lightning may strike him in the event of a deadlock, but the Governor insists that he has no Presidential ambitions. It is no secret either that Governor Duff is not over fond of Mr Dewey, and definitely dislikes Mr Stassen. However, he is outspoken in his admiration for Michigan's Senator Arthur H. Vandenberg—and that makes Mr Vandenberg a man to be reckoned with at the convention.

Mr Stassen's candidacy occupies a peculiar status in Pennsyl-

vania. Although he defeated the other candidates, including the home favourite, Senator Martin, in a light vote in the State's preferential primary last April, the result was in no way binding on the delegates. Very few of the State's old-line Republican leaders are for him. They regard him as a radical New Dealer masquerading as a Republican. His manager in Pennsylvania is Colonel Jay Cooke, a wounded war veteran and multi-millionaire banker from Chestnut Hill, a Philadelphia suburb. Curiously enough, as a member of the Pennsylvania convention delegation, Col. Cooke is pledged to support Senator Martin. Many of the other State supporters of Mr Stassen are also men of wealth: he is popular as well with young Republicans, notably college groups. There are reports that Mr Joseph N. Pew, Jr., of a multi-millionaire oil and shipbuilding family, may join with his close friend, Col. Cooke, in bolting the Martin candidacy after the first ballot and swinging over to Mr Stassen. But the hostility of the regular Republican leaders will make it difficult, if not impossible, for him to find substantial support in the Pennsylvania delegation.

Whatever the outcome of the Republican convention, it is a reasonably safe bet that at the November election Pennsylvania will give its 35 electoral votes to the Republican nominee. The Democratic convention is expected to nominate President Truman, whose Pennsylvania popularity is very far from that enjoyed by Mr Roosevelt. Mr Truman's party may carry Pittsburgh and some of the adjoining soft coal districts next autumn, but Philadelphia and the anthracite area seem sure to return Republican majorities. Although he will not have the support of organised labour, Mr Wallace may poll a fair sized vote in Pennsylvania. But he will take more votes away from the Democrats than from the Republicans and thereby will help the Republican cause. His supporters in the State belong chiefly to the extreme left, and he is reported to be surprisingly strong among college students. His candidacy may have the effect of defeating Democratic candidates for Congress in districts where the voting strength of the two major parties is close.



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American Notes

Philadelphia Pilgrimage

This weekend the Republican pilgrims are converging on Philadelphia by every modern form of transport, and conceivably also on elephant-back, if the local zoo can provide a specimen of the Party's emblem. On Monday they will gather in the Convention Hall which is their temporary temple to go through the customary quadrennial ritual of building a platform and choosing their candidates for the Presidency and Vice-Presidency. There are 1,094 official pilgrims, organised in State delegations, and they have numerous unofficial companions—Presidential candidates, members of Congress, party bosses—all of whom have vital parts to play in the secret rites which are essential to the ceremony.

The first two days will be spent in approving reports and agreeing on the statement of party policy, now being drafted by a committee whose chairman is Senator Lodge, Senator Vandenberg's right-hand man during the original debates on the European Recovery Programme. The choice of a young and internationally-minded Republican for this important post does something to offset that of a party hack—Representative Martin—for the chairmanship of the convention and of the *Chicago Tribune's* war-horse—Governor Green—to give the "keynote" speech. Once these tasks are over, the pilgrims must fulfil the vows they took before they left home, vows to support the Presidential aspirations of either the favourite son of their own State or one of the contenders from elsewhere.

But not all the delegates have made vows and many of the others are pledged only to a token support on the first ballot. It seems improbable, in the present confused state of the Republican candidacies, that any one will obtain the necessary clear majority of 548 votes on that ballot. On the second ballot, many delegations are free to desert their favourite sons, which explains the competition among candidates for promises of second ballot support, and it becomes possible to judge relative strengths. Senator Taft, Governor Dewey and Mr Stassen all make substantial and conflicting claims of guaranteed votes on these ballots, but on the long view Mr Stassen is now the weakest of the three, since he has neither the popularity of Mr Taft among the professional politicians nor, on the accumulated evidence of the primaries, any more public appeal than Mr Dewey.

*

At this point the well-known smoke begins to fill rooms and this year the political promises of which it is composed will be given unusual solidity by the Republican certainty of victory. On the third ballot the State delegations with big blocks of votes and uncertain allegiances—Pennsylvania, New Jersey, Illinois—begin to use their power. If at this point Governor Warren allows the important California delegation to abandon him, it may well be decisive. If the established candidates do not consolidate their position now, they may find new competitors emerging, as Wendell Willkie did in 1940. No comparable irregularity will be permitted this year: it is doubtful if even General Eisenhower would be allowed to become a threat at this stage, in spite of his overwhelming and unsought popularity with voters of both parties, as shown by a recent poll. But this is the moment when the scaffolding may be removed to reveal that Senator Vandenberg's refusal to declare his candidacy has not prevented his supporters from constructing one for him, especially since he is believed to be the second choice of many "favourite son" delegations.

If after the fifth ballot no clear majority is yet in sight, and none of the leaders will withdraw in favour of one of the others, an entirely new candidate, possibly Representative Martin, may be hastily prefabricated behind the scenes and there is a serious danger that, sooner or later, as the balloting drags on and as delegates become exhausted and home-sick, they will accept this factory-made model, however shoddy it may be. Then all that will remain is to agree on a Vice-President, who is usually selected in advance by the Presidential candidate—often as part of a bargain for votes—and to gather strength for the battle ahead.

* * *

The Appropriations Tug-of-War

By a vote of 60 to 9 the Senate has voted to restore most of the cuts made in foreign relief funds and to remove most of the restrictive amendments proposed by the House. The Senate has approved a total for the seven foreign aid programmes of

\$6.125.7 million, \$408 million below the figure requested by the Administration, but \$145 million above that appropriated by the House. The most important step taken by the Senate, however, was to restore the right to spend the recovery funds in 12 months. The House had effected the greater part of its cut by requiring that the appropriations be stretched to cover 15 months. Over \$1 billion was cut from the European recovery funds by this device. Senator Vandenberg insisted that a vote be taken on this critical provision, and he was supported by a majority of 65 to 15.

The House has refused to accept the revisions of the Senate, and a tug-of-war will now take place between the Senate conferees, headed by Senator Bridges, and those of the House, led by Mr Taber. Senator Bridges is supported by a much larger majority than his opponent; but it is equally clear that the Senate decision was more an act of faith in Senator Vandenberg than an act of conviction. The Senate Appropriations Committee criticised the Administration severely for the inadequacy of the figures presented to it as a basis of judging the appropriations, and suggested that it would be much more rigorous in its demands next year.

Mr Vandenberg defended the Marshall funds on the ground that the expressed will of Congress should not be vetoed through the abuse of the appropriating function. But he accompanied his attack on the "dangerous and improvident" decision of the House with a warning of his own. He insisted that the time to overhaul the recovery programme is not now when it is still struggling to be born, but in January, 1949. Then, both the friends and enemies of European Recovery who agreed, in effect, to a year's trial of the plan, will feel they have a legitimate right to weigh its achievements in the balance.

The Economic Co-operation Act is merely the first, and the most important, example of the freedom the Republicans have reserved to reconsider policy decisions after the sweeping victory they expect to enjoy in November. Thus the compromise Mr Vandenberg arranged on the Reciprocal Trade Agreements Act, and which has been accepted by both Houses, provides only for a one year extension, though it eliminates the Congressional veto of tariff cuts which was inserted by the House. But Mr Vandenberg showed no disposition to compromise on funds for the Marshall Plan. He has broadened and flood-lit the breach between the two wings of the party. His firmness is said, even by Senator Vandenberg himself, to diminish the likelihood that he may be chosen as the Republican candidate; it has made him too many enemies in the party. But if the intention behind the House raid on foreign assistance funds was designed, as some believe, to set the scenes for an isolationist candidate like Mr Martin, who stood at Mr Taber's right hand, the scheme may have gone awry. The alarm bells are ringing madly in the office of the *Herald-Tribune* and wherever internationally minded Republicans meet. After the events of the past fortnight, even a party as confident of victory as the Republicans may well hesitate to nominate a candidate who clearly repudiates the bi-partisan foreign policy built up by Senator Vandenberg and Mr Marshall.

* * *

Interim Balance on Inflation

Political rather than economic considerations inspire the President's continued insistence on the need for measures against inflation and Congress's equally unrelenting refusal to consider them, but election strategy has little to do with the disagreement between the Department of the Treasury and the Federal Reserve Board on the imminence of the inflationary danger. This disagreement was brought into the open a month ago when the Treasury, contrary to both business expectations and the advice of the FRB, announced that interest rates on one-year Treasury certificates would remain at 1½ per cent until the end of September. This move was interpreted as a suspension of the official policy of restraining credit expansion and the FRB answered it two weeks later by applying almost its last remaining brake on that expansion. It raised its reserve requirements for its member banks in New York and Chicago from 22 to 24 per cent of each bank's demand deposits, only two per cent below the limit allowed by law; this limit had already been reached in other cities, where maximum reserve requirements are lower. New York and Chicago bankers maintain that their successful efforts to restrict credit voluntarily make this new curb unnecessary and that they are the victims of the feud between the Treasury and the FRB.

The FRB believes that the full weight of inflationary pressures will be felt only in the coming months when, for the first time this year, the expenditure of the Government will exceed its income and when tax reductions and the European recovery and defence programmes will begin to affect the national economy. The

Treasury evidently holds that these pressures, although definitely present, will be counterbalanced by the deflationary elements in the economy: the beginning of consumer resistances, possible falls in farm prices if the promise of a record harvest is fulfilled, difficulties which the defence programme may bring to industries not directly involved in it, and so on.

Even the third round of wage increases, now well under way, does not seem to be regarded as more than mildly inflationary, although it has already led to some price increases. If, however, the coal negotiations end in higher wages for the miners, the implications will be much more serious. The comparative lack of concern about the present wage increases is explained, at least partly, by the fact that on the whole they are not so high as in previous years and are not taking a set pattern, but are being varied to suit individual circumstances. The automobile companies are following not the General Motors formula, with its interesting provisions for cost-of-living adjustments and an annual wage increase, but the more orthodox agreement for a rise of 13 cents an hour which ended the United Automobile Workers' strike against the Chrysler Company. The United Electrical Workers, on the other hand, have been advised by their leaders to accept the General Electric Company's offer of an increase of 8 per cent on all wages, which means rises of from 9 to 15 cents an hour. Labour's amenability is almost as surprising as is industry's abandonment of its firm stand against wage increases, which is evidence that its uncertainties of last spring have been replaced by a renewed confidence in the future, a confidence which is shared by Wall Street.

* * *

Bi-Partisan Blueprint

When the Senate passed, by a vote of 64 to 4, the Vandenberg Resolution advocating American association with regional defence pacts under the Charter of the United Nations, the blueprint of America's new international foreign policy was complete, however shaky some of its foundations may have turned out to be. In March, Mr Truman had promised that the United States would find appropriate means of aiding the defence of the democracies. The Senate has now approved, in principle, co-operation in defence, as a supplement to economic assistance and American rearmament.

No one has been more anxious than Senator Vandenberg to explain what the Resolution does not do. It is not an alliance, it is not a commitment to form an alliance. It does not revive military Lend-Lease. The treaty to which it may give a green light would be modelled on the Inter-American Treaty of Reciprocal Assistance, which, though it declares that an attack upon one signatory is to be considered an attack upon all, does not provide for automatic military assistance. The rights of the Senate have been most zealously safeguarded.

This good resolution is unlikely to be put to the test until after the election, if then. But peace-time conscription, which Mr Truman asked as an earnest of Congressional intentions, has now passed the Senate by 78 to 10. The Senate Bill authorises the conscription of up to 250,000 men of 19-25 for duty anywhere in the world, for two years. It exempts veterans with more than 18 months' service, married men, and essential workers. It authorises the enlistment of 25,000 aliens who, after five years' service, may be rewarded by American citizenship. The authorised strength of the Services is raised from 1,446,000 to 1,795,000 and the reserve units are also expanded. The only vestige of Universal Military Training, which Mr Truman also requested, is the provision that 161,000 18-year olds may volunteer for a year's training, which will exempt them from conscription.

To its credit, the Senate refused to allow the conscription issue to be confused by other considerations. Senator Langer was defeated in his attempt to sink the Bill by weighting it down with civil rights riders which would have antagonised the South, while the Southern effort to authorise voluntary segregation of whites and negroes was also repulsed. The Armed Services Committee could not prevent the life of the Bill from being cut down from five to two years, but it prevailed upon the Senate to reject a proposal to pass the Bill, but leave the President the political onus of "pulling the trigger."

This method of evading responsibility has recommended itself to the Armed Services Committee of the House. But the chief obstacle in the House has been the unremitting hostility of the Rules Committee, which has kept the Bill off the floor until four days before adjournment, and virtually defied the House to debate forty amendments in a space of four hours.

Letters to the Editor

Long-Term Economic Problems

SIR,—Your article "The Supply of Savings" and its predecessor "The Importance of Capital," is in danger of playing into the hands of reactionaries. The creation of capital and the creation of the savings to finance it should not be considered apart from the general conditions of trade and demand which determine the attractiveness or otherwise of capital creation from the point of view of the man who has to bear the risk of mistakes. You referred in the earlier article to the unsatisfactory level of capital creation in the 'thirties. Unless we are quite gratuitously to insult business enterprise in this country and indeed throughout the world, including the United States during that period, there was only one explanation for this and it lay in the absence of profitable outlets for the employment of new capital due to a worldwide shortage of consumer purchasing power. It certainly did not lie in the absence of finance on cheap terms—for that was a period of unusually cheap money the like of which may not return for many a year to come. True, if there had been more capital creation it might have proved to be as self liquidating as much of the capital creation during the nineteenth century proved to be. But that is doubtful. The root cause was the maldistribution of purchasing power which left large sections of the people in all parts of the world, undernourished, underclad, and underhoused.

Because that problem of undernourishment, etc., is now being tackled at least in some countries and because of necessary repairs of the ravages of war, conditions of trade and demand are now good throughout the world. There is accordingly a strong incentive on the part of business men to expand and re-equip. The demand for consumer goods and the demand for capital goods go hand in hand under conditions of free enterprise and not in opposition to one another. We must be careful therefore—and that is where I would join issue with you—not to lose sight of the need to maintain general demand, in our anxiety to build up capital. Otherwise we may find that having got the capital it is not of relation to what we truly need. A tricky rationing problem seems to be involved somewhere to which targets of 20 per cent "for the 1950s" is unlikely to be the answer.—Yours faithfully,

Hill House, Cuckfield, Sussex

W. H. B. FAIRWEATHER

From The Economist of 1848

June 17, 1848

It would be folly . . . to conceal from ourselves, and still greater folly to deny in the face of the public that the condition of the workers in factories, men, women, and children, influenced by all the general causes that deteriorate the condition of the whole working population, is a hard one in comparison to the ease enjoyed by the opulent classes. In comparison to children, women, and men engaged in agricultural operations, or to the majority of servants of all-work, sempstresses in the metropolis, young milliners, or to the Irish peasantry, their condition is by no means a hard one. To be discontented and complain is common to humanity. Almost every class and description of men, almost every individual as well as the factory worker, seeks to improve his condition; and it would be a delightful, if not an easy task, if legislation could gratify the yearning after ease and comfort of every man, woman, and child in the empire.

Unable to perform that equally and justly, it being even very doubtful whether its efforts to gratify any one class or individual do not invariably tend to injure in a greater degree some other class or individual, the legislature is apt to pay most attention to those classes who, being collected in masses, having opportunities of communicating one with another, and sufficient leisure to acquire considerable instruction, can make their grievances known, and interest in their behalf the demagogues of various classes, who are continually on the look out for sufferings and complaints, by an advocacy of which they may gain popular favour. Not denying, therefore, that there are hardships in the condition of the factory workers . . . we attribute the paternal attention they have received from the legislature much more to their power to make themselves heard and felt . . . than to any peculiar hardships in their condition compared to other workpeople.

Too Much Equality

SIR,—In your article "Too Much Equality" you say, "It can be seen in their (i.e., the Labour Party's) administration of the national educational system, which has to date destroyed more values than it has created." Such a serious charge should surely be supported by some evidence.—Yours faithfully,

SIBENA D. SIMON

Broomcroft, Ford Lane, Didsbury, Manchester 20

[It was a statement of opinion to which we adhere. Most of the good things that have been done in education in the past three years derive from the Coalition Government's Act. The Labour Party's own approach, both nationally and in the localities, can be seen in such things as the treatment of the direct grant schools and the new imposition of a minimum age for examinations. It seems to be inspired by a dangerous passion for "levelling down." The Government deserve a good mark for their attitude to the universities, but that is outside the scope of the remark which Lady Simon of Wythenshawe quotes.—EDITOR.]

SIR,—In your admirable article headed "Too Much Equality" you say that Socialism was born of the desire for greater economic equality, to secure greater equality of income and welfare among the citizens of the state, even at the cost of some reduction in the total income available to be divided among them, and you say that equality and efficiency often pull in opposite directions, as they are pulling now.

My object in writing is to point out that there need be no conflict between equality and efficiency, if equality is confined to the field of unearned income, where it should belong, in the form of a minimum or basic income payable through the state to every member of the community; this would leave the field of earned income entirely to individual initiative and enterprise.

The amount of the basic income would have to be determined by experiment, there seems to be no reason why it should not be as large as possible, provided it did not cause inflation, the effect of an equal basic income would however be reductions in wages, prices and profits the reverse process to inflation.

Basic incomes for all as a first charge on national assets seems to be the only practical way to ensure the greatest possible measure of economic equality consistent with the retention of the fullest possible incentive to individual initiative and enterprise in industry and otherwise.

Basic incomes would very materially reduce the need for state expenditure on social services and being equal in amount would avoid any feelings of jealousy and encourage independence of character.—Yours faithfully,

R. ARNOLD PRICE.

Rodenhurst, Oxted, Surrey.

"Coupons for Sale"

SIR,—It is true that the "Right to Buy" may often seem to be distributed in an arbitrary fashion; but your correspondent's suggestion for making it marketable would hardly correct this tendency, and raises other problems. For example, he maintains that the "Right to Buy" petrol could be bought and sold within the "necessary limits" of total imports. But we have not cut down to the minimum of petrol imports that we can really afford. If the Right to Buy were freely traded, this would mean that enough people could do without their ration to make further import cuts possible. What about free trading in the Right to Buy imports? If this were possible, part at least of the extra cost would be passed on to the consumer. He, poor fellow, could

hardly care less who imports his goods, so long as he gets them, and could hardly be expected to enjoy paying for his supplier's privilege of cornering the market.

The present system can be justified more often than your correspondent would allow. It is a strange argument that the desirable distribution of steel could be effected in a free market by means of "the superior sucking power of the expanded dollar market and the decline of a deflated home market." There are very few signs of that "superior sucking power," which is so often hidden discreetly behind tariff walls.

In fact, any approach to "rationing by the purse" of scarce commodities (quite apart from the filip it would give to black marketeers) carries with it the danger of inflation, and thus of fresh injustices in distribution. Controls must be dismantled before we have forgotten how to exercise choice; but not before there is plenty for us to choose from.—Yours faithfully,

2, Queen's Ride, Barnes, S.W.13

HELEN RANKIN

Textile Stocks and Capital Investments

SIR,—Your leading articles have made clear the vital need for this country to devote an increased proportion of its resources for internal and external capital investment. The fact that the Marshall aid appropriations are most carefully scrutinised to prevent an unnecessary diversion of the United States help to unproductive purposes is an added reason for the utmost care and rigour in British policy.

The repeated retreats of the Board of Trade, under the pressure of unwanted stocks, along the line of least resistance towards higher home consumption of textiles (albeit only temporary in order to liquidate the "hump") is as disconcerting as the delay in permitting the export of utility products without licence. Textile exports command a ready market and are among the most remunerative. The chance of regaining a firm foothold in foreign markets is, moreover, rapidly waning. The obvious failure of the Treasury to appraise correctly the investment capacity of the country—due mainly to an underestimate of the productivity and to lack of knowledge of the intentions of the holders of liquid assets—might easily result in the increased productive potential being allowed to run to waste in unemployment and in demands to permit an increased consumption of durable goods by way of house repairs. Yet it should obviously be concentrated in productive investment in factories and their equipment.

It is noteworthy that the textile muddle could not have occurred had the wartime control over the utilisation of raw materials and semi-manufactures not been relaxed or abandoned in 1945-46. It is also clear that the statistical information at the disposal of the Government is both scanty and belated. In view of the differences of opinion between the authorities and the trade (as well as the complete ignorance of outside experts of ascertainable facts), the institution of periodic sample inquiries of an objective character would be highly desirable. Such inquiries of the means and intentions of the producers and ultimate consumers are being undertaken in the United States with increasing precision. They throw light not merely on the demand for specific commodities but also on the level of savings, and hence of permissible investment. Thus an objective basis would be provided not merely for the formulation of policy but for intelligent discussion of it.

It is hardly possible to decide on policy (not to say to plan, without such statistical evidence as would enable the Government to resist pressure groups and to prevent investment taking

the nonsensical form of unwanted stocks. In the absence of effective co-ordination we shall have to rely on scarcity of demand and unemployment to bring about readjustment. But this would further weaken the incentive to invest and the national power of recovery. There is no time to lose if our industrial house is to be put in order and if we are to secure, by concerted action with other countries, an expansion of the supply of raw materials and food—all of which requires a substantial increase in investment.—Yours faithfully,

T. BALOGH

Balliol College, Oxford

What are Profits?

SIR,—Your article deserves even wider circulation than it will get. If I might mix my thanks with a gentle reprimand, I would say that as well as Chancellors and auditors needing to modify their thoughts *The Economist* might have lent its weight on this important aspect of manufacturers' costs and profits at an earlier date.

Many industrialists and company cost accountants have acutely appreciated, for some years, the points you now make, and have vainly endeavoured to persuade Government officials of the falsity of balance sheets and profit computations based on Income Tax wear and tear allowances. The Income Tax Act of 1945 does not give a greater total depreciation allowance than before—it only gives it more quickly. It does not allow of sufficient money being put on one side to replace a 1940 machine in 1950.

This false accountancy, which auditors insist on under Income Tax regulations, bears particularly heavily on industries whose profits are regulated by Government control orders. Profits are made to seem higher than they really are, since depreciation at replacement value of plant and buildings is not allowed. Thus there is a tendency for the Government to press for reduction of the profit margin to a figure which is uneconomic and could only lead to an over-capitalised or ill-equipped industry.

The problem is, of course, most serious in those industries which have a high value of buildings, plant, and machinery in relation to turnover.—Yours faithfully,

F. W. ROWE

Shortlands, Sollerstott West, Letchworth, Herts

Britain's Way Out

By A. Grant McGregor

WRONG WAGE POLICY IS THE ENEMY,
NOT THE PROFIT MOTIVE

GRAHAM HUTTON

in his broadcast reported in "The Listener" said: "What we need really is something like what the American and British Engineer, A. G. McGregor, calls prosperity wages"

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Exporting British Cars

SIR,—Your article entitled "Exporting British Cars," of March 20th, is somewhat marred by the inclusion of incorrect prices for cars sold in New Zealand. The table on page 463 purports to give the price of British cars in sterling. Actually, the prices are nearer to New Zealand prices in New Zealand currency, and the current rate of exchange is approximately £100 sterling equals £125 N.Z. For the information of your readers I am appending current prices for cars sold here, in New Zealand currency:—

Morris 8, 4-door	£606	Standard 14	£1,070
Standard 8	620	Austin 16	1,038
Hillman 10	690	Ford V-8, de luxe	761
Morris 10	704	super	778
Austin 12	956	Chevrolet, Stylemaster	731
Vauxhall 14	703	Fleetmaster	810

—Yours faithfully,

Box 1155, Wellington, N.Z.

MARTIN NESTOR

Cutting the Cake

SIR,—If, as your Note suggests, the information given by various companies as to the absorption of their gross receipts is for the purpose of countering the attack on profits I doubt if it is likely to be successful. The arrangement chosen savours too much of special pleading, and on all the relevant items too many questions remain unanswered.

What is included in depreciation, the amount allowed for income tax purposes or something more? Does taxation include tax deducted from dividends, and if so, why? To which column are preference dividends allocated?

The really relevant figure is the total amount of profit assessed to tax. Provided this is given further subdivision is all to the good. But if it is carefully hidden, suspicious minds will only become more suspicious.—Yours faithfully,

House of Commons, London, S.W.1

GEORGE BENSON

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THE WORLD OVERSEAS

French Progress Report

(From Our Paris Correspondent)

"AFTER initial progress, France's condition is now stationary and its ultimate recovery is still in doubt." This is the bulletin to be inferred from an illuminating report* on the state of the French economy just published by M. Jean Monnet's Planning Commissariat.

The planners have produced what amounts to a comparison between the projects and the achievements so far of the Five Year Plan. Statistically, the document is already out of date as the tables carry the story only until the end of 1947—that is, for the first year of the plan. Nevertheless the report, drawn up by some of France's leading economic and financial experts, is of far more than historical interest. Besides tabulating essential facts, it draws conclusions about the present and future trends of French economy and analyses the obstacles to recovery. It also warns the country and the Government in no uncertain terms of the far-reaching sacrifices and of the radical changes in habit, organisation and financial management which will have to be made if the French economic machine is to compete on equal terms with the modern world.

On the credit side of the balance sheet, one fact stands out: French industry is today producing up to 115 per cent of its 1938 level. This represents a strenuous effort by an exhausted and often undernourished working population, labouring under difficult conditions with worn-out machinery, while their hours of work have risen, on an average, from 39 to 45 hours per week.

The increased production has been used largely for reconstruction and re-equipment. On the other hand the total amount of goods and services (representing home production plus exports) available for the public rose by only four per cent, and by the end of 1947 was still seven per cent below the prewar level; it is scarcely higher today. These facts correct the superficial picture of prosperity which visitors to France tend to carry away with them and which are based on their own comfortable but strictly limited experiences. In fact the ordinary French family is living far more uncomfortably than before the war. Individuals have, of course, profited from national disasters in a country where egalitarianism is traditionally preached rather than practised, but as a whole the country is still suffering severe material hardships from the accumulated losses of two world wars.

This productive effort has been accompanied by the first serious attempt to bridge the inflationary gap and to stop the spiral of prices and wages. The present Government followed up the rise in wages—which had become socially and politically imperative—by deliberately cutting the spending power of the wage-earning classes. (The planners would have preferred the *prélèvement* to have been even twice as heavy.)

Finally, on the credit side, is Marshall aid, which, if American intentions do not change, means that production need not be decreased for lack of food, fuel and raw materials. It provides a much needed opportunity to overhaul France's productive machinery.

Worn-out Equipment

Nevertheless, the conclusion which the planners reach is far from reassuring: the initial impetus of recovery has slowed down and since October production has barely risen. The object of the Monnet Plan—to increase French productive capacity—has not yet been realised. Labour productivity is still about 20 per cent lower than in 1938. The planners argue that, even allowing for social conflicts, absenteeism, war weariness and the shortage of trained specialists, the principal reason for this is the worn-out and antiquated French industrial and agricultural equipment, which remains for the most part grotesque anachronisms in this Machine Age.

The difficulty is how to finance what has obviously become the imperative and urgent task of bringing French economy up to

date. The monetary problem is becoming increasingly acute as material resources become available and other bottlenecks show signs of giving way. Last year, investments in the essential sectors of industry and agriculture were 16 per cent short of the estimate.

The planners themselves make no secret of their view that the French private investor is not expected to meet the deficiency. On the contrary, the general trend is away from long-term investments in sectors which either have been or might be nationalised. Accumulated wealth today is being transferred into the hands of new classes, unaccustomed to saving, and who prefer to raise their standard of living and scale of comforts rather than invest their money with a view to distant returns. Uncertainty about the future encourages the hoarding of gold or precious stones, easy to conceal and if necessary to run away with. The old-fashioned investor is himself unable to live today on the returns of capital invested yesterday—a state of affairs hardly designed *pour encourager les autres*. In short, the planners believe that if an adequate flow of investments is to be maintained and directed into the right channels—without which economy will continue to stagnate—the state must resign itself to financing it.

Another Dose of Inflation?

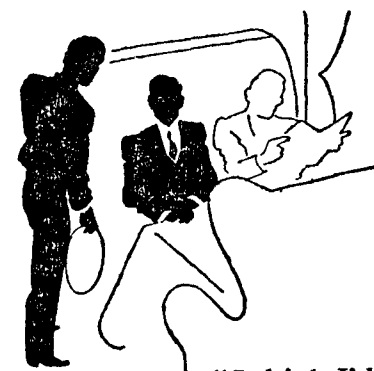
The difficulty is that once you drag in the Government, you introduce political, and more specifically, electoral factors which are hardly compatible with long-term planning. For the time being the French Government is seeking to make electors forget the *prélèvement*, and are aiming at budgetary equilibrium by cutting expenditure rather than by raising taxation (although it is calculated that fiscal pressure in terms of national revenue in France is barely half what it is in Britain). In these circumstances it is very hard to avoid the impression that another dose of inflation, which would dangerously compromise the results so far achieved, is being prepared.

The problem, in the planners' view, is not insoluble. The first requirement, they argue, is for a thorough reform of the fiscal system to make it more equitable and more remunerative. On the retrenchment side, they advocate international co-ordination of defence projects to relieve France of some of its crushing military burden which has become incompatible with economic recovery. Electoral pressure for the restoration of industrial and food subsidies will have to be resisted.

Even so, in the immediate future some exceptional device must be discovered to carry the country over the "last lap" towards monetary stabilisation. The Treasury's exceptional resources—which have given an impression of stability during the last few months—have already been largely overspent.

If stabilisation can be achieved and if prices as well as wages are kept under control—the time is fast approaching when wages will no longer yield to unilateral controls—the modernisation programme can be realised. Indeed, the immediate problem of financing such a programme can, the planners believe, be almost entirely solved by allocating to it the entire resources accruing to the Government from the sale of commodities provided under Marshall aid. The equipment and machinery can be largely manufactured in France and paid for in francs. The Americans have already indicated they will have no objection to this use of the aid, as long as the single but overriding condition of monetary stabilisation is first assured.

For the time being the internal stabilisation on which everything else depends remains the dominant and still unknown factor. The imperative "last lap" has become the immediate concern and it may cost the present coalition government its life. The state of emotional tension and panic (which inclined the middle classes to bow to the capital levy immediately after the general strike and when they feared an imminent Communist triumph in Italy) have now subsided. On the approach of municipal elections the majority parties will not support fiscal or financial reforms costing votes. That is why French recovery—and with it the whole European programme—is still hanging in precarious balance.



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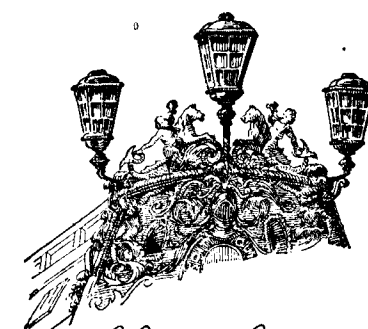
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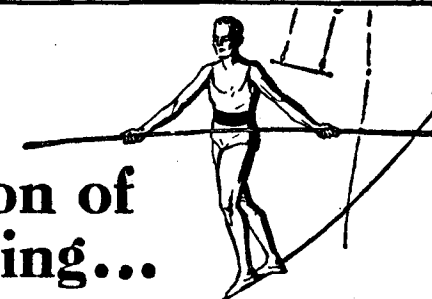
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* Some of the figures in this report are summarised in this week's issue of the Records and Statistics supplement.

Burma and the Foreigner

[BY A CORRESPONDENT]

AFTER a period of peace there has again been disturbing news from Burma. The Government of Thakin Nu, which took over from the victims of the machine-gunning last summer, continues the rule of the coalition of parties known as AFPFL (Anti-Fascist People's Freedom League). But now Thakin Nu has announced his resignation, due to take effect on July 20th, and has made two conflicting statements on his policy towards Communism. The political future of Burma is now overclouded with threats of further violent upheaval, and it has become doubtful whether AFPFL can hold together any longer. Without a solid parliamentary majority supporting the Government, the administration may easily lose what strength and stability it now has.

The resignation of Thakin Nu has not been the result of pressure or of any Cabinet crisis, but has been premeditated for a long time; it is due to a religious vow, for Thakin Nu, as a devout Buddhist, has wished to dedicate the later years of his life to religion. This does not mean, however, a complete withdrawal from politics; on the contrary, as the career of Mahatma Gandhi so clearly showed, a religious life can be combined with a position of great political influence and authority, and Thakin Nu evidently desires to guide the political development of Burma without being distracted by the cares of day-to-day administration. He has announced his intention of creating a new United Left Party, which is intended to incorporate the Socialists and the People's Volunteer Party (PVP), the two main constituents of AFPFL, together with the more "moderate" Communists; the new party is meant to be a substitute for AFPFL, to provide a more disciplined following for the Government and to draw away support from the Left opposition now led by the Communists.

The significance of this manoeuvre is only apparent if considered in relation to the background of Burmese politics. In this country there is a widespread idea that the problems of Burma are similar to those of India, each country having recently emerged into full national independence and being now faced with the tasks of administration and solution of internal social conflicts in place of the nationalist struggle against foreign rule. But India and Burma differ fundamentally in that India has for many years now had a strong and wealthy bourgeoisie of its own, with British and other foreign capital playing a diminishing role in the national economy, whereas in Burma almost all capital has been in British, Indian or Chinese hands. Thus in India independence has meant the emergence of a bourgeois regime, with the Congress Party under the decisive leadership of Mr Patel turning to the Right and the Socialists as well as the Communists going into opposition. But in Burma nationalism has remained in alliance with social revolution because the property-owner is, with negligible exceptions, a foreigner. It is not possible to imagine a Burmese Tata. The Burmese, who have never hitherto shown any aptitude for commerce or finance, have remained a poor people in their own naturally rich country. But now that they have political power as a sovereign nation and the foreigners are at their mercy, it seems to the ordinary Burmese that it is the turn of the native inhabitants to live on the fat of the land. For this happy state of affairs to come about they believe that all that is needed is to pass a few bills through parliament expropriating foreign property interests in land, transport, oil, timber or minerals.

A Nation of the Left

This can be called socialism or nationalism equally well; in either case it means in practice soaking the non-Burmese. The Burmese are a Left nation; there is really no Burmese Right. What makes the difference among Burmese politicians between less and more Left is the degree of severity to be adopted towards the foreigner. The least Left would like to go slow, letting the foreign companies operate for a time under various restrictions and only nationalising concerns one by one over a period of years; the more radical would nationalise everything quickly, but would on principle pay "equitable compensation" to the owners; while on the extreme Left the Communists demand wholesale expropriation without any compensation at all.

The political leaders who have had experience of administrative office and are acquainted with the facts of international trade and capital movement are the most reluctant to use drastic methods, for they know that if Burma were to act in such a way as to preclude any further foreign investment or business enterprise in the country, its wealth would rapidly diminish. But the Burmese student, workman or peasant, who patriotically supposes that all means of production or distribution can simply

be taken over without economic loss, has no such fears, nor does he see any reason for paying compensation which would for years eat up the proceeds of export surpluses whereby Burma might purchase at will in all the markets of the world. Hence the appeal of the Burmese Communists, who today form a most serious threat to the stability of the AFPFL Government.

Survival of Trotskyism

The Burmese Communists are divided into "Red Flag" and "White Flag" factions. The latter are, or were, the more extreme, having a "Trotskyite" tinge (Ceylon, which is closely in touch with Burma, is today the one country of the world where Trotskyism remains an important political force, surviving like a religious sect). The Red Flags were in active armed rebellion while the White Flags participated in the elections for the Constituent Assembly and won seven seats. But since then the White Flags, too, have become more and more violent and have been subjected to severe repression by the Government. The Communists have also penetrated the People's Volunteer Party, one of the AFPFL parties, and its para-military organisation, which used to be Aung San's private army. In Arakan and central Burma the Communist armed bands control wide areas of the countryside and have to a great extent disrupted communications. Although the army and police have so far remained loyal to the Government, the general political trend has been so adverse that Thakin Nu has felt the need to placate the rebels and halt the swing of popular support to the Communists. He has therefore passed through parliament a bill for the nationalisation of the British-owned Irrawaddy Flotilla as from June 1st, and about a third of the foreign-owned teak forests, in which Indian as well as British capital is invested, are also to be taken over this year. Having thus shown himself sincere in his zeal for expropriation, Thakin Nu has set forth a programme for his new party which is specially designed to attract Communists, including as it does items such as the development of political and economic relations with the Soviet Union and the new regimes of Eastern Europe, the socialisation of foreign trade and the transformation of the army into a "people's democratic army." The Communist leaders, however, are suspicious of Thakin Nu's advances; they want power for themselves and not lip-service to Communist principles from a man who has never managed to achieve the reputation of being really fierce with foreigners.

India's Vital Interests

Important British economic interests are at stake in Burma, but so also today are Indian; and the Burmese may well find India less long-suffering than the departed British rulers at the foreigner-soaking rivalry of Burmese politicians. For India not only has the property interests of its nationals in Burma to defend, but also a great and urgent interest in the regular availability of Burmese rice, imports of which become each year more essential to India's precarious food supply. The crop this year has been excellent, and it is hoped that as much as 1,800,000 tons will be exported by the end of the year, with targets of 2,000,000 tons in 1949 and 3,000,000 in 1950. But rice exports depend on efficiency and security of transport within Burma, and a serious deterioration of the railway and river shipping services, and, still more, conditions of serious civil war, might almost eliminate them in a short time. The recently-appointed first Indian Ambassador to Burma, in congratulating the Burmese on their independence, also spoke words about the Indian minority in Burma which seemed to contain a note of warning to Rangoon's ultra-nationalists. India will certainly watch with a vigilant concern the stormy politics of its small, but defiant, neighbour.

Party Politics for Spain?

[BY A SPECIAL CORRESPONDENT]

RECENT economic agreements between Spain and France and Britain respectively cannot altogether be divorced from the attempts, both subterranean and overt, to re-establish a party political system in Spain. It is quite possible that they may pave the way for a gradual emergence of Spain into European affairs quite irrespective of the ban on ERP aid.

There are warring schools of thought which cut across even Catholic public opinion in Spain at the moment. There is the right-wing Catholicism, which distrusts Christian Democracy in France and Italy, has no wish to compromise with socialism and which prefers the idea of a Latin-American-Iberian bloc to ERP. At the same time these protagonists illogically denounce the United States and Western European nations for denying ERP to

Spain. Then there is a coalition of moderate Catholics, Royalists, and some ex-Falangists, who believe that Spain must bring itself back into the European family in a dignified manner and by means of gradual concessions, at the same time consolidating and unifying Catholic opinion throughout Europe, whether it be of the left or of the right.

The idea of making a move towards a return to a more democratic way of life first emanated from Royalist circles close to Don Juan. It is a policy that has since found favour among members of the Cortes close to Franco as well as with moderate ex-Republicans. Had these people been allowed to pursue the project in their own way, it is likely that a measure of success would already have been achieved. Unfortunately, foreign influences intervened and certain American diplomats favoured the idea of sponsoring the scheme as a bait for leading Spain back to the democratic camp. Foreign intervention in the internal affairs of Spain has never succeeded, and is the worst method of convincing Spaniards. The clumsy attempts to urge the recognition of a party which was not even in being had the immediate effect of hardening official opinion against the idea.

Chilly Reception for American Ideas

Accordingly, when Mr Myron Taylor, in his role of personal representative of President Truman, raised the proposal unofficially with the Caudillo—that is, to allow the creation of a Christian Democrat Party—his reception was chilly. It was hardly good timing for the proposal to be made when President Truman in Washington was emphatically denying that ERP would be extended to Franco Spain.

The Caudillo had a ready-enough answer. The need for a Christian Democrat Party might be acute elsewhere in Europe where Communism threatened to engulf whole countries, but it was quite redundant in Spain, where all were Catholics and where Communism did not exist. "We are one party," said the Caudillo, "and that is a Christian party."

Nevertheless, providing there are no more external attempts to force a decision on Franco, a Christian Democrat Party may become a reality in the near future. Whether it will mean a step towards democracy is another matter. That will depend upon whether the Vatican or Franco has the greater influence in shaping events.

The Italian elections were watched with great interest in Spain. The Church's intervention in politics during the election was understandable, but it is felt that it should now withdraw from the political arena. If the Vatican withdraws this influence it may be that no attempt will be made to intervene in Spanish affairs.

Señor Angel Herrera, former director of the Catholic paper, *El Debate*, has been mentioned as a probable leader of any Spanish Christian Democratic Party. He has been closely linked with Gil Robles, and is favoured in Monarchist circles. The critics of Franco in official circles—and there are more than is generally supposed—believe that Spain can be assisted by constructive criticism from within the country. They feel that many reforms are long overdue and that a Catholic policy with a popular appeal for the masses, based on a programme of social amelioration, would stabilise Spain.

The opponents of this idea are mostly Falangists, who suggest as a counter-proposal the creation of a Labour Party on the Argentine model. It is odd what political contortions a near Fascist entourage will indulge in to disrupt anything which smells of liberalism.

It has been suggested, too, that the functions of Chief of State in Spain should be separated from those of Chief of Government. If this compromise were adopted party politics might be introduced and the chief of Government might be the present Minister of Foreign Affairs, Señor Artajo. This could lead to the creation of two parties, Christian Democrat and Nationalist-Syndicalist.

The latest development in connection with the party plan has been the *démarche* made in a letter from France by Señor Villalonga to Mgr Enrique Pla y Deniel, Cardinal Archbishop of Toledo and Primate of Spain. This letter informed the Cardinal of the desire of "numerous Spanish Catholics for the organisation of a party calling itself the Union of Middle Classes and Liberals." But the important part of the letter lay in this statement: "We ask only to be permitted to organise now for the day when the country will need new men and new methods."

That is the crux of the matter inside Spain. Franco may be firmly in the saddle through the grace of Stalin, but his reitera-

Prosperity in the Dutch West Indies

[BY A CORRESPONDENT]

THE smell of oil, the continuous stream of ocean going tankers, the tropical heat and the feverish activities of about two hundred thousand people from forty-five different nationalities and races strikes the visitor to Curacao and Aruba, the two main islands of the Dutch West Indies. Only 25 years ago the six islands—Curacao, Aruba, Bonaire, St. Maarten, St. Eustatius and Saba—which form the Dutch West Indies, were merely tropical islands with little prospect of future development. Curacao, the largest of the islands, discovered in 1499, had a dwindling population of 30,000 and Aruba of only about 8,000 people. The islands had no vegetation, no raw materials and no industries; the native population was frustrated and had no hopes of economic progress.

The discovery of oil in Venezuela changed the whole situation. The population of the two islands increased to over 45,000 in Aruba, and very nearly reached 120,000 in Curacao. Prosperity reigns everywhere; houses are being built by the thousands; new schools and hospitals, welfare centres, ports and warehouses are being expanded; new quays and wharves are being erected; new luxury hotels, clubs and casinos are being built at feverish speed. Money is no object. Sterling and dollars are available in plenty and the shops are full with British and American goods. People of all races, colours and creeds are living together in harmony, and the general health of the people is the highest in the Caribbean in spite of the lack of vegetation. Racial discrimination against coloured people is hardly known, and the Dutch colonial administration can claim high credit for the way these prosperous islands are governed.

This prosperity is still more remarkable because neither Aruba nor Curacao possesses any oil wells. They do possess, however, good natural harbours, while the nearby Venezuela has none. So, the natural ports of Aruba and Curacao tempted British and American capital to build the world's largest oil refineries on these two islands.

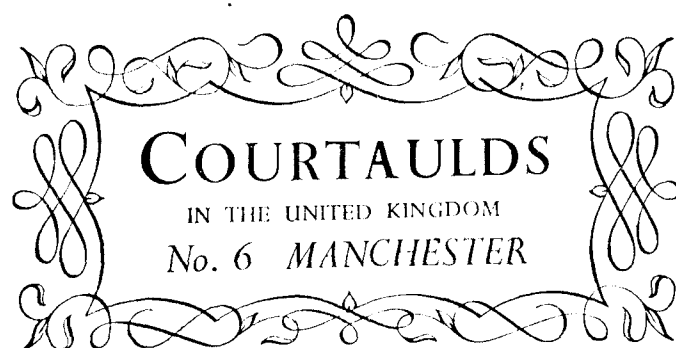
British and American Oil Interests

The British were first in the field. The Shell Company started to build an oil refinery in Curacao in 1918, but this refinery was not expanded until 1929, when its capacity was increased to the present figure of over 300,000 barrels daily.

American capital came to the Dutch West Indies in 1945, when the Lago Corporation, which is now controlled by the Standard Oil Company of New Jersey, started to build a refinery at San Nicolas, Aruba. The Lago Refinery is larger than the Shell Refinery in Curacao, and is able to handle over 400,000 barrels of oil daily. British capital followed American to Aruba, and the Shell Company has also started a new refinery, called the Eagle Refinery, at Oranjestad. The two Shell refineries have a potential output equal to the Lago refinery.

The whole economic life of the islands is dependent on the refineries. Over 10,000 people in Aruba, out of a total population of 45,000, work in them. Wages are good, social insurance and health schemes are in operation and there are no signs of any labour trouble or any basic friction between employers and workers. The islands have no shortage of foreign currency. The Dutch West Indies is, perhaps, the only area in the world where no import licence is required for importing British goods. But this does not apply to the United States. The Dutch Government do their utmost to preserve the dollar resources, but in spite of that, American exports are predominant. This is hardly surprising, for America is much better situated than Britain for shipping consumer goods to these islands. American manufacturers are spending large amounts on advertising their products. The shops are crammed with American goods and the public is "America" conscious. But in recent years the barrier has broken down. British goods are becoming more and more predominant, and there are great potential possibilities for the shipment of all types of British consumer goods.

The Dutch administration has comparatively few local problems. There is no friction between the administration and the local population. The only political development has been a tendency to local rivalry between the various islands.



IN the 1820's Courtaulds' Essex-made silks were beginning to find their way to world markets through the country's textile merchanting centres. Several Manchester houses have been continuously supplied by the firm with piecegoods for more than a century.

In 1886 the late Sir Thomas Latham was appointed the firm's Lancashire sales agent in the cotton capital and he subsequently played a leading part in the foundation and development of the rayon industry, becoming deputy chairman of Courtaulds in 1917. Today the Company has two sales offices in the city—one at 36 Church Street for its piecegoods; the other at 28 Princess Street for its rayon yarn and staple.

Since the 1914-1918 War, however, Courtaulds' activities in the Manchester area have been industrial as well as commercial.

Firstly, in 1916, the shortage of chemical supplies led to Courtaulds building their own factory at Trafford Park, which produces chemicals for use in the Company's other works. It is the largest producer of carbon bisulphide in the country, and makes large quantities of sulphuric acid by the most modern process.

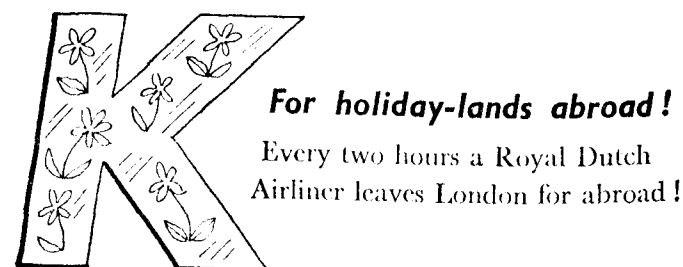
Secondly, in 1920, the Company acquired a site at Droylsden on which was erected a yarn dyehouse, where improved techniques for dyeing rayon, today universally accepted, have been developed and demonstrated commercially.

These two factories on the city fringe undertook important additional tasks during the Second World War. Trafford Park manufactured chemicals for munitions, while Droylsden dyed, camouflaged and proofed military equipment.

Of more than 23,000 people now directly employed by Courtaulds in the United Kingdom, about 600 serve the Company in this great textile centre of Manchester, each doing his part in the national interest of putting more and better rayons into the ships and shops.

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

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THE BUSINESS WORLD

The Tide of Prices

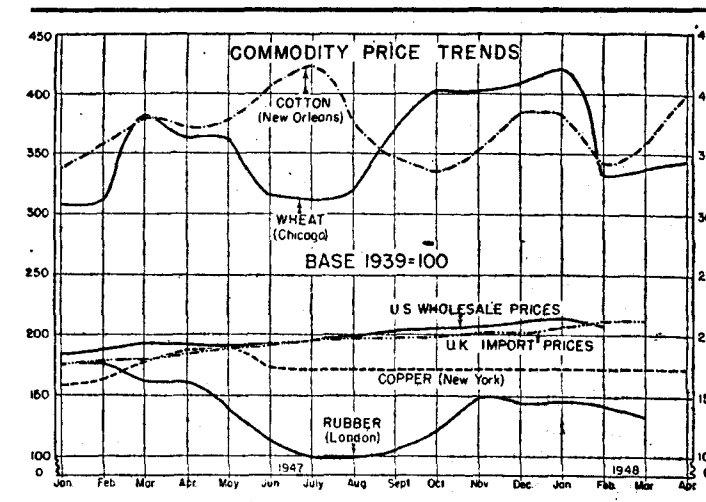
EARLY this year there were high hopes that, at last, the ever-rising tide of prices for Britain's imports of raw materials and food might be turning. The appearance of the "Economic Survey" last March followed soon after a severe jolt to grain and cotton prices in the United States; for the first time since the war there were perceptible grounds for expecting an improvement in the terms on which Britain had been trading with the rest of the world—and in particular with the New World. The Chancellor of the Exchequer has lately disclosed that such an improvement was taken into account when the import and export programmes for 1948 were prepared; the "overall deficit" of £250 million for 1948 was an estimate which, it was hoped, left a margin in hand.

But, once again, history has confounded optimism. The hopes were reasonable, but prices have refused to conform to them, as they have so often refused in the past. The result is that the deficit during the first four months of this year was running at an annual rate higher by £150 million than the "Survey" suggested. And for this, as Sir Stafford Cripps has recently shown, the principal cause is the further rise in the cost of imports. Last year, according to the "Economic Survey," the fact that import prices had risen more rapidly than export prices since 1938 "cost us an addition of nearly £250 million to our 1947 import bill." That is a simple way of measuring the consequences of the deterioration in Britain's terms of trade with the outside world. The same point can be more formally put: at the end of 1946 the average price of imports was 223, taking 1938 as 100, and of exports 210 per cent. In other words, it was then costing 64 per cent more exports to obtain a given volume of imports than it did in 1938. At the end of last year this same percentage had increased to 74. But by April this year the index of import prices had risen to 283 (1938 = 100) and export prices to only 251, with the result that a given volume of imports last April would have cost nearly 13 per cent more exports than it did before the war. These figures measure the galloping deterioration in Britain's terms of trade; they show—it scarcely needs proof—how vulnerable is this country to a further rise in world prices; and they explain the heart-breaking anxiety which each successive rise in prices must cause.

Will relief from this dilemma of prices ever come? Expectations have so often been cheated in the past, and now American demand seems to have acquired a new lease of life. Moreover, the full force of the increase in world prices has yet to be felt by Britain—which, for example, is still getting wheat under existing contracts much below the world price, though it will shortly cost appreciably more under new contracts. If the prices of primary commodities were suddenly to break on the world markets, Britain would enjoy no immediate relief for those supplies which had already been bought forward at fixed prices. But the signs of such a break which it was possible to discern last February have vanished; the world is still short of food and raw materials, and at this moment there is little evidence of a sharp check to inflation, particularly in countries producing primary materials, or to the fantastically high level of industrial activity in the United States.

Until these conditions change there is little hope of that correction of the disparity between the prices of primary commodities and of manufactured goods for which Britain—and indeed Western Europe—has so earnestly hoped. But to

measure the likelihood of such a change, it is necessary to keep the two factors logically separated in the mind—to distinguish between an absolute shortage of supplies of certain commodities owing to the dislocation of war on the one hand and, on the other hand, a relative shortage of supplies due to total demand outstripping production, even though output may be on a scale which in normal times would be regarded as being good and sufficient. The accompanying table attempts to measure these separate factors. It includes a representative list of primary commodities which, apart from rayon, feature prominently in world trade. The first section of the table shows world production of these commodities before the war, and in 1946 and 1947; for certain commodities, production in Russia, Japan, and some countries in Eastern Europe is excluded because postwar figures are not known. The prewar figures for production are five-year averages, except for rayon and synthetic rubber where 1938 has been chosen because output was rising rapidly during the period. The last column of this section shows output last year as a percentage of prewar output,



but it should be borne in mind that the world's population has increased during the period by about 12½ per cent.

This part of the table shows that the world output of certain commodities has greatly expanded compared with prewar years. Sugar is one example; production was not seriously upset by the war, and the problem here is not one of increasing total supplies, but of finding sufficient dollars to buy the present production. Supplies of rubber seem highly satisfactory. Thirty per cent more natural rubber was produced last year than in prewar years, though the comparison of flush yields last year with restricted output before the war is perhaps open to question. But, comparisons apart, supplies have been good, and yet despite the high output of synthetic rubber in the United States, prices have been steadily rising, because demand has expanded even more. Nearly one-quarter more copper was produced last year than before the war, despite the interruption of supplies from Northern Rhodesia. But this expansion in output only palely reflects the increase in demand and the rise in prices; for several reasons (including high cost of mine development and the treatment of lower grade ores) supplies of non-ferrous metals have not responded proportionately to prices.

Apart from these three cases, supplies of primary commodities have not shown an adequate expansion since 1945. Wheat and rice, affected by major dislocation of war, are well below and maize no higher than the prewar output. World output of cotton and wool is still appreciably below the prewar levels, and, moreover, the quality of wool has deteriorated. All the major cotton producers restricted their planting during the war to produce more food, and they have been slow to change back to cotton because food has since been even dearer than cotton. Australia reduced its grain shipments to feed more livestock, and reduced its output of merino wool to provide more mutton. Among the textile fibres, rayon alone has regained the prewar level of output, because the prodigious stride in American output has more than offset the loss of Germany, Japan and Italy; yet this expansion is far too small to offset the reduced supplies of other textile fibres. Of the non-ferrous metals—apart from copper—tin is still recovering from the effects of war, while production of lead in the United States is declining through the exhaustion of deposits and Australian lead development has yet to bear full fruit.

So much for world supplies. In some respects, the picture is not unfavourable, but in others it shows a painfully slow recovery from the effects of war. The next stage is to relate these supplies to the two principal consuming countries, the United States and Britain, as in sections two and three of the table. The ubiquitous character of American demand is obvious. Of the twelve commodities listed, the only falls are in the consumption of sugar and tin, and in the former case the decline may be something of a statistical illusion. Wheat consumption is 12 per cent higher than before the war—which is in step with the increase in population—and maize consumption, despite short supplies, 14 per cent higher. But the most remarkable figures relate to the consumption of industrial materials—cotton consumption up by nearly 60 per cent, wool by 70 per cent, and rayon two and a half times as large. American consumption of natural rubber shows only a modest increase, but last year it was equalled by consumption of synthetic rubber. Last year, again, American industry used more than twice as much copper than before the war, though world production was only 24 per cent higher. Consumption of other non-ferrous metals showed a much smaller expansion—indeed, tin was down—but in each case American consumption was significantly greater, in relative terms, than the movement in world production.

The third part of the table deals with British consumption of the same commodities. The figures for wheat relate to human consumption, and exclude wheat fed to livestock. With this single exception among foodstuffs—a monument to the British capacity to absorb a farinaceous diet—and of natural rubber among industrial raw materials—where comparison is vitiated by American use of synthetic rubber—each commodity reflects a smaller recovery in consumption last year, compared with the United States. This part of the table shows the total

effect, on the British economy, of rising import prices, world shortages, and an extremely high level of demand in the United States. These are matters not of complaint, but of fact. In the competitive struggle for supplies Britain has been at a serious disadvantage, and so it is likely to remain until supplies become easier.

What are the prospects? History proves the unwisdom of measuring grain crops until they are safely gathered, but this year, unless there is unexpected bad fortune with the weather, there is every promise of bumper crops. Another large yield, estimated at 1,200 million bushels, is expected in the United States and the European crops are most promising. Indeed, it is conceivable that world grain supplies this year may exceed the prewar volume—though satisfaction at this prospect must be tempered by the stark truth that a failure of the American wheat crop, after a long spell of good harvests, might jeopardise world food supplies in some future year. Rice, too, is showing an improvement, though it remains to be seen whether, and how far, the willingness of Burma's rulers to follow the way of Russia will impede the restoration of the Asiatic rice economy, which must be based on a large export surplus from Burma. Supplies of sugar will certainly outstrip the supply of dollars to pay for them. World cotton production may show an expansion of the order of 5 per cent, which would still leave it below the prewar level. This year's wool clip may reach 1,590 million lb., and there should be a bigger rise next season, with a bigger proportion of high quality merino wool. World output of natural rubber this year is put at 1,391,000 tons (and 1,547,000 tons next year), and with, say, 500,000 tons of synthetic output, total supplies in 1948 would show an increase of 6 per cent. Output of non-ferrous metals for the first quarter of this year suggests a welcome expansion in supplies for the whole year; the forecast for tin is 150,000 tons (with 170,000 tons next year and 200,000 tons in 1950), but supplies of lead are likely to continue very short.

*

Thus there is some evidence that physical shortages are being slowly overcome. But the expansion which is in sight does not weaken the force of the truism that the key to world prices—and therefore to the prices of British imports—rests upon the tempo of industrial activity in the United States. Is the latest sharp rise in prices there the final spasm in the orgy of inflation? It is difficult to reach a firm conclusion, but at least the pipe-lines are full, stocks seem to be adequate, and there are signs of resistance to higher prices for certain lines of goods. If a break in prices were to occur, it might go some distance, for the demand for industrial raw materials might well be considerably curtailed until stocks were reduced to a lower level. The break of prices in February did not go very far—indeed, it scarcely affected raw materials—but it might be a portent of what is to come if this year's grain harvests are as good as they promise to be.

But that is not the whole story. The American defence programme, increased purchases of strategic raw materials by the Government, and Marshall Aid are three powerful factors pointing in the other direction. A defence programme costing between \$3 and \$4 billion could have important effects on commodity prices, this year and next. As for stockpiling, the pure doctrine is that purchases should be made only to absorb unwanted supplies, but where are they to be found today? The effects of the European Recovery Programme on commodity prices will depend to some extent on the spreading of supplies by "offshore" purchases. In April the Council of Economic Advisers informed the President that the United States could absorb the expenditure for defence and ERP without undue strain, on the ground that it would act as "an offset to softening tendencies which might be developing in 1948, rather than as a further stimulus to our already strong inflationary situation."

European Trade and Payments

THE problem of restoring the flow of trade between European countries was given high priority at the recent meeting of the Council of the Organisation for European Economic Co-operation in Paris. It is hardly surprising that this should be so. The European Recovery Programme demands the fullest utilisation of Europe's economic resources. In recent months an increasing part of these resources has been under-employed because of the creeping paralysis that has spread over intra-European trade. Italian fruit has been rotting because other countries, although short of fruit, have not regarded it as an essential item of import. Some Belgian steel and textile capacity is idle because France and other European countries have exhausted their facilities for buying on credit from Belgium. British coal is beginning to meet some sales resistance in Europe, partly on grounds of poor quality and high prices but also because here and there sterling is becoming an extremely scarce currency. Even in their traditional markets, Turkish and Greek tobaccos are meeting growing difficulty.

The fault in nearly every case is the seizing up of the machinery of payments. Creditor countries among the European trading nations have gone about as far as could be expected in exporting their substance in exchange for paper claims against the others. The debtor countries have no gold and hence the creditors have no convertible means of payment to meet their own deficits with the United States. Another influence which is tending to restrict European trade is the promise of American assistance. France, for example, has exerted less energy to obtain Belgian steel than it might have displayed had there been no hope of getting steel from the United States under the European Recovery Programme. Britain might have made more attractive offers for Turkish and Balkan tobacco had there been less assurance about getting American leaf. The consequent contraction of European trade for this particular reason is doubly deplorable, because it is tending to perpetuate the dependence of Europe on the Western Hemisphere. It is hardening into permanence certain channels of trade between the United States and Europe which owe their origin to the ravages of war, which are being maintained by gift or loan dollars, and which, therefore, are wholly artificial. This stimulation of trade with the Western Hemisphere at a time when resources in Europe are under-employed runs counter to the basic conception of the European Recovery Programme, which is to restore the solvency of Europe, vis-a-vis the dollar area.

This subject had an obvious bearing on the Paris talks, for they were concerned with requirements for the June-September quarter and the ensuing twelve months of the European

The balance of this judgment seems to be less secure now than it was three months ago. And with the renewed emphasis on rising prices which has occurred in the meantime, British hopes for an improvement in the terms of trade have again been frustrated. At present there are only vague signs of a check to the tide of prices, and the hope lies, as it always has done, in some reduction, though a moderate one, in the scale of American demand. Whether such a contraction will follow this autumn's crop reports remains to be seen. All that can be said is that such changes, when they take place, can occur with surprising speed. If they do not occur, Britain will have to wait for some years before world output expands on a scale sufficient to bring down the prices of British imports to more tolerable levels. And even then, an improvement in the terms of trade will not solve Britain's problem on its external account; it will only provide some relief from present strains.

Recovery Programme. The needs of Europe that may have to be satisfied by the United States will obviously vary according to the success with which Europe employs its own resources and exchanges its own products. Hence, before the questionnaire on Marshall Aid for the coming year can be completed and the needs of the 16 countries can be drawn up, this problem of lubricating the machinery to finance intra-European trade must be tackled. It is being discussed in Paris at this moment by the executive committee of the OEEC with the help of observers from the International Monetary Fund and of American representatives taken from the staff of Mr Averill Harriman, the United States Special Representative in Europe.

It would be wrong if these discussions were to put the entire emphasis on financial machinery. It is true that the seizing up of this mechanism appears to be directly responsible for most of the contraction in intra-European trade. For example, because France is at the limit of its credit facilities with Belgium and has no gold to enable it to exceed this limit, France is no longer buying Belgian steel. But this failure of the machinery is little more than an indication of a deeper disequilibrium. No mechanism of international payments—other than one based on the grant of unconditional and limitless credit—could have withstood the chaos caused by the physical losses and economic disruption inherited from the war; but the chances of moving towards equilibrium have been lessened by the wide discrepancies of prices and costs that have since been part of the economic scene. As a result, both the volume and the direction of the foreign trade of European nations has been distorted, and these distortions have led to the gradual paralysis of the machinery of payments. If the distortions disappeared—if the countries of Europe found it possible, first to re-establish some order and stability in their domestic finances, and secondly to arrive at some rational system of stable relative values for their currencies—much of the present, and apparently chronic, disequilibrium in European balances of payments would disappear. This, in its turn, would help to loosen the now congealed payments machinery. It is, therefore, to be hoped that in the Paris discussions the symptom of payments difficulties will not be mistaken for the substance of the problem. In the field of financial policy, the problem, first and foremost, is to restore stability and reasonable equilibrium in the structure of European costs, prices and exchanges.

But obviously first-aid measures cannot be deferred until that major operation is completed. The anaemia which afflicts Europe's trade will kill the patient unless it is quickly relieved. The most urgent task is to provide some extension of the mutual credit facilities by which trade among European countries is now financed. Most clearing accounts are stretched to their

PRODUCTION AND CONSUMPTION OF PRIMARY COMMODITIES

Commodity and Unit	I—World Production				II—US Consumption				III—UK Consumption			
	1934-38	1946	1947	1947 as Percentage 1934-38	1934-38	1946	1947	1947 as Percentage 1934-38	1934-38	1946	1947	1947 as Percentage 1934-38
Wheat	mn. bushels	5,998†	5,735	5,775	96	6,85†	841	765	112	189†	223	224
Maize	"	4,730†	5,325	4,750	100	2,100†	3,150	2,400	114	136†	10	15
Sugar	'000 tons	24,384	23,950	25,600	105	5,923	4,840	5,640	95	2,470	1,815	2,070
Rice	mn. bushels	7,442†	6,950	7,086	95	...	...	...	...	...	...	...
Cotton	mn. lb.	14,507	11,686	13,500	93	2,973	4,464	4,711	158	1,323	845	851
Wool (apparel)	mn. lb.*	1,713	1,608	1,579	92	310	620	520	170	414	370	422
Rayon	mn. lb.	1,928†	1,672	2,000	104	274†	842	952	347	108†	98	115
Rubber—natural	'000 tons	940	838	1,225	130	500	278	563	113	101	97	154
" synthetic	"	70†	807	560	800	...	762	560	...	...	...	...
Copper	"	1,519	1,621	1,876	124	572	1,132	1,235	216	350	337	355
Lead	"	1,451	993	1,227	85	386	484	505	131	375	218	200
Zinc	"	1,334	1,313	1,450	109	435	706	694	161	209	217	223
Tin	"	167	97	128	77	66	65	60	91	46	43	30

* Clean basis. † 1935-39. ‡ 1938

limits and trade between each set of two countries is thus restricted to the dimensions allowed by strict bilateral barter or by the balances that can still be settled in gold. Improvement of the clearing mechanism is not enough. All that can be achieved by compensating the debits and credits which arise from intra-European trade has in fact been accomplished during the past six months by the scheme operated by the Bank for International Settlements. Its limitations were rapidly revealed; they derived, not from any inherent defects in the scheme itself, but from the plain fact that there can be no scope for compensation when certain members of a clearing system are persistent debtors and others are persistent creditors. In such circumstances, a creditor may, for a time, be prepared to exchange his claim on one member of the debtor group for a similar claim upon another debtor, but even that procedure is soon apt to lose its usefulness and attraction.

To get the machinery functioning again, there must be an extension of the overdraft limits. The creditors must be induced, for a time at least, to go on making unrequited exports to the debtor members of the European community. The creditors have, not unnaturally, shown some hesitation about following this course. Their attitude can best be illustrated by that of the most difficult, and certainly the most vocal, of them all—Belgium. In the past year, Belgium has extended international credit to the amount of 13 billion Belgian francs. Adjusted for population and national income, this sum would be equivalent to about 5 billion dollars for the United States, or about the whole of the first year's Marshall Aid. Belgium claims that it has gone to the limits of making such unrequited exports, that these exports are intensifying inflationary tendencies in Belgium itself, and that they leave unresolved the real and urgent problem of Belgium's deficit with the Western Hemisphere.

This point of view gives the key to the solutions for this problem that have been proposed by the creditors. Most of these solutions look to the provision of some dollar reserve to ease the operation of clearing arrangements between the trading nations of Europe. Three ways in which these dollars might be provided have been suggested: by a specific allocation of ERP dollars for this purpose, by "offshore" expenditure of ERP dollars in Europe itself, and by inviting the International Monetary Fund to exchange into dollars the balances left uncleared by European compensation arrangements. None of the three proposals holds out much promise of being realised. There is no prospect of direct allocation of ERP dollars to a European clearing. This would have been the easiest way to clear the stoppage in intra-European trade, and it might have proved one of the most constructive ways in which to lay out ERP funds. It has not, however, found favour in Washington. The main reason for the American attitude is that expenditure of dollars allocated in this way could not be "followed

through" with the detailed precision apparently required by the Economic Co-operation Administrator, and by Congress.

The second suggestion—that ERP dollars should be used for purchases from European countries of such commodities as Belgian steel and textiles, German coal, and Greek tobacco—hardly matches the scale of the problem. The first year's appropriations for ERP—which are not secure yet—will not suffice to cover the deficits of the 16 with the Western Hemisphere; and, therefore, they leave very little margin for "off-shore" purchases in Europe. Some purchases will take place and they will prove of assistance; but they cannot go far towards solving the problem of European payments. There remains the intervention of the IMF. This issue has already been decided by the edict from the Fund that during the course of the European Recovery Programme it will not sell dollars to participating countries in other than quite exceptional circumstances. It is unlikely that the Fund will go back on a decision which must have been reached with the concurrence and probably at the instigation of the United States Administration.

One other proposed solution should be mentioned, namely, that part of the domestic currencies deposited against ERP grants should be put into intra-European circulation—for example, that sterling deposited against grants to the United Kingdom should be put at France's disposal to finance its deficit with the sterling area. Such advantages as could be advanced for this scheme—and they were in any case plausible rather than real—must remain untested. The proposal was found to be stillborn when the Economic Co-operation Administration in Washington decided that assistance to the creditor countries in European trade is to be given largely or wholly in the form of loans and not of grants. As a result, there could be no adequate deposits of the very European currencies that are needed to balance European trade.

The problem now being discussed is, therefore, of a particularly intransigent character. In the end, it can be solved only by the willingness of the creditor countries to raise still further the ceilings of the credits which they have extended to the debtors. To encourage them to do so, the inducement of international guarantees may be provided. But the guarantee of convertibility into dollars seems, for the time being, out of the question. It is right that the solution of the technical problem should be difficult to achieve, and for two important reasons. The first, already mentioned, is that payments difficulties are merely the symptom of deeper economic disorders. An easy solution of the immediate problem—such as a large injection of dollars into the BIS compensation scheme—would tend to weaken the urgent and more fundamental need to stabilise prices, to determine normal exchange rates and to arrive at some semblance of balanced payments.

The second reason is equally important. The partial under-

employment of European resources at this moment is in some respects a parallel phenomenon to the deflationary symptoms that are beginning to affect the British economy. In their European context, these difficulties are an indication of the immense task of adjustment which is called for if Europe is to work towards solvency with the Western Hemisphere. Substantial changes will have to take place in the structure and location of European industry and agriculture if that solvency is to be ultimately reached. Much of the resources now producing the "frills" that enter into intra-European trade will have to be devoted to producing for the Western Hemisphere. The

Business Notes

Is Money Short?

The ill-matched chorus of critics who lately have been calling for a reversal of the Government's dis-inflationary policy seems to be swelling in volume. Last week its attentions were concentrated upon the purchase tax. But now the argument seems to be that increased releases of coupons and tax concessions will not by themselves be sufficient to check the recession of public demand, and that what is needed, therefore, is more "money." The particular arguments of these amateur economists are as fallacious as the policy which they advocate. The volume of money is not, at least in the short period, a measure even of income, and is certainly no reliable guide to the amount of public spending. But if the critics have to be met on their own ground, they need to be reminded that bank deposits are still running at almost £300 million above their last year's level and are some £200 million higher than they were three months ago. But the arguments of the new reflationists conveniently ignore the banking figures and concentrate instead upon the movement of the note circulation, pointing out that this has fallen by some £150 million since the middle of last year (if seasonal influences are ignored).

This is the flimsiest and most tendentious argument of all. It is well known that this large movement resulted, not from any genuine decline in the natural requirements of the public for currency, but from special and non-recurring factors—ostensibly, the fear among black market operators and tax evaders that the Government might make a currency exchange. Recently, there have been signs that these abnormal influences have now exhausted themselves, so that the true underlying trend of public demand for currency is again becoming discernible. It seems that this trend, despite the recession in public spending, is still upwards.

Since end-April, the active note circulation, as shown by the Bank returns, has risen by £12 million, to £1,250 million, or by roughly twice the amount by which it rose in the corresponding period of 1947. The average circulation for May was £5,000,000 above the April average, whereas a similar comparison for 1947 shows a decline of £3,000,000. These, it should be noted, are unadjusted figures and make no allowance for any changes in the till money of the commercial banks which they include. The banks last month may have been further augmenting their own currency holdings in readiness for the seasonal demands, which this month are probably being accentuated by a resumption of the pleasure motoring. But the latest figures of till money—those for April—show so large an increase that a further strengthening may have been unnecessary. Indeed, this purely banking action explained the whole of the apparent modest expansion which occurred in the active note circulation during April. The estimated net circulation of currency in the hands of the public dropped in that month by £3,000,000 to £1,230 million, compared with £1,377 million in April, 1947. In the four months from the December peak there was a decline of £95 million, in contrast with one of only £3,000,000 in the similar period a year earlier; but of this £92 million accelerated fall, no less than £85 million was compressed within the first three months of the year. That is the justification for the assumption that the special influences have spent their force. On that assumption, the future trend of the adjusted figures will more faithfully reflect the true demand for currency. As yet, there is no sign that currency movements are reflecting the anti-inflationary influences which are now causing such controversy.

Meanwhile, the demand for coin is still a contrary movement within the demand for currency as a whole. General observation shows that the acute shortage of silver has now abated, thanks

present under-employment of European resources is in part a symbol of the need for this adjustment and an opportunity that should be seized in order to achieve it. The payments experts in Paris would indeed do real harm to the cause of permanent European reconstruction if they were to evolve a new payments machinery so smooth and efficient that it would keep in being trade that should not be taking place at all. These payments problems, important though they are in the short run, must not be allowed to obscure the need for that fundamental adjustment of the European economy which alone will enable the yawning dollar gap to be filled.

to the increased minting and release of new coins. In recent years, the total supply of coin outside the Bank of England has been rising at an average rate of rather less than three-quarter million pounds a month. In the first four months of 1947, it rose by only £1,000,000, but in the similar period of this year, the expansion was £5,000,000, and £2,000,000 was added both in March and April. The total now stands at £152 million, showing an increase of 6.3 per cent in twelve months and one of 97 per cent since 1938. The net circulation since 1938 has risen by 175 per cent.

* * *

The Decline in Savings

The adverse trend of National Savings, discussed here on June 5th, is becoming more pronounced. In the latest fortnight for which figures are available, withdrawals of past savings exceeded new savings by just over £2,000,000, before allowing for £5,630,000 of Defence Bonds redeemed at maturity and £1,000,000 of interest disbursed on encashed Savings Certificates. In the first ten weeks of this financial year, net savings as officially computed (and therefore with similar exclusions) have totalled merely £4,873,000, in contrast with roughly £58 million in the corresponding period of 1947. Then, however, Dr Dalton's devices for boosting the figures were still operating. The National Savings Committee this week has in effect pointed this out, by a reminder that in the early part of 1947-48 sales of savings certificates were largely increased in response to the raising of the limit on individual holdings. The much smaller sales of certificates this year account for most of the fall in total gross savings—from roughly £215 million to £151 million in the two ten-week periods. Aggregate withdrawals, it is pointed out, have actually fallen by £9,527,000 (to £146,254,000), and are now running at the rate of about 14 per cent of the total amount of accumulated savings.

Reminders that this year's figures are free from the extreme distortions of last year are no consolation, however, for the fact that National Savings are now, in effect, making net demands upon savings accumulating through other channels. The apparent small credit for the ten weeks is far surpassed by the redemptions of maturing Defence Bonds (nearly £24 million) and the interest disbursements on certificates, so that the National "savers" as a whole are absorbing part of the budget surplus. That would be of little account if it were certain that individuals were otherwise accumulating funds out of income. After all, the Committee's acknowledged role this year is to promote "abstention from spending" and not necessarily to sell its securities. But this realistic slogan becomes increasingly difficult to put across as the foolish murmurings about the supposed dangers of a "buyers' strike" become more widespread.

* * *

Lord Mackintosh on Industrial Savings

It is well that the Chancellor's prudent budgeting counted, in effect, upon only a very small volume of saving by individuals. Plainly, most of this year's saving will be corporate saving from taxes and profits; and the more the Chancellor was persuaded to whittle down his surplus—which represents forced and centralised saving—or otherwise to dilute the policy of wise austerity, the more important would industry's saving become. In this context, it is interesting to observe that Lord Mackintosh, who in his official capacity recently blamed the capital levy for the slump in National Savings, has now, in his private capacity, drawn attention to the effects of Government policy upon company saving. His statement to the shareholders of John Mackintosh and Sons, Ltd., applauds the recent improvements in depreciation allowances for tax purposes, and tactfully remarks that "in this

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respect the present Government has been more favourable to private enterprise than previous Governments." This bouquet, however, is but a prelude to a brick-bat—well aimed at the absurd tax on bonus issues. "The issue of 'bonus' shares," he points out, "far from being a distribution of 'money,' is an act which makes it legally impossible to pay that amount of profits in the form of cash dividends either now or in the future." Such issues "are an encouragement to careful directors and should be encouraged rather than otherwise." Hence he concludes that the tax "goes quite a long way to discourage the conservation of profits in the business."

Undoubtedly, this is a sound diagnosis. The follies of this tax have been repeatedly expounded in these columns, and the Chancellor's undertaking to look at the tax before next year's budget deserves interim applause. But it ought to be pointed out that, where so-called "free" bonuses are concerned, the particular effects which Lord Mackintosh fears are likely for the time being to be prevented—quite fortuitously, no doubt—by the combined influence of dividend limitation and the discriminatory tax upon distributed profits. For the present, inability to make "free" bonus issues is unlikely to reduce the volume of industry's savings. From a social point of view, the main danger from the tax arises from its incidence on issues of new capital on so-called "bonus terms." Much evidence has accumulated recently of the way in which it is preventing companies from raising the resources they need for capital development. For the short run, the real risk is that it will deter, not saving, but investment.

South Africa's Hot Money

No further measures to deal with South Africa's hot money problem have been announced this week, but some of the confusion caused by last week's rumours of an impending "ultimatum" to overseas holders of deposits in the Union have been shown to be based upon a misapprehension. The source of the confusion was a letter from the South African Treasury to the Johannesburg stock exchange laying down the principle that shares may be sold on behalf of non-residents only for the purpose of re-investment within thirty days, in other securities quoted on the exchange. The first cabled interpretations of this rule apparently assumed that in this case the term "non-resident" was used in its most restricted sense to mean resident outside South Africa. It now appears that the term is used in the normal exchange control sense, meaning resident outside the Sterling Area. In consequence, the new rule has virtually no significance for the London market. Moreover, non-residents will themselves be free from the compulsion to re-invest if the securities which they sell had been bought originally with funds remitted direct to the Union from their country of residence. The proceeds of non-resident sales of securities will also be freely available for re-transfer to the country in which the seller is resident. In other words, South Africa appears to be introducing a system of control of non-resident funds which is closely analogous to the "Form M" procedure which, until recently, was followed by the British exchange control.

Odeon-Gaumont Pool

The trend towards complete integration and unification of control of the British film industry is taken one step farther by proposals announced this week to pool the receipts of the major part of the group of cinemas in the Odeon and Gaumont-British circuits. The two groups of cinemas are, of course, closely inter-linked within the J. Arthur Rank Organisation but they have hitherto retained their financial autonomy and independent management. Much of this independence will disappear if the proposals made this week to shareholders in some 20 companies concerned are accepted. These proposals envisage the complete centralisation of management and the 564 theatres in the Gaumont-British and Odeon groups in the hands of Circuits Managements Association Limited (CMA). This is a newly created, non-profit making concern with a board representative of the Odeon and Gaumont-British groups.

CMA, in addition to managing substantially all the theatres of the two groups, will operate a pooling arrangement for the benefit of 20 of the principal theatre-owning companies which between them own 519 theatres. The gross receipts of these companies, after deduction of certain expenses, will be pooled and then divided in proportions calculated by the auditors of each group. These shares are based on the results of the three years 1944 to 1946; for Gaumont-British, the share is 41.3124 per cent and for Odeon 58.6876 per cent. The advantages claimed for the pooling arrangement are that it will simplify managerial

problems, result in substantial economies and provide each company concerned with protection against the risk of adverse conditions in its particular locality.

Such proposals must be judged in the light of the claim that they will lead to greater efficiency. On this score it is to be hoped that more detailed information will be given at the meetings which have been called to authorise them than is provided in the circulars issued to shareholders. It is impossible to judge the relative financial impact of the proposals on the two main companies concerned, Odeon Theatres and Gaumont-British. That will depend on the management policy which will be superimposed on the two circuits. The circular talks in terms of the need for a "balanced programme of British and American pictures" and of "a balanced allocation of the available British films." This emphasis on the box-office returns from British films comes appropriately after the decision to fix the exhibitors' quota for the year from October 1st at 45 per cent for feature films and 25 per cent for supporting films. Mr Rank is reported to have said that he will see that the quota is observed by every cinema, but many exhibitors have declared that it means even greater defaults than in the past. Perhaps without this pooling arrangement even the cinemas within Mr Rank's group would not have found its observance an easy matter.

Presumably it is intended to allocate films between the two circuits in order to maximise exhibiting revenues, though they will still be booked as separate and distinct circuits. If, as a result of the fall in cinema attendances, to which, incidentally, the circular makes oblique reference, it should be decided to close certain redundant theatres, the financial consequences would be distributed over the two groups. The same point would apply to first and second release bookings: what the first circuit gained, and the second lost, would be shared in the stated proportions. Obviously, the net consequence of such arrangements for individual shareholders cannot be determined in advance. Meanwhile, the Board of Trade has raised no objection to the scheme, which does not in its view affect Mr Rank's undertaking of 1944 to go no further in the control of cinemas.

A. C. Cossor's Difficulties

The full accounts of A. C. Cossor, the radio and electronics company, for the year to March 31, 1948, reveal a much more serious position than was generally expected when the passing of the interim preference dividend was announced some weeks ago. The parent company actually shows a trading loss of £22,043 compared with the previous year's profit of £214,145. Comment should be directed, however, to the consolidated accounts, and here the only grain of comfort is the fact that trading results of the group were still on the right side. Yet the fall from £320,921 to £70,763 in consolidated trading profit masks matters of even greater concern; for the group's net profit of £127,014 for 1946-47 has been transformed into a loss of some £110,480.

The main factor responsible for this unhappy situation is the provision of £150,000 to cover a possible fall in the value of stocks. This provision appears all the more necessary in view of the increase in the value placed on the group's stocks, work in progress and completed work from £1,284,628 to £2,143,555 during the course of 1947-48; this great expansion has been followed in the first three months of the current financial year by a sharp contraction in demand for the group's products at home and overseas. Moreover the inflated level of stocks has placed an intolerable strain on liquid resources. The group's cash resources have contracted to a mere £17,083 compared with £577,891 a year earlier, and bank overdrafts of no less than £780,933 have been obtained. The deterioration of trading conditions since the end of the financial year has presumably made the present situation even worse; it would be surprising if the revaluation of stocks on March 31st represented the final solution of the problems which confront the new board.

The increases in purchase tax first from 33½ per cent to 50 per cent last November and again to 66½ per cent in April this year naturally receive much emphasis in Lord Burghley's review of a calamitous year. But the new board has to find a solution not only for the lag in home and export sales of radio sets but also for full employment of its greatly expanded capacity in ancillary lines of production. It is idle to suppose that these problems could be solved quickly. To a material extent the outlook for the company—and for the industry of which it forms part—depends on establishing the right scale, under normal trading conditions, for production capacity which was greatly expanded during the war. Lord Burghley's review puts no gloss on these problems, but the facts of the present and the mistakes of the past will not be easy to surmount.

Warning Light in Engineering

As expected, the engineers have reacted strongly to the employers' rejection of their wage claim. Threats of direct action have been made by shop stewards in the leading engineering centres, and this resentment is undoubtedly being whipped up for political purposes. Even if they were localised, strikes at this juncture could seriously dislocate the export programme. Mr Gavin Martin, Secretary of the Confederation of Engineering and Shipbuilding Unions, addressing the engineers' conference this week, certainly added fuel to the flames which Mr Tanner, the president of the Amalgamated Engineering Union, was trying to damp down. Mr Martin based his case on the well-worn thesis that the employers could afford to pay for the increase out of their higher profits, while Mr Tanner's plea for patience and "responsibility" was not well received. Since the engineers opposed the TUC's policy of accepting the principles of the White Paper on Personal Incomes, they no doubt feel logically justified in pressing their full claim to the limit—and some moral superiority over other unions which supported the TUC, but are nevertheless putting forward new wage claims. Nevertheless there is a disagreeable flavour of industrial blackmail in their present threats to withdraw labour.

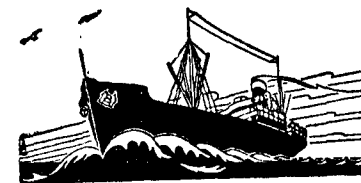
No decision about future action can be expected before the meeting of engineering executives in York on July 14th. They will then have to decide between four courses—whether to reopen negotiations with the employers, to refer the claim to arbitration, to take direct action, or to seek an independent enquiry into the industry's wage structure. This latter course is favoured by the more moderate leaders, but there is a feeling among the rank and file that it would merely be a stalling device.

Foundry workers have taken the same line as the engineers at their annual conference. The shipbuilding employers' reply to the unions' claim will be given this weekend, but as it is likely to follow that of the engineering employers, the shipbuilding workers will soon be adding their protests to those of the engineers. On present signs, a good deal of unrest in the workshops and shipyards must be expected in the coming months. The engineers' claim is a test case in wages policy and it will be hard fought.

Aftermath of the Engineering Boom

Within a short space of time, six light engineering companies have passed their preference dividends. Last February, Henry Meadows foreshadowed events to come by announcing that the preference dividend due on March 1st must be deferred. On May 15th Specialoid passed the preference dividend due on that day, and followed this step by a further statement that "certain reserves should be made in respect of investments and stock which should still leave the company in a fully solvent position" and that reorganisation of production was under way. May 29th was a fateful day for three companies. Vactric announced that the position of the company did not justify payment of the preference dividend due on June 1st. British Rola, announcing a similar decision, disclosed that after various provisions there would be a net loss of £10,543 for the year to March 31st against a net profit of £12,582 in 1946-47, and on June 2nd a receiver was appointed by the debenture holders. And thirdly, Douglas (Kingswood) reported a net loss of £512,504 for 1947. On June 12th Richard Crittall decided to defer payment on the interim preference dividends due on June 30th pending completion of the audit for 1947.

The sums involved in these various cases are not so large that they are likely to cause serious financial injury. But the revelations gains importance for three reasons. First, all the companies involved are in the same industrial group: Meadows makes petrol and diesel engines, and gear boxes; Specialoid manufactures pistons; Vactric makes vacuum cleaners; British Rola makes general engineering and radio components; Richard Crittall is well known for its heating and ventilation equipment, and, lastly, Douglas produces motor cycles and other engines. Secondly, the general engineering industry expanded greatly during the war, and the recent revelation of financial difficulty represents in part a delayed adjustment to more normal peacetime conditions. In this adjustment lies the explanation of the rapid change in fortune which these companies, recently looking so prosperous, have experienced. Thirdly, all these companies, with the exception of Vactric, have comparatively recently increased their capital or placed their shares on the market. Specialoid obtained further finance in 1944 by a private placing, but in the case of Henry Meadows, Richard Crittall, British Rola and Douglas (Kingswood) the public was invited to take a bigger financial interest. A com-



This question of Exports

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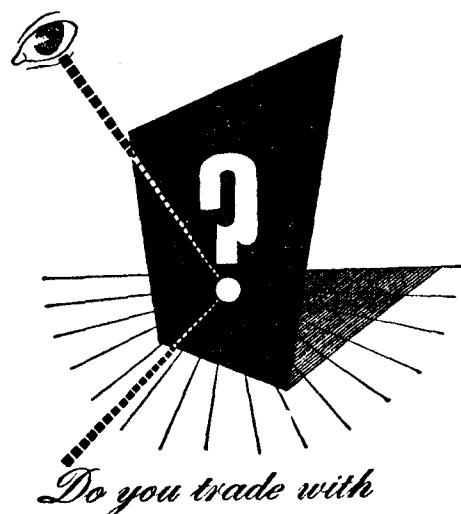
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(N.V. Koninklijke Nederlandsche Maatschappij Tot Exploitatie Van
Petroleumbronnen in Nederlandsch-Indië)

BALANCE SHEET AS AT 31st DECEMBER, 1947

LIABILITIES		Neth. Fl.
Share Capital.....	998,500,000.—	
Preference Share Capital.....	1,500,000.—	
3½% Debenture Loan.....	100,000,000.—	
4% Dollar Debenture Holders.....	47,808.—	
4% Guilder Debenture Holders.....	2,508.33	
Creditors.....	40,743,373.81	
Priority Shareholders.....	16,432.—	
Reserve as per Article 4 of the Articles of Association	71,666,011.35	
General Reserve.....	27,500,000.—	
Profit & Loss Account.....	93,075,201.80	
	Neth. Fl. 1,333,051,335.29	

The Hague, June, 1948.
The Commissaries:
W. H. VAN LEEUWEN
J. KLOPPER
E. J. IJZERMAN
W. H. DE MONCHY
J. C. VAN PANTHALEON VAN ECK
C. J. COLLOT D'ESCURY
F. Q. DEN HOLLANDER
J. LUYTEN
A. S. OPPENHEIM

ASSETS		Neth. Fl.
Unissued Shares.....	394,151,200.—	
Participation in:		
N.V. De Bataafsche Petroleum	Nom.	
Maatschappij.....	180,000,000	
The Anglo-Saxon Petroleum Co.		
Ltd.....	£40,800,000	
The Shell Petroleum Co. Ltd.....	£11,102,400	
and various other Companies		
Total.....	Neth. Fl. 744,591,405.05	
Less: Reserve.....	103,950,003.18	
Investments in Associated Companies.....	640,641,401.87	
Cash at Bankers.....	94,224,305.23	
Securities.....	37,295,963.10	
Debtors.....	89,064,141.83	
Debtors for dividends for 1947, payable in 1948.....	13,052,482.61	
	64,621,840.65	
	Neth. Fl. 1,333,051,335.29	

J. B. Aug. KESSLER, General Managing Director
B. Th. W. VAN HASSELT } Managing Directors
J. H. LOUDON

PROFIT AND LOSS ACCOUNT, 1947

LOSS		Neth. Fl.
Administration and other expenses.....	6,670,869.39	
Service of the 3½% Debenture Loan.....	1,250,263.94	
Difference in exchange.....	1,009,897.17	
Balance of profit.....	93,075,201.80	
	Neth. Fl. 102,006,232.30	

The Hague, June, 1948
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J. LUYTEN
A. S. OPPENHEIM

PROFIT		Neth. Fl.
Balance Undistributed Profit 1946.....	26,082,913.83	
Dividends on shares in various companies, interest on investments, etc., minus taxes.....	75,922,249.37	
Contractual obligations.....	1,069.10	
	Neth. Fl. 102,006,232.30	

J. B. Aug. KESSLER, General Managing Director
B. Th. W. VAN HASSELT } Managing Directors
J. H. LOUDON

pany has every right to seek a favourable time for its issues and Stock Exchange debut, but the postwar boom in small engineering shares has come home to roost with disconcerting speed.

Courtauld's Dividend

For the second year in succession, the published results of Courtaulds, as revealed in the preliminary profits statement for 1947-48, do not afford a strict comparison with previous periods. This year there are two complications. The first follows from the change made last year in the date of the accounting period from December 31st to March 31st, as a result of which the accounts for 1946-47 covered a period of fifteen months. The latest figures relate to the twelve months ending March 31, 1948. The second complication arises from the implementation of the provisions of the Companies Act, 1947. Courtaulds have decided to issue consolidated accounts for 1947-48 without comparative figures and not to publish accounts for the parent company. Thus the only comparison that can be made from the figures provided in the preliminary statement is between the dividend on the parent company's ordinary capital of 9 per cent for 15 months to March 31, 1947, which is equivalent to a payment of 7.6 per cent for a twelve months' period, and the payment of 7½ per cent for the year ending March 31, 1948, announced at the end of last week. It may be presumed that the latest payment is not meant to represent a reduction in dividend but rather a rounding off to a more precise figure. The declaration of a higher dividend has been ruled out by voluntary dividend limitation, but an increase may well have been possible since the preliminary profits statement suggests that the trading results of the group were better than in the previous year. The preliminary statement is not without further interest. Its clarity and expansiveness give a palatable foretaste of what may be expected in future years when comparative figures will be available. For instance it reveals that out of group profits of £4,581,723, a sum of £2,808,484 has been provided for taxation which has absorbed a materially larger sum than the increase in profits. In addition, out of a net profit of £1,740,635, some £137,690 has been appropriated to meet under provisions for taxation in previous years; of the remainder, £304,613 has been retained by subsidiaries, £1210,000 has been paid in dividends and £88,326 added to carry forward. A further point is that minority interests in profits in 1947-48 amounted to only £32,604.

British Companies in Burma

Jobbers lost no time on Monday morning in marking down their quotations for the shares of British companies with interests in Burma. This step was taken following the weekend outburst of Thakin Nu, the Burmese premier, in which he expressed the intention of the United Left party to throw off the yoke of capitalism and follow Russian ideology. Only small amounts of stock have come on offer during the week and, as the accompanying table shows, prices of some issues have been duly marked up again on the deeper reflection that the Government of Burma has treaty obligations to provide equitable compensation for

BRITISH COMPANIES IN BURMA

Company	June 16, 1947	June 11, 1948	Lowest Marking June 14, 1948	June 16, 1948
Burmah Oil (£1).....	80/7½	67/6	64/4½	66/3
Burma Corporation (Rs. 9).....	7/6	9/-	7/6	6/9
Rangoon Electric Tramway (£1).....	18/9	11/3	None*	10/-
Mawchi Mines (4/-).....	27/6	15/-	8/9	11/10½
Irrawaddy Flotilla (£1).....	28/6	27/6	24/-	25/6
Tavoy Tin Dredging (2/-).....	2/6	1/10½	None†	1/3

* Last marking 11/6 (10/5/48). † Last marking 1/9 (11/6/48).

foreign-owned property in Burma which may be taken over by the State.

Nevertheless, developments in Rangoon must considerably deflate the hopes recently expressed in the report of Burmah Oil Company that a new era of Anglo-Burmese commercial co-operation might be possible. The continuation of foreign commercial enterprise of which Burmah Oil is the most important is certainly likely to become increasingly difficult if Thakin Nu's sentiments find expression in day-to-day dealings with representatives of foreign countries operating in Burma. In any case, private enterprise as such appears to be incompatible with the

form of economy now being planned for the country. The latest developments must also call in question the advisability of pursuing the present capital programme on which Burmah Oil has expended considerable sums in the past two years. At least more tangible guarantees seem to be required before further amounts are spent than have been given up to now. Burmah Oil is not, of course, financially dependent upon activities in Burma itself—a point which some investors temporarily lost sight of earlier this week.

Bank for International Settlements

The 18th annual report of the Bank for International Settlements contains the usual balanced and well-informed survey of world economic affairs. Interest in the report will, however, be attracted by comments on two developments in which the BIS has a more direct concern. The first is the agreement signed in Washington last May which provided for the unblocking of the BIS assets in the United States and the return of gold looted by the Germans and paid to the BIS during the war. During the war years the Reichsbank continued to make transfers of gold or Swiss francs to the BIS in respect of the interest earned on the Bank's investments in Germany. When payments of gold were received from Germany the BIS asked for assurances that the gold had belonged to the Reichsbank since before the war. These assurances had to be taken on their face value but when full investigation about the origin of this gold became possible after the war, it was found that 3,740 kilos of fine gold did in effect represent looted metal, which had to be restored. Of this, 10 per cent had been received by the BIS for a third party. Even after this restitution, the BIS holding of net gold and currency assets (other than reichsmarks) increased by over 21 million Swiss francs between September 1, 1939 and March 31, 1948.

The second development is the European compensation scheme. On this, the report shows that at the end of the war European countries had, by their payments agreements, granted mutual credit equivalent to \$1,500 million. In the course of time these credits were largely used up and the creditor countries soon found it increasingly difficult to extend further compensation. Owing to the growing need for dollars, European self-help in this particular form seems to have reached its practical limits. The BIS points out that the results so far obtained in the working of the compensation scheme are limited but that they are of importance for more general reasons. A mechanism has been set up and this in itself has required the surmounting of many obstacles. Moreover, in the words of the report, the practical experience gained month by month in the multilateral clearings "may, if a reasonable amount of outside aid is forthcoming, lead to an easing of the present monetary restrictions and provide an opportunity for erecting a new and stronger monetary structure better suited to intra-European trade and to relations with other continents."

Floating Debt Policy

The Treasury, as expected, has lost no time in resorting to the new arrangement whereby Treasury deposit receipts may be issued with a life of five or seven months in addition to the six months which has been customary in the past. The £80 million of TDRs issued this week comprised £20 million with six-months' life and £60 million with seven months. These proportions, as foreshadowed in these columns last week, were determined by the authorities themselves: the banks were not given any choice. The spreading of the maturities in this week's issue will have the useful result of ensuring that there are some TDRs maturing in mid-January when the banks will be making large transfers of tax revenue to the Exchequer. Without this arrangement, the authorities could not have avoided a gap next January, because in the last few weeks of last January no TDR issues were made, with the result that the Treasury will have no replacement demands to meet in the corresponding weeks of next month. This week's arrangement, while it will thus exert a useful smoothing effect over the long period, is however a good illustration of the inadequacy of the innovation as a means of ensuring the maximum of smoothness from day-to-day. During the main tax-gathering season, the heaviest transfers of revenue from the banks to the authorities take place on Thursdays. But none of the TDRs issued this week will mature on that day of the week, because they run for seven calendar months precisely, and to have matured on the Thursday seven months hence, this week's TDRs would have had to have been issued on a Sunday.

One other aspect of the new arrangement is that it tends to confirm the assumption that the authorities now regard the Treasury deposit receipt as a permanent instrument of floating

debt borrowing. During the war it was quite widely assumed that the TDR issue would be gradually extinguished in the post-war period; and, until recently, a few bankers had cherished hopes that this might still happen. The total issue now is, of course, far below the peak of £2,225 million touched in 1945. But it has risen appreciably above the postwar low level of £1,201 million reached at end-February last. It now stands at £1,423.5 million, and is likely to rise further when the Argentine rail companies complete their disbursements to stockholders. On the other hand, there is little doubt that the Echequer surplus which should result this year from Sir Stafford Cripps's prudent budgeting will be applied to redeem this portion of the floating debt rather than to reduce the outstanding issue of tender Treasury bills. This now stands at £2,210 million, a little below the peak of a few months ago.

Rehabilitation in Indonesia

The importance of Indonesia to Europe—and to the United Kingdom—as a source of foodstuffs and raw materials was sharply emphasised during the war when trade connections were severed. Since the war, rehabilitation has been slow owing to internal strife. Even now, some ten months after the truce, conditions are far from normal and Indonesia is unlikely to regain its position as a major supplier of tea, rubber and oil at least until 1950. Sir John R. Hobhouse, Chairman of the British Chamber of Commerce of the Netherlands East Indies, has this week given an account, based on direct evidence, of the difficulties which have still to be overcome in rehabilitating the plantations in Indonesia. Output of tea in Java during the current year has been estimated at between 20 and 25 million lb.—before the war it was 130 million lb.—and output next year will probably be doubled. A number of factories were destroyed by the natives last year, but the machinery was only damaged and is capable of repair. Once the buildings can be replaced—which may take some years—output should expand rapidly.

Rubber production in 1947, which totalled 275,000 tons compared with 451,000 tons in 1937, came largely from smallholders. Some European estates were re-occupied towards the end of the year and their output this year is expected to reach 80,000 tons. Again, damage to planted areas has been less serious than to buildings and equipment. The Rubber Study Group has estimated Indonesian output for 1948 at 370,000 tons and for 1949 at 460,000 tons. As in Malaya, costs of rubber production have increased considerably compared with prewar. Indonesia also possesses large resources of oil but at the moment only the prewar fields in Palembang and Balikpapan are producing. Their output has steadily increased and is now over 200,000 tons a month, but this is well below the 1938 average of 600,000 tons a month. Possession has yet to be regained of the fields in other parts of Sumatra as well as those in Java. If political stability could be secured, the Indonesians would benefit through the development of their native resources, and the world would be relieved of some of its critical shortages.

Safety of Life at Sea

After six weeks of deliberation in London almost every maritime nation in the world has signed a new International Convention on Safety of Life at Sea—apart from Yugoslavia which refused to agree, and Russia, which asked for thirty days to consider its decision. That so much was achieved in so short a time was due mainly to arduous preparatory work, particularly in Great Britain and the United States, during the last three years. Since the 1929 Convention was signed, many advances have been made in structural design, life-saving and fire appliances, radio and navigational aids; the new science of electronics, vastly developed during the war, has transformed the whole problem of safety for shipping.

Details of the revised convention have not yet been published, but perhaps the most important step is to extend to cargo vessels many provisions which previously applied only to passenger ships, mainly about fire appliances, lifeboats and other life-saving equipment. Some of these have already been covered by the Ministry of Transport in recent statutory orders. Direction finders must be fitted to all sea-going ships and continuous wireless watch on the "SOS" frequency must be kept by at least one radio officer assisted by an automatic warning device. Coastal ships will generally be required to carry radiotelephone apparatus. The collision rules have been revised; requirements for navigating lights have been altered; and recommendations have been made about the use of radar.

The new convention will come into effect in 1951, if it has by then been ratified by 15 signatories, including seven nations having more than 1,000,000 tons gross of shipping. Its acceptance can indeed be taken for granted, and shipowners will have good time to consider its effects on the building and running costs of their ships. Under the new convention, supervisory powers will be given to the proposed Maritime Safety Committee of IMCO (Intergovernmental Maritime Consultative Organisation); paradoxically enough, private shipowners in the west find themselves in agreement with the Soviet Government in their lack of enthusiasm for this move.

Free Market for Sisal?

The East African sisal crop has been the mainstay of British hemp supplies since 1942, when Japan overran the Philippines and Indonesia. To secure supplies, the Board of Trade signed a long-term contract with the growers buying their entire exportable surplus. This contract expired last December but as no other marketing arrangements had been agreed upon, it was extended first up to the end of June and more recently until December, 1948. The East African growers are divided on the question of the appropriate marketing organisation after government purchasing ceases. Indian and Greek planters would like a central marketing board and pooling of supplies, while European growers, who in the past have produced much higher quality sisal, would prefer to return to the prewar system of free marketing. This division, however, runs on political as much as economic lines. Under the ordinances of the East African Government, a marketing scheme cannot be introduced unless it is approved by a two-thirds majority of the growers, based on the quantity of sisal produced in the previous year. At growers' meetings held in both Kenya and Tanganyika last month, the two-thirds majority needed for setting up a marketing board was not obtained.

But a return to free marketing would not be without its problems. So long as manila from the Philippines can only be bought for dollars, sisal produced by sterling countries is likely to enjoy a good market—with the result that adequate supplies for Britain may be difficult to secure. Long-term contracts with a colonial "trustee" area, as distinct from a dominion, might be open to criticism as an act of "discrimination"—a point on which Britain is still bound by the terms of the U.S. Loan Agreement, although the Americans have in the past interpreted its meaning quite liberally. In any event, the United States is in a position to buy both manila hemp and Central American sisal, and supplies from sterling sources are unlikely for that reason to be diverted to dollar markets to any material extent.

One crucial problem in returning to free marketing would be the location of the terminal market. Before the war London was the trading centre for hemp, as it was for many other commodities. But the Indian and Greek growers in East Africa want to set up a market at Dar-es-Salaam, and they account for over half the output of Kenya and Tanganyika combined. There appears to be a general tendency for primary markets to move to the main sources of supply, although London could count on retaining a useful part of its prewar trade so long as it was more efficient than any new African market. That should not prove to be an impossible task, for London has available all the financial and service facilities which must accompany the successful operation of an international commodity market.

Agreement on Indian Transit Trade

Negotiations between the Governments of Pakistan and India have been successfully concluded on the free transit of goods between the two Dominions. The matter was brought to a head last autumn when Pakistan levied an export tax on jute crossing its land frontiers. Since that time, both sides have imposed levies on goods entering the territory of the one in transit to the other, with the inevitable result that trade has been seriously damaged and wasteful burdens have been imposed on transport. It says much for the good sense of both dominions that these differences have at last been overcome and that a reciprocal agreement granting free transit for goods has come into force at the beginning of this month. Pakistan jute may now pass freely through the port of Calcutta without paying a doubtful export duty, while petroleum for India can be freely imported through Karachi. The agreement, of course, covers all commodities which must pass through one dominion to the other, but petroleum and jute were the two main items.

This news is encouraging both in its wider political aspects, and from the narrower viewpoint that jute exports should be more readily accessible. The Pakistan port of Chittagong, as was expected, proved to be quite inadequate to handle Pakistan's exports of jute, and much of it had still to be shipped through Calcutta. The Indian Government from time to time held up shipments in order to husband adequate supplies for the Calcutta mills and overseas manufacturers suffered in consequence. At the end of April, stocks of raw jute in Britain amounted to only 39,400 tons—or a little under five months' supply at the current rate of consumption. This indeed represented an improvement compared with the end of 1947 when stocks had fallen as low as 33,600 tons, but in April last year they totalled 70,400 tons—and that was not a peak month. Larger imports are due to arrive in the next two months, and Dundee should have no fears about an immediate shortage of raw material. During the past two years, it has apparently been the policy of the Jute Control to reduce its stocks, for imports have been considerably lower than consumption. But it is questionable whether they can be reduced much more without affecting the smooth running of the industry.

CWS Bank Expansion Checked

The latest balance sheet of the Co-operative Wholesale Society bears out the recent indications that the aggressive phase in the expansion of its banking department has ceased—at least for the time being. In 1946-47 total deposits of the CWS "Bank" rose from £226.7 million to £249.3 million; in the following year (to January 10th last) there was a fractional decline—to £248.5 million. During the year the number of local authorities having accounts with the "Bank" rose from 95 to 151, but there is little doubt that most of this new municipal business was attracted in the earlier part of the period. Although the drift of such business to the CWS has not entirely ceased, there were signs towards the end of 1947—as a Note in these columns on February 21st pointed out—that the CWS was becoming much less enthusiastic in its efforts to attract the local authorities. Deposit allowances, though still well above the maximum which a clearing bank is permitted to offer, had fallen appreciably below the extravagant rates that were being paid early last year. It seems evident that these local authority accounts cannot have brought to the "Bank" any large volume of deposits, for the balances of the CWS itself still comprised 68 per cent of the total deposits in its banking department, and no less than 78 per cent of its balances on deposit account. It will be noted, however, that the CWS deposits as a whole fell by some £10 million, so that other deposits rose during the year.

The balance sheet still shows an extreme preponderance of investments. These, at £228 million, are £9,000,000 less than in the previous year—a decline which possibly reflects a writing-down to provide for the heavy depreciation which must have been suffered. Excluding £10 million earmarked as specific security for employees' pension funds, investments are still equivalent to 92 per cent of the "bank's" deposits. The reduction in the investment portfolio has not perceptibly improved the liquid position, because £7 million has been required to finance additional advances, now standing at £11 million. Cash has been raised from £2.2 million to £6.4 million, but almost wholly at the expense of money at call and short notice. These two items together are equivalent to 7.7 per cent of deposits. The bank does not hold Treasury bills and is not within the ambit of the Treasury deposit receipt system.

Builders' Bonus

Payment by results was never popular with the building trade union leaders; they regarded it as something wished upon them by the Minister of Health, and accepted it only as the price for the wage increase of 3d. an hour last November. This week's annual conference of the National Federation of Building Trade Operatives showed that the system is still disliked by many union members, but a resolution that it should be abandoned at the end of the two-year trial period, was decisively rejected. This opposition is in part due to the operatives' traditional dislike of change, and in part to the unsatisfactory nature of many of the incentive schemes.

Precise information about the schemes, which vary according to particular projects and sites, is not easy to obtain. Some employers have shown little interest in introducing payment by results; estimates suggest that only about one-fifth of the total number of firms are actually operating such schemes. Where schemes have been introduced—typically by the larger building

firms—they make a big difference both to speed of output and to the operatives' earnings. The case is quoted of one firm which has distributed £3,000 in bonuses among 140 men during the six months since the scheme was introduced. The resulting increase in production was estimated by the employers at 45 per cent, and by the union representatives at 70 per cent. Similar examples of increased production could probably be given by all the larger firms which are paying by results. This long overdue incentive scheme should not be allowed to collapse at the end of the trial period for lack of interest either by employers or operatives.

Meanwhile, the proposed enquiry into the efficiency of the building industry is hanging fire, and the members of the committee have not yet been appointed. Statistics about the industry are very incomplete, and since much of the talk about its inefficiency is based on hearsay, an enquiry can do no harm, even if it makes no very material contribution to increased efficiency. The building industry does not need investigation (and certainly not nationalisation which so many of the unions still harp on) so much as rationalisation. Typical of the men's conservatism are the difficulties in amalgamating the various unions which cater for building workers. This is agreed in principle, but in practice the vested interests and prejudices of the smaller craft unions stand in the way.

Fur Finance

Several months have passed since the Board of Trade revoked the open general import licence granted to the fur trade in August, 1945, on the understanding that the trade would make every effort to earn its keep in foreign exchange. Many firms undoubtedly tried to fulfil this agreement, but the table below shows that losses of foreign exchange on the fur trade were intolerably high. Part of this drain may be reflected in the rebuilding of stocks, but a good deal of it represents the cost—despite the barriers of clothing coupons and high purchase tax—of unjustifiably large supplies diverted to the home market. On slightly differing definitions the table below might present an even more unfavourable picture.

BALANCE OF TRADE IN FURS

	1938	1946	1947	1st 4 months 1948
Imports	13,518,820	12,370,185	9,549,128	4,801,813
Exports	2,516,206	4,187,297	3,275,003	1,671,769
Re-exports	9,096,786	3,989,694	3,833,057	1,794,891
Import surplus	- 1,905,828	- 4,193,194	- 2,441,068	- 1,380,153

During the convertibility crisis the general open licence for the trade was rescinded, except for four main brokers, of which Hudson's Bay is the most prominent. By this means it was possible to keep the London auctions open. Other merchants have to show that they have exported furs to the same value before

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INTELLIGENCE, HUMAN
INTELLIGENCE, ANIMAL
INTELLIGENCE, MILITARY

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they can obtain an import licence. The Fur Trade Emergency Committee, which was formed last autumn, links the market with the Board of Trade, and issues import quota certificates. A merchant who continues to sell to the home market is unable to replace his stocks. But it is permissible to make a single transfer of an import quota certificate to another merchant; they are in practice being dealt in at 50 per cent of their face value. This week the Board of Trade warned importers in general that such practices which doubtless are not confined to the fur trade are illegal.

At first sight it would seem that the foreign exchange drain is continuing at a higher rate than in 1947. This is misleading as imports tend to be biggest in the early months and exports expand seasonally later in the year. In fact, as the volume of exports and imports has expanded, 1948 should show a much needed improvement on the foreign exchange performance of 1947. But the scheme introduced to meet last year's emergency is by no means free from criticism. If an exporter receives an order which he cannot meet out of stock, he has to approach one of the brokers. If the broker cannot supply out of stock, he can import under his open general licence and charge the merchant up to 3 per cent commission for doing so. The merchant resents losing contact with his overseas suppliers, and sometimes having to tell the broker where the particular furs which his own client wishes to purchase may be found. Consignment business which in terms of foreign exchange earnings had previously been one of the most profitable branches of the London fur market is virtually impossible. There are moves afoot at present which will reduce the number of merchants who may do direct business with Russia. Fur traders are almost as individualistic as their wares, and they do not warm to control. But the need to earn foreign exchange is as great as to conserve it. The quota system must indeed be enforced—if anything, enforced more strictly; but there are practical reasons for believing that the exporter's task could be made more profitable if the system were amended so that he could receive part of his quota *ex ante* rather than *ex post*.

Shorter Notes

The net profit of the Royal Dutch Petroleum Company fell from Fls. 72,607,500 to Fls. 66,992,288 in 1947 despite the rise from Fls. 74,754,408 to Fls. 75,922,249 in dividends on shares and interest on investments less tax received by the company. Administration and other expenses for the year amounted to Fls. 6,670,869 against Fls. 1,436,736 and service of the new 3½ per cent debenture loan to Fls. 1,250,263. The dividend has been maintained at 9 per cent on the old ordinary capital.

The legal schemes of arrangement for the disposal of the net proceeds of the sale of the British railways in Uruguay have been

published this week. In the case of Central Uruguay which has at its disposal some £5,591,000 of the total purchase price for the railways of £7,150,000, an additional amount of £196,487 for assets not included in the sale is available bringing the total funds of the company up to £5,787,487. Of this amount £523,049 is required to meet various deductions before arriving at the figure of £5,264,438 available for distribution. The deductions consist of £287,517 for creditors not affected by the scheme, £194,046 for pensions and compensation to staff, and £41,486 for pensions and compensation to directors.

As from August 3rd, the Stock Exchange will provide facilities for centralised delivery and collection of transfers and cheques in respect of registered securities. Brokers' messengers will be able to complete the process at three counters in a special part of the Settling Room. For a payment of £3 annually by each active member, the Stock Exchange authorities will at last make possible the elimination of a great deal of expensive and wasteful work which messengers have had to carry out hitherto.

At a luncheon on Tuesday Mr Harold Wilson announced that trade negotiations with Russia were to be reopened soon. The President of the Board of Trade would be dealing with the discussion in London and if it became necessary, Mr A. G. Bottomley, Secretary for Overseas Trade, would go to Moscow. Any expansion of trade with Russia, Mr Wilson said, would have to take place on a wider basis as regards the goods this country would in future send to the Soviet. He had sent a list of goods to the Russian authorities which covers practically everything this country exported.

On Monday Mr Justice Wynn-Parry sanctioned the scheme of arrangement between Miles Aircraft, its shareholders and two classes of unsecured creditors. The Company's capital is to be reduced from £1,000,000 to £70,000. This reduction will be effected by cancelling paid up share capital to the extent of 16s. 8d. per share on each of the 350,000 issued £1 preference shares, by cancelling 4s. 10d. per share in 1,400,000 issued 5s. ordinary shares and cancelling all unissued capital. Following the reduction, authorised capital will be restored to £1,000,000 by creation of preference and ordinary shares of 1s. each. Barclays Bank will receive payment in respect of £93,820 advanced for wages and the Inland Revenue £345,590. Unsecured creditors with claims exceeding £19 will receive, in respect of each £1 claimed, unsecured stock to the amount of 6s., four 5 per cent non cumulative preference shares of 1s. each, and one ordinary share of 1s.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Marks and Spencer; Metal Box; Fine Spinners and Doublers; Harland and Wolff.

Prices, Year 1948 (Jan. 1 to June 16)		Name of Security	Price, June 9, 1948	Price, June 16, 1948	Net Yield, June 16, 1948 (a)	Gross Yield, June 16, 1948 (b)	Prices, Year 1948 (Jan. 1 to June 16)		Name of Security	Price, June 9, 1948	Price, June 16, 1948	Yield, June 16, 1948 (c)
High	Low						High	Low				
British Funds												
101½	101	War Bonds 2½% Aug. 1, 1949-51	101½	101½	101½	101½	101½	101	Australia 3½% 1965-69	104½	103½	4 0 0
101½	100½	Exchequer Bonds 1½% Feb. 15, 1950	101½	100½	0 4 8	1 3 7	104½	101½	Birmingham 2½% 1966-71	92	92	3 2 0
102½	100½	War Bonds 2½% March 1, 1951-53	102½	100½	0 7 9	1 12 4	94½	91½	Argentine 3½% 1966-71	101½	101½	3 9 0
102½	100	War Bonds 2½% March 1, 1952-54	102½	100	0 15 4	1 19 4	101½	99	Anglo-American Corp. 10s.	7	6½	3 14 1
104½	101½	War Loan 3½% (after Dec. 1, 1952)	104½	101½	1 5 7	2 16 11	84	6½	Anglo-Iranian Oil 11s.	8½	8½	3 8 7
102½	99½	War Bonds 2½% Aug. 15, 1954-56	102½	99½	1 0 8	2 4 3	10½	10½	Assoc. Port. Cem. Ord. Stk. 11	71½	72½	4 2 9
102½	100	Funding 2½% June 15, 1952-57	102½	100	1 3 6	2 7 11	16½	62½	Austin Motor 'A' Ord. Stk. 5s.	32½	33½	6 0 10
105½	100½	National Def. 3½% July 15, 1954-58	105½	100½	1 4 0	2 10 2	38½	29½	Barclays Bank Ord. 'B' 11s.	77½	77½	3 12 9
104½	101½	War Loan 3½% Oct. 15, 1955-59	104½	101½	1 4 9	2 11 7	84½	72½	Bass Ratchiff Ord. 11s.	9½	9½	2 14 7
103½	100	Savings Bonds 3½% Aug. 15, 1955-59	103½	100	1 9 11	2 17 3	104	8½	British Oxygen Ord. 11s.	5	5	3 11 11
103½	98½	Funding 2½% April 15, 1956-61	103½	98½	1 7 3	2 10 1	104½	85½	Distillers Co. Ord. 11s.	39½	38½	3 14 9
102½	98½	Funding 3½% April 15, 1959-69	102½	98½	1 11 8	2 18 9	46½	38½	Dorman Long Ord. 4s.	26½	26½	5 7 7
114½	110½	Funding 4½% May 1, 1960-90	113½	113½	1 0 11	2 14 11	32½	25½	Dunlop Rubber Ord. 11s.	30½	29½	4 5 9
102½	97½	Savings Bonds 3½% Sept. 1, 1960-70	101½	101½	1 12 1	2 19 5	32½	27½	Imp. Chem. Ind. Ord. Stk. 11	70½	70½	4 4 3
96	92½	Savings Bonds 2½% May 1, 1964-67	95½	95½	1 13 6	2 16 10	79½	68½	Imperial Tobacco 11s.	47½	47½	6 0 0
115½	112½	Victory Bonds 4½% Sept. 1, 1920-76	114½	114½	1 4 5	2 17 11	53½	44½	Lancs. Cotton Ord. Stk. 11s.	43½	43½	4 12 9
101½	96	Savings Bonds 3½% Aug. 15, 1965-75	100½	100½	1 13 3	3 0 9	6½	5	Lever & Unilever Ord. 11s.	50½	50½	4 0 9
111	107½	Consols 4½% (after Feb. 1, 1957)	110½	110½	1 10 1	2 15 11	48½	40½	London Brick Ord. Stk. 11s.	53½	53½	3 12 0
106½	102½	Conversion 3½% (after Apr. 1, 1961)	105½	105½	1 10 6	3 1 9	56½	48½	P'chin 'Nelson Ord. Stk. 10s.	52½	50½	5 0 0
83½	74	Treas. Stk. 2½% (after Apr. 1, 1975)	94½	94½	1 15 0	3 3 9	66½	49½	Prudential 'A' 11s.	34	33½	4 12 7
99	91½	Treas. Stk. 3½% (after Apr. 5, 1966)	96½	96½	1 15 2	3 3 7	59½	49½	Stewarts & Lloyds Del. 11s.	56½	54½	4 17 10
100	93½	Redemp. Stk. 3½% Oct. 1, 1986-96	96½	96½	1 15 2	3 3 7	59½	49½	'Shell' Transp. Ord. Stk. 11	80½	79½	4 2 5
85½	76	Consols 2½% (after Feb. 1, 1957)	99½	99½	1 13 6	3 0 11	85½	73½	Tube Invest. Ord. Stk. 11s.	121½	121½	3 19 8
98½	93½	British Electricity 3½% Gtd. 1968-73	96½	96½	1 15 5	3 3 1	7½	5½	Turner & Newall Ord. Stk. 11	75½	75½	4 8
99½	95½	British Transport 3½% Gtd. 1968-73	99½	99½	1 13 9	3 1 2	90½	77½	Woodworth (F. W.) Ord. 5s.	80½	79½	4 8

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

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) Also a capital bonus of 24 per cent free of income tax. (m) 15 months. (n) 15 months. Basis 25%. † Free of tax.



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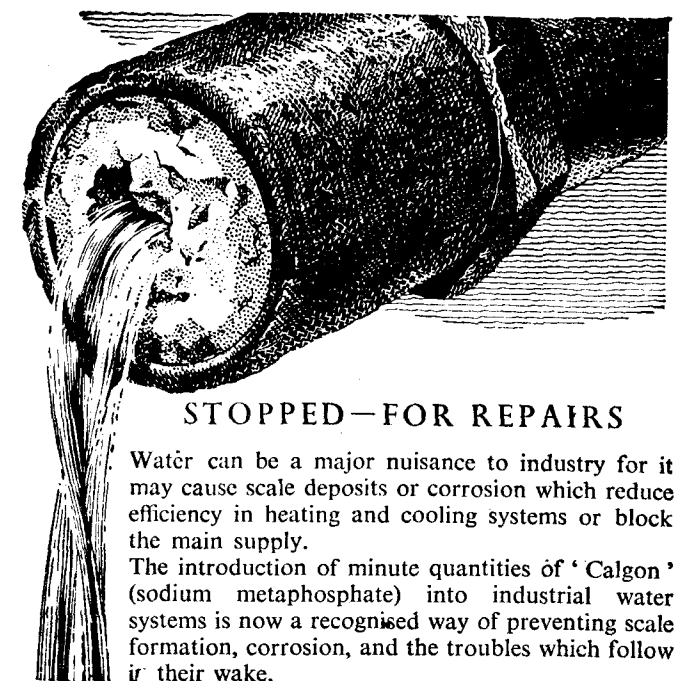


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REASONS FOR MARKED IMPROVEMENT

PASSENGER ACCOMMODATION FILLED

HEAVY COST OF NEW TONNAGE

SIR VERNON THOMSON ON THE OUTLOOK

The annual general meeting of the Union-Castle Mail Steamship Company, Limited, was held, on the 10th instant, at the offices, 3, Fenchurch Street, London, E.C.

Sir F. Vernon Thomson, Bt., G.B.E., the chairman, who presided, in the course of his speech, said: The balance sheet and profit and loss account for the year 1947, read in conjunction with the report, set out clearly the position of the company. You will recall that the Union-Castle Company completed a very extensive shipbuilding and re-engining programme only just prior to the outbreak of the late war, with the fortunate result that our large and efficient fleet was fully available to the Allied cause at that crisis in our country's history. Last year was the first since 1939 in which all but two of our passenger and cargo vessels have been trading in their normal services. As this coincided with a period of very active world demand for shipping, our company has now for the first time reaped the full benefit of its prewar and subsequent shipbuilding policy. Our earnings this year are really the first fruits of our work and expenditure over the last twelve years.

DEMAND FOR SPACE

During 1947 our passenger accommodation has generally been filled to capacity, but this is contrary to normal peacetime experience, when there has usually been a considerable margin of empty berths except in the seasonal periods. Beyond a certain point every additional passenger carried naturally adds to the profits of the voyage, but had not our passenger carryings ship by ship far exceeded the prewar average, the rates charged would have proved uneconomic with costs at their present level.

Throughout the year there was also a steady demand for cargo space and we were able usefully to supplement our own ships by tonnage taken on charter. Our subsidiary companies made satisfactory profits during the year and the value of our investments in these and elsewhere is considerably in excess of the figure at which they appear in the balance sheet. In these circumstances the results now submitted to you, with a net profit of £1,885,921, naturally show a marked improvement upon the earnings of our fleet while requisitioned.

NEW VESSELS

A great liner company like ours cannot be long without some new tonnage on the stocks. Even when the two new mail vessels which we expect to be ready within the next few weeks are delivered, we still require three more intermediate vessels to complete the replacement of wartime losses, without making any allowance for possible new developments. To this end we have recently placed a contract for a vessel of similar dimensions to the *Durban Castle*.

Stockholders will readily appreciate that as ships are wasting assets it is necessary, in order to renew these assets and maintain our capital intact, to set aside annually sufficient depreciation to equal a vessel's original cost by the end of her life. In addition, however, there are at present the greatly enhanced postwar costs of replacement; these affect obsolescent tonnage also. Without burdening you with details, a passenger vessel of the same size and speed as one of ours built just before the war would cost to-day about two and a half times the prewar figure. The cost of one of our new mail vessels to-day would be in the neighbourhood of £3,000,000.

Efficient tonnage is essential to provide the efficient service which it is our constant aim and pride to give to Britain and Africa. As has been seen to-day this means very costly tonnage. The cost affects the annual depreciation to be set aside for replacement, also the running expenses throughout the lifetime of the vessel: whereas earnings are not static at their present high level; they fluctuate. Thus it is doubly important to build up adequate financial reserves while we may. Accordingly, the directors have added £1,000,000 to the general reserve account, which now amounts to £1,500,000. Used in development of our business this is additional productive capital.

DIVIDEND MAINTAINED

The earnings for 1947 would normally warrant an increased distribution to stockholders, particularly in view of the lean years during which the ordinary stockholders received no return whatsoever. Having regard, however, to the extent to which the increased earnings are due to exceptional conditions which may prove to be largely of a temporary character, and bearing in mind the government request that dividends should not be increased in present circumstances, the board felt that stockholders would approve of the dividend upon the company's ordinary stock being maintained at the level of last year's distribution (that is 6 per cent., plus a bonus of 2 per cent.) and that advantage be taken of the opportunity to strengthen the company's power to cope satisfactorily with any future development which may arise in the fortunes of the shipping industry.

Shipping ranks as a speculative investment, dependent as it so largely is upon the course of overseas world trade. Experience shows that shipping has periods of prosperity and of depression. We cannot insulate ourselves from the general level of world trade, but we can modify the impact of these events by endeavouring to pay a reasonable, steady dividend through good periods and bad. This also is best achieved by setting aside reserves when trading permits.

For many years now the Union-Castle Company has had, in addition to a staff superannuation fund association, a widows' and orphans' fund association. To the latter we have contributed an annual sum of £10,000. To promote further the welfare of our staffs ashore and afloat, the directors have this year set aside the large sum of £312,693, which, while commuting the com-

pany's annual contribution, will also strengthen and add to the usefulness of the fund. After making these allocations and providing for the dividend, the increased balance of £831,480 is carried forward.

FLEET

There has been no change during the year in the company's fleet, which consists of 24 vessels of 315,145 gross register tons. It has been maintained in a state of high efficiency, and has been operated without serious accident. Although less rapid than we had hoped, good progress was made during the year with the two new mail vessels building at Belfast, and the launching of these fine ships constituted events of exceptional interest.

The launch of the *Pretoria Castle* on August 19, 1947, was unique in that the vessel was named and launched by radio-telephony by Mrs J. C. Smuts, wife of Field-Marshal Smuts, from her home near Pretoria. The company was further honoured when H.R.H. Princess Margaret graciously visited Belfast to name and launch the *Edinburgh Castle* on October 16, 1947. This was the first public function undertaken by Her Royal Highness. Both ceremonies, which were broadcast in the Home and Overseas Services, were completely successful.

It is expected that the *Pretoria Castle* will be delivered to the company early next month and will sail on her maiden voyage on July 22nd. The *Edinburgh Castle* should be completed about two months later and sail on her first voyage in the first half of October.

MAIL SERVICE

We have maintained a weekly mail sailing between Southampton and Cape Town throughout the year. As our passenger vessels returned to trade we were able to increase the number of passenger ships employed in this service, until, by October, five out of every eight weekly sailings were taken by passenger ships, the remaining three sailings being performed temporarily by fast cargo vessels.

The advent of the *Pretoria Castle* and *Edinburgh Castle* will result in only one sailing in eight being taken by a cargo ship and this remaining gap will be filled when the *Winchester Castle* re-enters service in the spring of 1949.

CARGO SERVICES

Our cargo vessels were employed during 1947 in our regular services between the United Kingdom and Continent and South and East Africa, as well as between the U.S.A. and South and East Africa.

PASSENGER TRAFFIC

The increasing number of passenger vessels available enabled us to make progress in carrying a large number of the passengers whose names had been on our waiting lists for a long time. The list of those waiting to travel homeward from South Africa was worked off by August last, and from then until towards the end of the year our vessels sailed for the United Kingdom with some vacant accommodation.

The position outwards is still difficult owing to the large numbers who wish either to take up permanent residence in South Africa or to spend the English winter there, but, with the advent of the *Pretoria Castle* and *Edinburgh Castle*, further progress should be made in reducing the outward waiting lists.

CARGO TRAFFIC

Throughout the year we secured good outward cargoes, but return cargoes, which are subject to seasonal fluctuations, sometimes fell short of our hopes, particularly later in the year. We are, of course, taking our full part in shipping the highly important United Kingdom exports to South Africa.

The agreement under which the Union lends £80,000,000 to the United Kingdom and the latter continues to buy South African products is very welcome as an outstanding example of mutual good will and of trade within the Commonwealth.

Cargoes from the U.S.A., which earn much-needed dollars, proved disappointing from time to time. We employ vessels of large cargo capacity in this important trade in which we have been engaged for so long and in which we intend to maintain our position in spite of severe competition from vessels of other flags.

Delays in port both in this country and overseas, have become accentuated since I mentioned them at our last annual meeting. I cannot too strongly emphasise the importance of the swift handling of vessels and quick turn-round in ports in order to obtain the maximum value from the available shipping resources.

SOUTHAMPTON DOCK FACILITIES

Last year I mentioned the proposal that we should transfer our mail vessel operations entirely to the new docks at Southampton, where it was expected that better facilities for handling passengers and cargo would be provided. Owing to the restrictions on capital expenditure which have been imposed temporarily, further progress has not yet been possible with this project.

DEVELOPMENTS IN SOUTH AND EAST AFRICA

The Union of South Africa continues to enjoy general prosperity and is still Britain's best customer. Expansion of secondary industries continues and many British firms are opening factories in the Union.

Important developments are also taking place in the Rhodesias and in East Africa, where great schemes are already taking shape. The company hopes by providing suitable shipping facilities to play its full part in the furtherance of plans for the greater utilisation of the vast natural resources of these territories, but it is plain that considerable development will be needed at some of the ports and in internal communications before any great expansion can be achieved.

While the mail and intermediate services to the Union must have our primary attention, we are fully alive to the needs of the other territories we serve. Now that the full resumption of the mail service is in sight we shall proceed to restore and, if necessary, augment our other services with particular reference to developments in the British territories of East Africa.

PROSPECTS

Immediate prospects for passenger traffic continue good and it is not yet possible to say how far air competition may be felt in more normal times. There are no signs at present of any falling-off in cargo. Every effort is being devoted to the expansion of the United Kingdom export trade. Operating costs, however, continue to rise. Our stockholders already know something from previous meetings of the post-war inflation of running and maintenance expenses of shipping. Since the end of 1947 oil fuel has again considerably increased in price and this item alone will involve the company in an increased expenditure of over £600,000 for 1948.

STAFF

Once again I have pleasure in expressing on your behalf and on behalf of the board warm appreciation of the services rendered throughout the year by the company's staff ashore and afloat.

The report and accounts were unanimously adopted; the retiring directors were re-elected; the auditors were reappointed and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

ST. HELENA GOLD MINES, LIMITED

(Incorporated in the Union of South Africa)

GOOD PROGRESS IN TWO YEARS

MR P. M. ANDERSON'S SURVEY

The second ordinary general meeting of St. Helena Gold Mines, Limited, was held, on the 4th ultimo, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said:—

During the year a call of 4s. per share was made in respect of the 2,616,000 partly paid shares, and since the close of the year the balance of 5s. per share has been called up, so that the issued capital is now £2,500,000 in 5,000,000 10s. shares fully paid.

Expenditure since the inception of the company totalled £1,475,722, leaving on hand a balance of cash and cash assets less liabilities amounting to £370,278 as at December 31st last, to which must be added £654,000 in respect of the call on the partly-paid shares to which I have already referred.

NO. 3 SHAFT

No. 3 shaft (30 degree incline) had, by the end of the year, been sunk to an incline depth of 1,418 ft. Progress was slow, owing to the soft and friable nature of the Karoo shales through which the shaft was being sunk during the greater part of the year, and the consequent necessity for concrete-lining the shaft. Since December, when the harder Witwatersrand quartzites were entered, sinking has been much faster, and by the end of the first quarter of 1948 the shaft had reached a depth of 2,161 ft. from the collar. It is expected that this shaft, which will have a final incline depth of about 3,000 ft., will be completed and equipped by the end of this year, whereupon crosscutting to the reef will be commenced.

Three routine boreholes, which were put down from this shaft between 1,527 ft. and 2,042 ft. from the collar, show that the Leader and Basal reef horizons occur about 60 ft. and 90 ft. respectively below the incline. All three boreholes intersected the Leader reef, the values being 3.7 dwts. over 5 ins., 9.12 dwts. over 17 ins. and 6.5 dwts. over 14 ins. In the lowest of these boreholes the Basal reef also was intersected, the value being 450 dwts. over 4.5 ins.

No. 4 vertical shaft (formerly known as No. 1 shaft) was sunk with temporary equipment to a depth of 116 ft. during 1947, and at the end of the first quarter of the current year had reached a depth of 432 ft. The headgear is nearly complete and work has begun on erection of the first of the main winders. This shaft will be sunk to a final depth of about 2,750 ft.

A GREAT DEAL ACCOMPLISHED

When your company began operations two years ago, it did so in the middle of the open veld, with its employees camped in tents. Before any other work could be started it had to build roads, sink boreholes for water, erect its own electric power plant, and provide accommodation for its employees.

A great deal has been done since that time. Apart from the erection of many of the necessary mine buildings, 108 houses for employees have been completed and are now occupied, and a further 46 are under construction; compound rooms for 720 natives

are completed and more are being built. The permanent native hospital is nearing completion, and the company has provided a temporary nursing home for European employees, since there are no hospital facilities nearby. Much has also been done to provide social and recreational facilities for employees, as well as the planting of trees and gardens to relieve the tedium of the bare veld on which the property is situated.

THE RAILWAY LINE

The railway line, which the South African Railways are constructing to serve the mines in the area, has reached Odendaalsrus and is partially open to traffic. Electric power for your company's requirements has up to now been provided by its own small plant, but power from the Victoria Falls and Transvaal Power Company, Limited's, transmission line from their Vaal generating station will be available shortly. While the supply of water, from surface boreholes which your company has drilled, seems assured for the near future, full development of your company's property and of the other mines in the area depends on the speed with which the Government complete the pipeline from the Vaal River, some 50 miles away. It is therefore to be hoped that every effort will be made to press on with the completion of this service.

With a view to straightening the common boundary for the St. Helena Lease Area and Welkom Lease Area No. 3, your company has entered into an agreement with African and European Investment Company, Limited, and Welkom Gold Mining Company, Limited, for an exchange of an equal area of reef-bearing ground. The agreement, which now awaits the approval of the Minister of Mines, provides for the transfer of the under-mining rights of a portion of the farm Marnageli No. 663 from the St. Helena Lease Area to form part of the Welkom No. 3 Lease Area. In return, portions of the farm Welkom No. 680 and of the farm Stuurman-span No. 692, which are at present part of the Welkom No. 3 Lease Area, will be included in the St. Helena Lease Area. This agreement also includes provision for an adjustment of the areas transferred in the event of any serious loss of reef-bearing ground by either company through faulting.

NEW PRINCIPLE IN GOLD LAW

I referred last year to the fact that your company had been unable to reach agreement with the Government over the manner in which proclamation of your company's mining lease area and the determination of surface owners' reservations were to be effected, and that it had been mutually decided to test the issue in the Courts, with the object of obtaining the correct interpretation of the law. As shareholders may have seen in the press, the company won its case, but within a few weeks of judgment being given, and just prior to the close of the 1947 session of Parliament, the Government put through an Act amending the Gold Law, the effect of which was to undermine the result of the Court's decision.

The law as amended lays down that compensation must be paid by the mineral right holder to the surface owner for any portions of ground excised by the Government Mining Engineer and not granted to the surface owner as an owner's reservation. This introduces an entirely new principle into the Gold Law, which already makes provision for the surface owner being compensated for the loss of the use of his surface through the payment to him of claim licence moneys. You will appreciate that, in the face of such action by the Government, there was nothing further that your directors could do about the matter.

In reply to a shareholder, the chairman stated that it had been reported in the Press that limited supplies of water through the Government water pipeline would not be available until 1950.

The report and accounts were adopted.

LAPORTE CHEMICALS, LIMITED

SATISFACTORY LEVEL OF TURNOVER

The forty-first ordinary general meeting of Laporte Chemicals, Limited, was held, on the 16th instant, at Luton, Mr L. P. O'Brien (chairman of the company) presiding.

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

For the first time we meet at an annual general meeting under our new name—Laporte Chemicals, Limited. The change was effected quite smoothly and met with approval from stockholders, customers and others concerned.

The sub-division of the ordinary shares from units of £1 each to units of 5s. each was also welcomed.

For the year ended March 31, 1948, the profits of the company, including dividends from subsidiaries, amounted to £239,469—an increase of £91,925 over the previous year.

Operating conditions throughout our plants were generally more favourable, with less involuntary stoppages than were experienced during the previous twelve months.

Major extensions and improvements to the electrolytic hydrogen peroxide plant and the titanium oxide manufacturing plant of our subsidiary, National Titanium Pigments, Limited, were completed during the period under review. It is not expected that there will be further extension of hydrogen peroxide manufacture or titanium oxide manufacture at Luton, owing to limitations imposed by the site.

ADDITIONAL MANUFACTURING CAPACITY

The present output of hydrogen peroxide of your company alone is now sufficient to meet current industrial home demands. Nevertheless, new works have been commenced at Warrington for additional manufacturing capacity.

When the Warrington plant is completed the company will be in a position to gauge, according to the sales possibilities at home and abroad, whether they can at that point cease operating some of the older hydrogen peroxide plant at Luton.

The first stage of development at Warrington is estimated to cost about £715,000 and will be paid for out of the proceeds of the recent capital issue. The value of contracts and orders given in connection with the Warrington Works at March 31, 1948, was £503,136.

A site for a new titanium oxide plant has been acquired at Grimsby by National Titanium Pigments, Limited, and application made to the Board of Trade for permission to proceed with the erection of the necessary works. The Grimsby site is considered more suitable for the manufacture and distribution of titanium oxide than is Luton, where the present extended plant is regarded as more or less of a large-scale pilot plant, which should be written off and closed in due course as and when the proposed new works is adequate to meet the growing demand for this product.

Our subsidiary companies have made good progress since we last met, and particularly the larger ones—National Titanium Pigments, Limited, and John Nicholson and Sons, Limited.

The manufacture of barium chloride is to be undertaken at Nicholson's works at Monk Bretton, Barnsley, within the next two or three months.

BALANCE SHEET OF PARENT COMPANY

The new capital created by the recent issue of 1,010,400 ordinary shares of 5s. each at 18s. 6d. each is not yet reflected in the accounts and does not rank for dividend in respect of the year ended March 31, 1948.

The amount of the fixed assets shows an increase of £136,000 after making provisions at the usual rates for depreciation and for obsolescence.

Increase of £42,200 in investments arises from the completion of acquisition of the share capital of John Nicholson and Sons, Limited, amounting nominally to £7,200; and additional preference capital of £35,000 subscribed to National Titanium Pigments, Limited.

The current assets amount to £69,000 more than for the previous year.

When the accounts were made up in 1947 the company was feeling the effects of the February/March enforced stoppages, and at that time stocks ran lower than usual, and lower sales were reflected in the amount owing by sundry debtors and subsidiary companies.

It will be noted that loans were made to subsidiary companies, amounting to £57,000; £45,000 of this was to National Titanium Pigments, Limited, and has since been discharged by a further issue of preference shares of that company; £12,000 was loaned to Genoxide, Limited.

The issued ordinary stock has increased by the amount of £4,800 required to complete the Nicholson share purchase, and capital reserve now stands at £140,263, the slight increase arising from the same transaction.

The general reserve has increased to £170,000 by an allocation of £10,000, as has been usual during recent years.

The profit and loss account balance carried to the balance sheet is increased this year by £35,762 to £122,200.

Referring to the current liabilities, the increase of £75,000 reflects both the increased business of the company and liabilities on capital account.

Loans from subsidiary companies have increased by £70,000 to £115,000 and these will be repaid out of the proceeds of the new capital issue.

It will be noted that the company has been able to undertake some of the deferred repairs for which the provision is now reduced to £10,000, and of course, current repairs, which are heavy in the chemical industry, have been effected and dealt with in the ordinary way in the accounts.

Provision for taxation at £151,895 should be adequate to meet any liabilities which will arise from the present accounts, unless there is created any new retrospective liability.

Finally, there is provision for a proposed final ordinary dividend of 12½ per cent., which amounts to the same as distributed for last year, making a total of 17½ per cent. for the year.

THE PRESENT AND THE FUTURE

The turnover throughout our group for the current financial year continues at increasingly satisfactory levels and, as far as can be foreseen, your directors expect to be able to maintain the present rate of distribution on the increased capital.

In the meantime, selling prices of our products are under constant review, and reductions have been made in regard to several of the more important chemicals.

Your companies are gathering advantage from research work of past years and will extend their activities in this field.

PENSION FUND

A new company has been formed, named "Laporte Pension Fund Trustees Limited," to undertake the management of a pension scheme applicable to all employees (including executive directors) in the Laporte group of companies, to commence from July 1, 1948.

I would like to express the thanks of the board to all employees for their co-operation and good service throughout the past year.

The report and accounts were unanimously adopted.

TIMOTHY WHITES AND TAYLORS, LIMITED

INCREASED SALES

The nineteenth ordinary general meeting of this company was held, on the 15th instant, in London, Mr Louis Nicholas, J.P., F.C.A., the chairman, presiding.

The following is an extract from his circulated statement:—

The total sales of your company and its subsidiaries for the year ending December 27, 1947, show a satisfactory increase over those of the year ending December, 1946, but as the profit margin slightly decreased, and salaries, wages and other expenses considerably increased, the result is a slight fall in the total trading profits, etc., compared with that year.

The net profits of the group, however, are £592,973, as against £440,637 last year. This increase is mainly due to the saving in mortgage and debenture interest and the reduction in taxation. The dividend upon the ordinary share capital has been restricted, as suggested by the Chancellor and the Federation of British Industries, to the same figure as that of the previous year—namely, 32½ per cent., less tax.

The total amount now provided for taxation is sufficient to cover the whole of the estimated tax payable in the future on profits earned to date. The group's claim for post-war refund of E.P.T. has not yet been finally settled, but the estimated total of this refund as shown in the consolidated balance sheet is £260,052 after deduction of income tax.

As to the current year, the total sales of the group are being maintained, but, in common with many other businesses, the consumer demand is showing signs of decreasing, as I foreshadowed in my statement last year, while, on the other hand, salaries, wages and other expenses still continue to rise.

The report was adopted.

VIROL, LIMITED

SUCCESSFUL RESULTS

The forty-eighth annual general meeting of Virol, Limited, was held recently in London. In the unavoidable absence overseas of the chairman, Mr L. F. Matthews (managing director) presided and read Lord Luke's speech to the shareholders.

The directors feel certain you will agree that the results reflect the very satisfactory condition of your company.

We are still a long way from fulfilling the present-day demand, and the pressure on us for supplies from the hospitals, sanatoria, maternity and welfare centres, and public health institutions, as well as the trade, continues to make it necessary for us to distribute equitably the available supplies.

Our export trade during the year showed a marked improvement, and we shipped abroad 63 per cent. more than the previous year, thereby reaching in volume something approaching our prewar trade. The improvement in the gross profit on trading is the result of an increase in sales, but operating expenses were up by approximately £14,000, resulting in a net profit of £50,022, against £46,553 last year. Taxation takes £23,000, including the 25 per cent. profits tax on the dividends, leaving £27,022, against £22,553 in 1947: the directors recommend after paying the Preference dividend and transferring £15,000 to reserve, against £10,000 last year, that the Ordinary shares receive a dividend of 17½ per cent., less income tax, as against last year's 15 per cent., and 2½ per cent. bonus. The amount carried forward is, therefore, practically the same as last year.

A higher rate of dividend could be distributed, but having regard to the Chancellor's request that dividends should be limited we do not propose to recommend any increase. The report and accounts were unanimously adopted.

DUNLOP RUBBER COMPANY, LIMITED

A DECADE OF PROGRESS

SIR GEORGE BEHARRELL'S SURVEY

The forty-ninth ordinary general meeting of this company was held, on the 10th instant, in London. Sir J. George Beharrell, D.S.O., the chairman, presided.

The following is an extract from the chairman's statement which has been circulated with the report and accounts for the year ended December 31, 1947:—

The consolidated operating profit of the group (excluding Germany and Japan) for 1947 amounted to £9,426,000, compared with £8,263,000 in the previous year. This reflects the considerably increased production and sales volume during the year both at home and abroad. Abnormal profits not attributable to the current year at £134,000 show little change from the previous year.

The total depreciation provided by the group, £2,169,000, shows an increase of £254,000 as a result of the substantial additions to fixed assets under the post-war expansion plans.

The net profit for the year amounts to £6,728,000, an increase of £734,000 on 1946. To the net profit there is added a special credit of £750,000 representing a further partial refund of excess profits tax paid by the parent company during the war years in respect of companies formerly in enemy territories. The negotiations with the Inland Revenue regarding these companies have progressed satisfactorily during the year, but full information is still not yet available in respect of our Japanese company. When negotiations have been finalised it is anticipated that a further substantial sum may be recovered.

It will be seen from the accounts that United Kingdom taxation adjustments for previous years are now shown as a separate item, the group's total for the year being a credit of £157,000. Such adjustments must inevitably arise each year in a large group of companies and, for some time to come, these may be appreciable until excess profits tax items such as deferred repairs and terminal losses have been finally settled. The total taxation charge for the year is £3,841,000, as compared with £3,826,000 for 1946. The cessation of special war taxes and slightly lower rates of taxation have largely offset the current taxation on the increased profits.

The board's policy of conserving the financial strength of the group later is evidenced by the increase in revenue reserves of £2,307,000 transferred from the 1947 profits. The balances carried forward are also increased by £227,000 from £1,408,000 to £1,635,000.

CONSOLIDATED BALANCE SHEET

During the year the total expenditure of the group on fixed assets has been £4,770,000, of which £2,408,000 was expended in factories and premises of the parent and subsidiary companies in the United Kingdom and £2,362,000 in factories overseas. After deducting the depreciation provision of £2,169,000 the net increase in fixed assets is £2,601,000, giving a total book value of £17,090,000.

A note on the balance sheet indicates there are outstanding capital commitments of £3,900,000. This refers to fixed assets but only to the extent of actual contracts placed. The expansion plans formulated by the board as far back as 1944 are already achieving remarkable results as evidenced by the increased production now flowing from new or extended factories at home and abroad.

Under investments there again appears an amount of £633,000 representing the book value of our investments in the German and Japanese subsidiary companies, the accounts of which cannot yet be consolidated. The German company is now restored to our full ownership and negotiations are proceeding.

ing for the release to us of the Japanese company by the occupation authorities.

Under current assets inventories show an increase of £6,105,000 from £16,444,000 to £22,549,000, reflecting the increased production and sales volume and the high level of costs which prevail throughout the world. Sundry debtors on the other hand have increased to a far less extent, largely due to the more prompt payment by customers at home. The liquid funds represented by securities, tax reserve certificates, and bank balances are consequently lower.

IMPORTANT FACTORS

On the left hand side of the consolidated balance sheet there are several important features. Compared with the position at the end of 1946 total reserves and surplus attributable to Dunlop Rubber Company Limited, have increased from £11,385,000 to £13,882,000. Over £12 millions of this total is profit retained in the business over a long period and the entire £13,882,000 is actively employed as assets of the group.

The interest of minority shareholders has increased by £1,568,000 to £3,742,000 as a result of further investment by the public in subsidiary companies overseas, principally Dunlop New Zealand, Limited, Dunlop France, the Irish Dunlop Company Limited, and Dunlop Rubber Company (India), Limited.

The total debenture and loan capital of the group has increased by £865,000 mainly due to the receipt by the parent company of the final calls on the issue of debenture stock during 1946.

Current liabilities and provisions, including taxation at home and abroad, of £17,153,000 show an increase of £2,538,000 on 1946.

GENERAL REVIEW

I have reviewed the results of the year and feel that it is desirable, particularly at this time to give pertinent facts of the group's position and progress. For this purpose I refer to the figures of the past ten years.

The total funds accruing to the group from profits and depreciation provisions, after deducting taxation and dividends distributed, amounted in the ten years to £21½ millions—this representing the profits which have been ploughed back into the business. In addition, £5 millions was subscribed by the public for shares and debentures issued by overseas subsidiary companies and the recent debenture issue of the parent company. In total, therefore, £26½ million additional funds have accrued during the past ten years and have been invested by your board as follows. We have expended £15½ millions on new buildings, plant and other fixed assets and £11½ millions on working capital, represented by increased inventories, debtors and bank, etc., balances. As a result of this financial policy the total capital from all sources now employed by the Dunlop group amounts to £59½ millions—as shown by the total of the consolidated balance sheet.

In 1937 the consolidated sales of the group (including supplies and services within the group) amounted to £40 millions. In 1947 this total increased to £102 millions.

In 1937 the consolidated net profit before charging taxation and interest was £2,558,000 and in 1947 the comparable figure was £7,058,000. It is also interesting to note that after deducting taxation these figures were reduced to £1,699,000 and £3,217,000 respectively, an increase from 34 per cent. to 54 per cent. in taxation on profits at home and abroad.

The net profit of the group in 1937, after deducting all charges and taxation, was 4.9 per cent. of sales (excluding supplies and services within the group). The comparable figure for 1947 is 3.9 per cent.

GROSVENOR HOUSE (PARK LANE) LIMITED

RECORD INCOME

The twentieth ordinary general meeting of Grosvenor House (Park Lane), Limited, will be held on the 28th instant.

The following is an extract from the statement of the chairman (Mr C. Hughes, LL.B., F.C.) circulated with the report and accounts for the year ended March 31, 1948:—

The net profit for the year amounted to £216,832. The board has pleasure in recommending the payment of a final dividend on the ordinary stock of 3½ per cent. (less tax), making 6 per cent. for the year, and a bonus of 2 per cent. (less tax).

As from March 1st the first wages regulations in the hotel industry were introduced. These regulations laid down minimum rates of pay and prescribed overtime rates for more than 100 different categories of hotel employee. I have no doubt that the intentions underlying the Wages Board Order are excellent, although mainly owing to their inelasticity, the actual regulations in practice leave a good deal to be desired. Some adjustments are urgently necessary, and I can see no reason why they should not be made, wherever the industry can establish a case for revision.

In the year under review the income from hotel rooms and flats and from catering were the highest for any year of the company's existence. But there were signs of consumer resistance to present prices. The abnormal pressure of business towards the end of the war and subsequently is decreasing, while costs of living are increasing. Add to these factors the increased cost of overheads, of wages, and indeed of everything that has to be purchased, and it will be seen that the optimism which is derived from our current success must be tempered with caution.

TRADING DIFFICULTIES

The law which prohibits the serving of bread with a meal (except as a course) causes intense irritation to clients—especially to visitors from overseas—and all the more so because the law is by no means universally observed. It is now accepted economics that some system of wages regulation, in default of wage agreements, may be necessary.

It is manifestly impracticable to lay down the same conditions of service, for an hotel like Grosvenor House, with a staff of more than 1,150, as for a small country hotel employing half a dozen people and doing an entirely different kind of trade. The provisions for spread-over of hours of work and for public holidays are not realistic, unless it is intended that service to patrons shall be reduced, an unthinkable proposition in view of the country's vital need to attract overseas visitors.

A national agreement has been signed by the trade unions and the hotel associations; the Hotels and Restaurants Association and the Residential Hotels Association are combining into one body; education for the hotel industry is developing. These three changes will, I believe, make for the stabilisation of the industry and lay solid foundations for progress and success. The Government, acting through the British Tourist and Holidays Board, has recognised in theory and in practice that the hotels of this country contribute materially to the export drive and can do more in this direction as and when it is possible to grant further facilities and remove certain restrictions. The board has already played a very effective part in helping hotels to obtain new equipment, and a tribute is due to it for the indefatigable efforts it is making.

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

CONTINUED EXPANSION

Mr A. H. Dawes, chairman, presiding at the seventy-ninth ordinary general meeting, held on the 16th instant, at the Chief Office, Finsbury Square, London, E.C.2, in the course of his speech said:—

The accounts afford gratifying evidence of the continued progress of the company during the past year. For the first time the combined premium income in the life branches reached the 5,000,000 mark, having increased during the year by the record sum of £334,000. The total assets increased by over £2,200,000 to £36 million, a figure which compares with £19 million 10 years ago.

The premium income in the Ordinary branch increased by £173,570 to £2,262,093. The amount of new business written, though not reaching the previous year's record, was again well over £5,000,000, the total being £5,353,401. In the Industrial branch the premium income amounted to £2,741,505, showing a record increase of £160,429.

The directors have again declared a reversionary bonus of £1 per cent. on the sum assured in respect of Ordinary branch with profits policies. Out of the Industrial branch surplus £211,465 (compared with £165,897 a year ago) is being allocated to Industrial branch policyholders (1) in the form of an increased reversionary bonus; (2) by relieving from payment of further premiums whole life assurances where before the next annual meeting the life assured attains 80 years of age and the policy has been in force for not less than 10 years; and (3) by increasing the sum assured under certain maturing endowment assurance policies.

The report was adopted.

SAN FRANCISCO MINES OF MEXICO, LIMITED

OPERATING PROFIT DOUBLED

The thirty-fifth ordinary general meeting of San Francisco Mines of Mexico, Limited, was held on the 11th instant in London.

Col. C. E. Temperley, O.B.E., M.C., presiding in the absence abroad of the chairman of the company, Mr C. T. Pott.

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

The net profit for the year amounts to £238,327. The directors recommend the payment of a dividend of 3s. per unit. The gross operating profit for the year was £1,153,000, or just over double the previous year's figure of £573,000. The net operating profit, however, was virtually unchanged at £238,000 against £241,000. The doubling of our gross profit was due to treating a greater tonnage of ore and to the higher level of metal prices. The fact that our net operating profit was not correspondingly increased was due to an unavoidable increase in our provision for British and Mexican taxes.

Last year we pressed forward with underground development to make up for the deficiencies of the war years, when development was sacrificed in order to produce the maximum tonnage of metals. In all, we completed a record length of 10,065 metres with encouraging results on all principal veins. Our sulphide ore reserves as at September 30th last amounted to 3,865,000 tons, averaging 15.8 per cent. combined lead and zinc compared with 3,217,000 tons averaging 15.3 per cent. a year previously. Last year we milled 532,000 tons compared with 450,000 tons in the year before, which, however, because of strikes, only covered 10 months' operations, so that the rate in both periods was much the same at 45,000 tons a month.

The report was adopted.

INDUSTRIAL AND GENERAL TRUST, LIMITED

EXPANSION OF INCOME

The sixtieth annual general meeting of the Industrial and General Trust, Limited, was held on the 10th instant in London.

Mr L. A. Stride (the chairman) said that the accounts had been drawn this year in a form which the directors expected would facilitate compliance with the provisions of the Companies Act, 1947. Last year there was a surplus on valuation of over 75 per cent. The note on the present balance sheet showed that at March 31st last there was an overall appreciation on the investments of 67½ per cent. The valuation surplus indicated that their capital position was at the moment satisfactorily secure.

The Nationalisation of electricity undertakings would contribute a large addition to their holdings in Government stocks in the current financial year. Industrial securities showed an increase last year of 6.21 per cent. and this year they had again increased by 6.66 per cent. to 72.13 per cent. They now had 85.52 per cent. invested in Great Britain and the British Dominions and Dependencies against 80.76 per cent. last year. The percentage of their holdings in equity stocks continued to grow. On the basis of the valuation at March 31st last their break-up value of the ordinary stock was easily calculated at 559 per cent.

The gross income from investments showed a satisfactory expansion of some £36,000. Arrears of income received amounted to £18,442, or £12,780 less than last year. They had decided to recommend that last year's dividend and bonus on the Ordinary Stock should be repeated. The proposed dividend of 16 per cent. was only 6.8 per cent. on the ordinary stockholders' capital actually employed in the business.

The report was adopted.

AULT AND WIBORG, LIMITED

INCREASED TURNOVER

The fourteenth annual general meeting of Ault and Wiborg, Limited, was held on the 11th instant in London, Mr Gerald Wellesley, the chairman, presiding.

The following is an extract from his circulated speech:—

Twelve months ago I gave you particulars of five businesses which we had acquired. Since that date, all your companies have made considerable progress in the manufacture of inks, paints, industrial finishes and metal decorating products, with the result that the total turnover of the group is almost two and a half times greater than for the previous year.

Under these circumstances it will not surprise you that, despite a much-reduced margin of profit on sales, the earnings of your company and its subsidiaries before taxation amount to £356,035. £53,579 of this has been left with the subsidiaries, and a profit of £302,456 is shown in your company's accounts. The board recommends that a further dividend of 23½ per cent. be paid on the ordinary stock, making 30 per cent. in all. Judged by its purchasing power, the value of this dividend is not in excess of the dividend which we were distributing ten years ago.

In our printing ink and roller industry we have made very substantial progress with regard to new developments which are of interest to the printing industry and its many branches. In common with all other manufacturers we know that there are still years of difficulty ahead, but with the help of our good friends in the newspaper and printing world, as well as the innumerable industries which now use our paints, varnishes, industrial finishes and other products, we look forward to continued progress and expansion.

The report was adopted.

AVELING-BARFORD, LIMITED

IMPORTANCE OF COSTS

The fifty-third annual ordinary general meeting of Aveling-Barford, Limited, was held on the 15th instant, at Grantham.

Mr Edward Barford, M.C. (chairman and managing director), in the course of his speech said:—After taxation, the net profit for the eighteen-month period to September 30th last was £111,866. The total distribution for the year and a half is equivalent to slightly over 15 per cent. per annum. These dividends, paid to some 2,200 shareholders, represent about 4d. in the £ on turnover and slightly over 3 per cent. on the real capital employed in the business.

To represent capital as a grasping and avaricious ogre is a mischievous misrepresentation. Though the cost of living and wages have nearly doubled, capital alone works for prewar wages; yet the risk has increased, and increased substantially, for today a business can be bankrupted by Government edict.

One of the requirements of your company is further capital. We propose that all three partners in this business, the existing shareholders, the management and employees shall be given the opportunity to participate in the future fortunes of this company.

From now onwards the cost of production is of paramount importance. Even if sold at cost many British goods are too expensive to find buyers in export markets. More able chairmen than I have given lucid examples of the frustration and real damage to export trade directly resulting from this mass bureaucracy. Browbeat and hamstringing British industry and its management, continue to stir up discord and strife, maintain the army of bureaucracy—and the answer will be misery and empty bellies. Straight words, but do not think "it cannot happen here." It can.

The report was adopted.

MOTAPA GOLD MINING COMPANY, LIMITED

CHAIRMAN'S ADDRESS

The second annual general meeting of this company was held on the 11th instant, in Bulawayo, Col. E. Tulloch, D.S.O., M.C., presiding. The following extracts are taken from the chairman's speech:—

Good progress has been made with operations on the company's property.

The development footage advanced during the year totalled 5,084 ft. The footage measured along the strike of the orebodies and fully proved by crosscutting or diamond drilling amounted to 2,885 ft., of which 925 ft. averaging 4.2 dwt. per ton over a width of 12.1 ft. was payable in the Western Section and 1,105 ft. averaging 2.5 dwt. per ton over a width of 25.6 feet proved payable in the Eastern Section.

The fully developed ore reserve at December 31, 1947, was estimated to be 348,000 tons averaging 3.5 dwt. per ton over a width of 18.5 ft.

Both the No. 1 and No. 2 shafts are now fully equipped and capable of dealing with all requirements.

The reduction plant, it is expected, will be ready to be put in operation some time next month. Initial milling operations will be confined to trial runs and no declaration of results can be expected until the month of August, 1948.

Milling will commence at 10,000 tons per month and it is intended to increase this to the full capacity of the plant, namely, 25,000 tons per month, as soon as possible but the attainment of this rate of crushing is entirely dependent upon the water supply.

The report of the proceedings at this meeting will not be issued to shareholders, but copies will be available on application to the Head Office, Johannesburg Office, or London Office of the company.

GOVERNMENT RETURNS

For the week ended June 12, 1948, total ordinary revenue was £43,460,000, against ordinary expenditure of £33,132,000 and issues to sinking funds £530,000. Thus, including sinking fund allocations of £2,194,000 the surplus accrued since April 1st is £176,742,570 against £202,951,204 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to June 14, 1947	April 1 to June 12, 1948	Week ended June 12, 1947	Week ended June 12, 1948
ORDINARY REVENUE					
Income Tax	13,091,500	159,576	176,386	7,551	12,704
Stamp Duty	90,000	11,080	16,600	570	850
Stamp Duty Reserve	160,000	33,853	37,600	3,000	4,200
Stamps	55,000	8,970	12,285	400	1,200
E.P.T. Refunds	250,000	37,625	34,200	200	1,450
Profits Tax	1,000	80	65	20	2,600
Other Inland Rev.	50,000	...	...	...	...
Special Contributions	...	...	...	...	...
Total Inland Rev.	19,151,500	255,724	293,896	13,991	23,004
Customs	820,500	164,687	172,557	14,618	16,156
Excise	726,550	106,900	151,000	2,500	2,400
Total Customs & Excise	1,547,050	271,587	323,557	17,118	18,556
Motor Duties	50,000	5,755	5,403	247	807
Surplus War Stores	102,000	28,567	18,709	3	...
Surplus Receipts from Trading	57,000	...	826	...	...
P.O. Net Receipts	...	3,550	3,760	600	300
Wireless Licences	11,000	1,670	1,680	...	...
Crown Lands	1,000	180	170	...	...
Receipts from Sundry Loans	14,000	3,806	2,012	82	92
Miscellaneous Receipts	68,000	140,621	13,256	4,366	701
Total Ord. Rev.	37,653,000	711,460	863,258	36,407	43,460
SELF-BALANCING					
Post Office	150,200	26,000	28,000	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,987	1,700	201	112
Total	39,315,000	742,447	892,958	38,508	45,572

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to June 14, 1947	April 1 to June 12, 1948	Week ended June 12, 1947	Week ended June 12, 1948
ORDINARY EXPENDITURE					
Int. & Mail of Nat. Debt	500,000	107,424	106,499	2,350	3,332
Payments to N. Ireland	26,000	4,186	3,358	...	...
Other Cons. Fund Services	8,000	319	316	...	129
Total	534,000	111,929	110,172	2,350	3,332
Supply Services	244,167	394,241	374,159	33,500	29,800
Total Ord. Expend.	297,567	506,169	484,331	35,850	33,132
Sinking Funds	...	...	2,194	...	530
SELF-BALANCING					
Post Office	150,200	26,000	28,000	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	4,987	1,700	201	112
Total	314,187	537,156	516,226	37,951	35,774

After increasing Exchequer balances by £154,443 to £3,047,385 the other operations for the week decreased the gross National Debt by £4,415,399 to £25,672 million.

NET RECEIPTS (£ thousand)		20
Land Settlement (Facilities) Acts, 1919 and 1921...	20	
Cotton (Centralised Buying) Act, 1947, sec. 21 (3)	1,500	
	1,520	

NET ISSUES (£ thousand)		540
P.O. and Telegraph	45	
E.P.T. Refunds	213	
Overseas Trade Guarantee Act, 1939, sec. 4 (1)	5,350	
Local Authorities Loans Act, 1945, sec. 3 (1)	100	
New Towns Act, 1946, sec. 12 (3)	410	
Finance Acts, 1946 and 1947, Post-war Credits	6,749	

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	482
21% Def. Bonds	13,500
Treasury Deposits	13,500
NET REPAYMENTS	7,887
Treasury Bills	50
Nat. Savings	2,690
3% Def. Bonds	50
3% Conv. Loan	3,641
1948-53	69
Tag Reserve Certs.	4,010
Other Debt	18,397
Internal	18,397
Ways and Means Advances	18,397

* Including £2,162,000 paid off on maturity.

FLOATING DEBT (£ million)	
Date	Treasury Bills
	Tender
	Tap
	Public Depts.
	Bank of England
	Treasury Deposits by Banks
	Total Floating Debt
1947	2180.0
June 14	2592.1
1948	2160.0
Feb. 28	2342.4
Mar. 6	2667.5
" 13	2692.2
" 20	2712.5
" 31	2712.5
Apr. 10	2752.0
" 17	2750.0
" 24	2716.9
May 1	2689.3
" 8	2643.2
" 15	2643.5
" 22	2626.6
" 29	2620.2
June 5	2616.7
" 12	2608.9

TREASURY BILLS (£ million)	
Date of Tender	Amount
	Offered
	Applied for
	Allotted
	Average Rate of Allotment %
	Per Cent. Allotted at Min. Rate
1947	170.0
June 13	277.7
1948	170.0
Mar. 12	286.3
" 19	266.5
" 25	300.5
Apr. 2	295.1
" 9	291.2
" 16	267.8
" 23	295.1
" 30	287.9
May 7	290.3
" 14	290.7
" 21	294.5
" 28	278.6
June 4	295.8
" 11	277.5

On June 11th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at £99 17s. 5d. and applications at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for sale on June 16th. For the week ended June 19th the Banks will be asked to Treasury deposits to the amount of (£8) million (maximum).

NATIONAL SAVINGS (£ thousand)	
	Week Ended
	June 7, 1947
	June 5, 1948
	Totals, Apr. 1 to June 7, 1948
Savings Certificates:—	
Receipts	2,250
Repayments	2,000
Net Savings	250
Defence Bonds:—	
Receipts	1,750
Repayments	662
Net Savings	1,088
P.O. and Trustee Savings Banks:—	
Receipts	11,831
Repayments	12,603
Net Savings	Dr 772
Total Net Savings	Dr 566
Interest on certificates repaid	400
Interest accrued on savings remaining invested	2,247

BANK OF ENGLAND

RETURNS

JUNE 16, 1948

ISSUE DEPARTMENT

Notes Issued:—	£	Govt. Debt	11,015,100
In Circulation	1250,020,514	Other Govt. Securities	1288,266,844
In Bankg. Department	50,227,319	Other Secs. (other than gold)	706,261
		Issue Amt. of Fid. Gold Coin and Bullion (at 172s. 3d. per oz. fine)	11,795
			1300,000,000
			247,833
			1300,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	335,819,291
Res.	3,532,337	Other Secs. (Discounts and Advances)	23,901,827
Public Depts.	14,689,722	Securities	20,191,767
Other Depts.:			
Bankers	804,481,924		44,093,594
Other Accts.	83,540,354		
	398,022,278	Notes	60,227,319
		Coin	657,133
	430,797,337		430,797,337

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

COMPARATIVE ANALYSIS (£ million)

	1947	1948
	June 18	June 3
	June 10	June 17
Issue Dept.:		
Notes in circulation	1393.5	1244.9
Notes in banking department	56.8	55.3
Government debt and securities*	1449.2	1299.3
Other securities	0.7	0.7
Gold	0.2	0.2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.:		
Public	10.3	18.9
Bankers	299.6	302.1
Others	92.5	90.9
Total	402.4	415.2
Securities:		
Government	333.3	338.1
Discounts, etc.	10.8	14.4
Other	18.0	20.2
Total	352.1	372.7
Banking dept. res.	58.4	55.9
"Proportion"	14.5	13.6

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

GOLD AND SILVER

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

	SIL
--	-----



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CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—DIVIDEND NOTICE—PREFERENCE STOCK.—At a meeting of the Board of Directors, held to-day, a dividend of Two per cent on the Preference Stock in respect of the year 1948 was declared payable on August 2, 1948, to stockholders of record at 3 p.m. on July 1, 1948. By order of the Board, FREDERICK BRAMLEY, Secretary, Montreal, June 14, 1948.

THE LONDON SCHOOL OF ECONOMICS and Political Science (University of London) may award to men and women graduates one or more Research Studentships of the value of £250 a year for full-time research, and one or more Leverhulme Research Studentships (each of the value of £50 a year, supplemented in the case of full-time students by a maintenance grant of £200) for full-time or part-time research at the School. A limited number of Bursaries to assist postgraduate students to proceed with research may also be awarded on proof of financial need. One Scholarship in Business Administration of the value of £200 a year will also be offered for award in October, 1948, to enable a graduate, man or woman, to undertake the one-year postgraduate course in Business Administration. Application forms, which must be returned by September 6, 1948, may be obtained from the Secretary, London School of Economics, Houghton Street, Aldwych, W.C.2.

THE GRIMSBY EXCHANGE, LIMITED (Incorporating the Grimsby Trawler Owners' Association). Applications are invited from qualified accountants with experience of company accountancy and Income Tax. The commencing salary is £650 per annum. The appointment is superannuable. Applications, stating age, qualifications and full details of experience and when available to take up duties, together with the names of three referees, to be lodged with the undersigned not later than June 26, 1948. A brief summary of the application should also be submitted. R. K. McCondochie, Secretary, The Grimsby Exchange, Limited, Fish Dock Road, Grimsby, Lincs.

ACCOUNTANT (Chartered or Incorporated) required by The General Electric Co., Ltd., to assist Chief Accountant, with special duties in connection with Subsidiary and Associated Companies. Age 30-35 years, salary according to qualifications and experience. Apply in writing, giving full details to the Secretary, The General Electric Co., Ltd., Magnet House, Kingsway, London, W.C.2.

EXECUTIVE AND FINANCE SECRETARY required for educational establishment in Scotland. An accountant is preferred, with wide administrative experience, and ability to undertake negotiations on new developments in education with national organisations and authorities. Age not exceeding 55. Living accommodation available. Commencing salary up to £1,000, according to qualifications and experience. Apply, giving full particulars of education, qualifications and experience, to Box 737.

SECRETARY required for large industrial company with head office in London: applicants preferably between 35 and 45 years old, holding necessary qualifications. Post suitable for an assistant secretary to large company who wishes advancement.—Send full particulars, Box 734.

EX-W.R.N.S. OFFICER (widow), trained in Administrative work together with Secretarial qualifications and established social background, seeks work where these attributes weigh. Social and professional references available.—Reply, Box 746.

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Full particulars and application form (stamped addressed envelope) may be obtained from the Principal, Technical College, Luton, Beds., by whom applications should be received within three weeks of the appearance of this advertisement.

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Shire Hall, Bedford.

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MID-ESSEX TECHNICAL COLLEGE & SCHOOL OF ART.

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Salary in accordance with the Burnham Technical Scale for Assistants, with increments, if applicable, for Graduate qualifications and training and approved professional or industrial experience.

Further particulars and forms of application may be obtained from the Clerk to the Governors, Mid-Essex Technical College & School of Art, Market Road, Chelmsford, to whom applications should be returned within 14 days of the appearance of this advertisement.

B. E. LAWRENCE,
Chief Education Officer.

HEMEL HEMPSTEAD DEVELOPMENT CORPORATION

Applications are invited for the appointment of General Assistant in the Public Relations Department. Candidates should be under 35 and have had University or Secondary education, and some experience in Public Relations and general office routine with an interest in the problems attaching to new town development. There will be considerable scope for initiative and freedom of action under the supervision of the Public Relations Officer.

Salary according to age, experience and qualifications within the range £400-£525 a year. The post will be superannuable, and there are prospects of advancement. Applications, giving full personal particulars, together with the names of three responsible persons to whom reference can be made, should be endorsed "General Assistant" and addressed to reach the undersigned not later than July 19th.

Westbrook Hay, Hemel Hempstead, Herts. W. O. HART,
General Manager.

A NORTH OF ENGLAND Engineering Company, specialising in small metal fancy products, seeks a first-class Managing Engineer to take complete charge of factory employing 200, and ultimately also of Home and Export Sales. This position of considerable responsibility calls for expert technical knowledge of friction and toggle presses, plating, polishing, spraying and tool-making plant. Applications, which will be treated in strictest confidence, are invited from men who have occupied a comparable position, are conversant with the latest technique in small metal work, and possess such trade contacts as would facilitate the extension of business. Age not over 50. Salary £2,000 and share of profits. Particulars of age, qualifications, experience, to Box 757.

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CAMBRIDGE Undergraduate, 23, ex-staff Captain, speaks fluent French, requires interesting work, July until beginning September. Box 745.

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The Economist

June 26, 1948

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The End of Potsdam

THE bisection of Germany is for the time being complete. Politically, Germany has been cut in two ever since Potsdam, and economic partition has become more and more apparent as the policies of the Eastern and Western Powers have diverged. The only new thing that has happened is that partition has been formalised and fixed by the introduction of separate currency reforms, first in the Western zones and then in the East (the Western reforms are discussed in an article on page 1072). With different money circulating on either side of the zonal frontier, it acquires the definition of a national boundary. The economic and indeed the political fabric of a single German State has been torn in two; for the time being at least there are two Germanies, East and West.

This is an outcome so obviously unsatisfactory and so fraught with danger for the future that, having reached this last decisive stage, some people in the West are inclined to draw back and question the whole Allied policy which, they say, has led to this consummation. Voices have been raised in America protesting against the creation of a separate state in the West and urging further delay before any more irrevocable steps are taken. French opinion appears almost unanimous in preferring the old quasi-colonial status for Germany with all-pervasive Allied control and almost no organs of German government. In Britain, a group of Labour Members have urged Mr Bevin to make one more attempt to secure Four Power agreement and to work out policies common to the whole Reich. Through all these reactions runs the underlying suggestion that the Western Powers are responsible for the failure of the policy of unity and that their "precipitate action" has brought into being this dangerous monster of a dual Germany. And this in turn is precisely the accusation that Soviet propaganda is dinning into the ears of the German people; if left unchallenged, it may end by leaving the Germans with the impression that Russia alone is the champion of German unity.

The first point to clarify in discussing the Allies' German policy is that the division they are accused of now creating has in fact existed for nearly three years. Russian tactics since Potsdam have made the division inevitable. Within six months of the formal beginning of occupation, the Russians had suppressed the Socialists in their zone, created the totalitarian control of a single party and introduced most of the political forms of "Eastern democracy." They also pursued their own economic policy with equally little respect for their allies' wishes. After stripping their zone of a large part of its industrial equipment, they set the remainder to work on reparations from current production—expressly excluded from the Allied agreement on reparations—and took over a number of key undertakings as Soviet concerns. This process of using the Soviet zone as an annexe of the Russian economy led inevitably to a Russian refusal to join the Western Allies in a single import-export policy. Two years of these economics divided the zones so completely that currency reform now merely formalises an existing situation. During all this time, the Western Allies have waited, hoped, negotiated, protested; only when economic collapse in their own zones could be staved off no longer, did they begin to pursue independent policies.

The second point to be made is that the Western Powers have sought throughout to secure German unity. At any time from Potsdam to the London Conference last November the Russians could have had unity if they had been prepared to accept the Western Allies' reasonable conditions—an end to the stripping of the Soviet zone, an end to unagreed and unilateral reparations policies, the restoration of German undertakings transferred to Soviet ownership, a common import-export programme and above all, an end to the political tyranny of the Socialist Unity Party. Without these conditions, German unity and democracy would in any case have been a farce. The Western Allies can hardly be blamed for failing to achieve a unity to which Russia was prepared to pay lip service only.

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It is against this background that Allied policy in Germany must be judged. Nobody in his senses would have divided Germany for choice. Of all the frontiers between the Eastern and Western worlds, the frontier running through the heart of Germany is the most unstable. But, given the fact that the division of Germany was a pre-existing, Soviet-ordained fact, it can at least be said that the policy now being pursued by the Allies in Germany is making the best of a very bad job. The problem facing the Western Allies has not altered. Today as on the morrow of victory it is how to make Germany into a decent viable member of the European community, with sufficient safeguards to satisfy its much-tried neighbours, but without penalties calculated to rouse all its old nationalist phobias. The problem is now infinitely more difficult to solve than at the time of Potsdam, for three years have passed during which a policy of "pastoralisation" and repression has been tried and abandoned, and during which such miseries have battered on the German community—at a time of Allied responsibility—that the phobias and the resentment are already barely below the surface. But even when all these limiting factors—division, misery, false Allied policies in the past—are admitted, the claim can still be made that the present Western strategy is at last beginning to make political and economic sense.

The decision has been taken that the Germans shall be given a reasonable economy and full political responsibility as quickly as possible. The currency reforms, the extension of credits to German industry, the decision to revive production in the Ruhr, the proposals for a constitution, the new Occupation Statute, are all steps in the direction of building a stable, self-governing community in as much of Germany as is open to the control of the Western Allies. At the same time, over and above the safeguard of complete disarmament for Germany, the further safeguard is proposed that the revived German economy shall be integrated as rapidly as possible into the wider Western European economy which, it is hoped, the Marshall Plan will help to bring about. This safeguard is for the time being formally expressed in the agreement that there shall be Six-Power control of the allocation of coal, coke and steel from the Ruhr, but clearly more appropriate forms of integration may emerge as the Plan develops. This, then, is the broad outline of the policy which has replaced the follies of Potsdam and of which last week's currency reforms are a small but vital part.

It is undoubtedly a sane and comprehensive strategy. It is a vast improvement on anything that has gone before and, given the wretched circumstances of division and ruin in Germany, it is without doubt, in general, the best policy that could be devised. But the Allies would be deceiving themselves if they did not recognise that it is also a very great gamble. It is a gamble first of all in the limited technical sense that, unless sufficient goods and enough work and production are forthcoming in the next months, the currency reform may fail and the feeble German economy be exposed to the risks of re-inflation. It is an economic gamble in the wider sense that the truncated Western German economy—which now resembles

Britain in its dependence upon outside supplies of foodstuffs and raw materials—needs to be integrated with all speed into a wider economic framework, and the pace and determination with which the Western Allies are advancing towards the goal of a Western European economy are hardly reassuring. It is a political gamble because the Germans themselves are an unreliable factor. It is clear that they have cleaned from their conscience—always supposing it was ever there—responsibility for the ruin wrought by Hitler. On the other hand, they are preoccupied with the "evils" of the Allies and resent as exploitation any suggestion that their economy has any contribution to make to the Marshall Plan. Dr Adenauer, the Christian Democrat leader, has said as far as to say that unless Allied policy on the Ruhr and Germany will be obliged "by refusing co-operation to bring honour before posterity." The tendency of the Germans at the moment appears to be to seek to grab for themselves the substance of economic power so as to serve their narrowest national interest. But political power is not easily and some might even be ready to leave the Allies to carry that uncomfortable burden. Of genuine responsibility both towards their own people and towards Europe and their neighbours, the German leaders so far show little trace.

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The Allied policy is a gamble in the political sense above all because its success depends upon speed—not only speed in creating a European framework into which Germany can be fitted but speed in securing for Germany the substance of a normal viable existence before frustration and resentment make the Germans incapable of normality. This is one case where compromise policies may be disastrous. There are no halfway houses between repression and co-operation, and whichever policy is adopted its only chance of success is to be pursued without adulteration. Now that repression has been decisively abandoned, co-operation must be introduced as fully and speedily as may be. It is in this context that French fears, understandable as they may be, are likely to produce exactly the result France fears—the chance that when Germany revives, as revive it will, its mood will be too savage and resentful to make it anything but a bad neighbour. To let Germany rise again, but in a mood of revenge, is the one certainly disastrous policy. The right course for France and its allies is to push resolutely and speedily ahead with the creation of a Western Union and to seek by every means to associate the United States with it. The fatal course is to allow fears and hesitations to block and delay the restoration of reasonable relations between Germany and the West.

The greatest gamble, however, is the fate of the new policy in the face of Russia's envenomed hostility. May not the Allies after all be saddled with the "crime" of splitting Germany and may not the desire for unity forcibly drive the Germans into the Russian camp? These are the hardest questions of all to answer, for they depend upon the ultimate success of the whole Allied venture. If currency reform and economic revival fail, if the integration of Western Europe becomes an empty dream, if a crisis of deflation strikes the West, if the workers in the Ruhr faces unemployment while a black market revives and flourishes, then, certainly, the Germans will begin to look to the East. But the Western Allies should realise that, if they wish it, they have for the time being most of the cards in their own hands. The economic misery and political servitude of the Soviet zone are no secret to the Germans. One reason why the cry for unity is loudest in the East is because the Soviet Germans hope by unity to escape from Russian control. If a sort of normal political and economic revival can be achieved in Western Germany, it can become what every effort of political and propaganda should try to make it, the Piedmont of a peaceful, law-abiding, united Reich.

The World and the Dollar

Dollar Shortage for Ever

MR TABER's raid on the funds for ERP has been beaten back. After gruelling negotiations, which allowed leaders of the Senate only thirty minutes' sleep in two days, the cuts were in the main restored and the President was left with the power to reduce the time during which the \$5 billion could be spent from fifteen months to twelve—that is, to speed up the rate of expenditure in the same proportion. The confidence of those who believed in the ability of America's responsible leaders to overcome the ignorant and obstinate obstruction of the isolationist fringe is now rewarded.

Mr Taber's activities raised the dollar problem in its most acute and immediate form. The obstacle he threw up was so spectacular that it diverted attention from other problems brought to light by negotiations that have been proceeding between the United States and the sixteen beneficiary nations on the conditions and obligations involved in American foreign assistance. These problems are not of today or tomorrow. The spectres they conjure up will haunt the world of the fifties. But in some ways they are more grave than Mr Taber's excursions. He made no secret of the fact that he opposed the philosophy of the Marshall Plan in principle; as such he is in a minority and can be overruled. But the officials of the State Department who drafted the bilateral treaties proposed by the United States to the Sixteen must be presumed to be convinced adherents of the Marshall philosophy and to be inspired both by great knowledge of Western Europe and by a sympathetic attitude towards its problems. Reports of the conditions they proposed have caused some perturbation in the House of Commons and the debate upon them, which the Government has promised, may be stormy. Some part of the objection lies along the line of affronted sovereignty, and on this it would be as well to await the finally agreed text before giving indignation a free rein. But there is also an economic argument involved which is of more permanent significance. Among the conditions that have been reported to have been proposed was one making the receipt of grants dependent upon the simultaneous taking of loans; another providing that part of the local currency funds to be set aside by the recipient countries should be used to "purchase" strategic raw materials for America, and another which would, in substance, set aside many of the compromises on rules of international commerce so painfully achieved by lengthy negotiation at Geneva and Havana and commit the recipient nations, after a short interval, to something much closer to the full

rigidities of multilateral, non-discriminating, unrestricted commerce as laid down in the original American draft of a Charter for the International Trade Organisation.

It will undoubtedly be found that these conditions have been much softened in the course of the negotiations of the last few weeks. But what is more than a little alarming is that they were ever proposed, for they show that even the chief architects of the European Recovery Programme still fail to understand the true nature of the problem that has to be met. They still regard the present emergency entirely as something temporary that has happened to Western Europe. That it certainly is, in part. But it is also something permanent that has happened to the United States. How little this is realised can be seen by asking what would be the effect of the conditions that have been mentioned, if they were embodied in the treaties. The suggestion that part of the ERP funds should take the form of loans would place on the Sixteen an obligation of repayment for which they would have to find extra dollars in the fifties. The provision reserving some local currency funds for the later purchase of raw materials by the United States would, by removing some valuable dollar earners from the sphere of normal commercial exchange, make the dollars more difficult to secure. And the clauses which seek to push the European nations back to complete non-discriminatory free trade serve notice on them that in making both ends meet they must not avail themselves, save in minor degree, of such devices as quotas, import licences and exchange control, nor must they apply to their dollar trade any restrictions that are not equally applied to dealings with all other currencies.

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These things are not done with the intention of setting an impossible obstacle race for Europe to run. Nor are they inspired, to more than a perfectly legitimate extent, by the desire to protect American interests. And yet these conditions, put forward by the most reasonable and friendly Americans, seem to many Europeans to be wholly impossible, so preposterously unrealistic that they cannot be seriously proposed except for reasons of malice or out of a desire to profit by others' misfortunes. The explanation lies in a complete divergence of view about the shape of things to come. Americans—virtually all Americans—believe that in a few years' time it will be possible to return to "normal" conditions, in which all international transactions can be carried out according to the principles of the free market, in which

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any nation will be able to balance its international accounts by comparatively slight adjustments of currency values, tariff levels or wage rates, in which any nation that is earning its living can acquire dollars just as easily as any other form of money. In short, they believe that, in so far as there is a "dollar problem," it is a purely temporary phenomenon, and that, in a few years' time, the dollar will raise no problems that ordinary traditional methods of free trading will not be able to solve.

All Europeans will heartily wish that it were so. But they think this American view—which is but the younger brother of a similar view that was held after the first war—vastly underestimates the dislocations from which the world is suffering. It is true that the free market and its automatic mechanisms of adjustment scored many triumphs in the nineteenth century. But it surely did so only because there was in the world a natural equilibrium, so that the adjustments that were necessary to restore balance were not too large or too painful for democracies to stomach. The smoothness with which free trade worked in the nineteenth century was due, more than anything, to the fact that Britain, the dominant economic country, was a little island which was compelled to buy its food and raw materials abroad and had no such attractive opportunities for capital investment at home as presented themselves in the outside world. This was the basis of the natural balance, which was easily restored whenever it was disturbed. But once the United States replaced Britain as the cheapest producer of manufactured goods and the largest potential exporter of capital, no such "natural harmony" developed in relation to the dollar. It is not a matter of relative skill or clumsiness in managing an international system, or of relative willingness or unwillingness to "act as a creditor should." It is a simple matter of geography. The continental United States, unlike the tiny British Isles, can produce all the food and most of the raw materials it needs. There is no compelling natural reason embedded in its geography to make it purchase supplies in large quantities overseas. America does not, as Britain did even in the days of its ascendancy, inevitably buy as much abroad as it sells there. Any economic equilibrium between America and the rest of the world is naturally precarious and if it is once upset is difficult to restore.

Turkey—Bastion of the Middle East

A MAP of the Marshall Plan countries produces a strange outline. It is the reverse of compact. South-eastwards, it sprawls, until it ends in the solid bulk of Turkey. Its western members, who are more solidly grouped, need to know what life is like in the outposts. What, for instance, was the significance of last week's changes in the Turkish Cabinet?

The Prime Minister, Mr Hasan Saka, remains in office. So do his deputy and other key ministers, such as the Ministers for Interior and Finance. Nearly all the changes are in the field of economics. Mr Sadak remains at the Ministry of Foreign Affairs. It is safe to say that, in present European conditions, Turkish foreign policy would be the same whether government or opposition—that is, whether Republican People's Party or Democratic Party—were in power. Its cornerstone is traditional and unflinching hostility to Russia. Since the war, the Russians have kept this hostility at simmering point by their intermittent pressure for advantages on the Black Sea straits, by their claims to Kars and Ardahan, and by their arrival, via Bulgaria, on Turkey's European frontier. The Turks today are forced to keep more men under arms, and more hands away from plough and loom, than suits any nation's economy.

This does not daunt them. They know their mind, and plump without hesitation for links with the West. They employ a British military mission, and have over the last fifteen months

The inter-war years were, in this respect as in so many others, a period of transition. The causes that make for chronic dollar shortage were present only just below the surface. But they were masked by large American loans to Europe and South America. The dollar shortage was not larger than could be met out of the world's gold reserves. As between North America and Western Europe, however, it is now clear, on looking back, that the strain was already heavy. There would have been an officially declared "dollar shortage" in Europe long before the outbreak of war in 1939 if it had not been for the large gold reserves that the European nations still held, for their still substantial incomes from past overseas investments and for the dollars that were secured for them by the primary producers of their colonial dependencies, particularly in South-East Asia.

Hitler's war not only brought its massive temporary dislocations, which can be expected to have vanished by 1952; it pushed this permanent shift in relationships a good bit further. The gold reserves have gone; the investment income has almost gone; and South-East Asia is one of the world's dislocated areas. What is more, the United States, cut off from these areas during the war, was forced to make alternative arrangements for supplies. The synthetic rubber plants and the tin smelter on the Texas coast are two excellent reasons for believing that Malaya and the Netherlands Indies are unlikely to be as good dollar-earners in the future as in the past. Thus the former pivots of world trade were destroyed at a time of supreme economic weakness in Europe and of supreme economic strength in the United States. No one can foresee the future exactly. But, in European eyes, it seems overwhelmingly probable that the dollar shortage will last for a generation to come.

A great deal depends on which of these views of the future is likely to be the more correct. If the dollar shortage is temporary, then the European Recovery Programme is an attempt to restore, and perhaps to improve upon, a state of "normality" that existed before the war. But if the dollar shortage is likely to be permanent, the Marshall Plan should be regarded as a transition to some different pattern of international economic relationships. In subsequent articles an attempt will be made to set out some of the evidence and to discuss its implications.

accepted an American gift of a nominal value of \$175,000,000 for military and road-building equipment. (The real value is considerably higher.) Their firmness of purpose offers a complete contrast to the vague and inconsequent thinking that characterises the parliamentary democracies that lie beyond them—Syria, Iraq, Egypt, Persia. To reach Turkey from the Middle East is like stepping out of a morass on to a firm tuft.

Again, in contrast to the Middle Eastern countries, Turkey is a land of relative social equality. No one is any longer very rich. The worker has no feeling that he is being exploited. There is poverty, of course, and, in the larger towns, real want. But in a land where the biggest shot is the higher official and the newspaper owner-editor, there is not much elbow room for Russian propaganda. There is no Communism in Turkey except in a few Bloomsbury-ish drawing-rooms on the Bosphorus.

This is not to say that all Turks are of one pattern. They maintain an opposition, and it is vigorously led. But the basic question on which it joins issue with the Government is not ideological. It is whether or no more liberties will lead to quarrels and weakness of a type that a frontier people cannot afford. Politically, last week's cabinet changes are a continuation of the move away from the die-hards who regret the one-party era—a move which began when, late last summer, the

President read the public mind and dismissed Mr Peker, so encouraging the moderates and "rebels" in his own party. By the latest changes four of the then "rebels" hold office.

In the interval between the two changes, President İnönü has divested himself of the chairmanship of the government party, though he is still, judging by its new officers, its virtual controller. This spring, the Democratic party has also undergone changes. It has lost or, as some prefer to say, shed some dissident elements. The effect of these reshuffles on popular support for the two main parties cannot be gauged until by-elections take place in two months' time. (In Turkey, these accumulate and are held *en bloc*.) But at a guess, and unless economic conditions greatly change meanwhile, the government will continue to hold its own in the provinces, and the Democrats, who represent the desire for greater freedom for private enterprise among the merchants of Istanbul and Smyrna, will keep their hold on the main towns.

The independent press greets Mr Saka's new choices with only modified rapture. It is mistrustful of untried men. The old Cabinet fell upon the score of press and parliamentary criticism of its economic policy: its failure to reduce prices; its bad management of exports, last year of too much wheat, this year of too little tobacco; its inability to root out the undue bureaucracy that retards all action upon development projects. The new brooms include the Ministers for Commerce, Communications, Agriculture and Public Works, and the three last—Mr Kasim Gulek, Mr Javit Oral and Mr Nihad Erim—are young by Turkish standards. All three belong to last year's rebels.

To understand the background against which these men will work, it is necessary to dispel some illusions about the state of Turkey today. One is that its revolution as engineered by the Ghazi was a violent movement that is over. In fact it is a slow process and is not half done. It has changed the face of cities, and notably of Ankara, where the queues for purring trolley buses might, by their clothes and demeanour, be waiting in Kensington; but outside the towns it is only now beginning to be able to provide all villages with schoolmasters. Conscription has helped to spread literacy, but nevertheless only 40 per cent of these under 25 are literate in rural areas. And only 4,000 doctors as yet practise, where 10,000 are needed. These figures are not surprising. In a country so vast and so mountainous, and in which only 1,500,000 out of 17,500,000 inhabitants live in towns, miracles have been worked in the time available.

Another fallacy is that Turkish state management of industry has taken the place of all private enterprise and that there is no chance of efficiency unless the process is reversed. Turkish state enterprises are by no means all inefficient. The sugar monopoly is run well and on an economic basis. The government's industrial undertakings, particularly in textiles, have made great headway in the matter of quality. Cost of production is another story. This is unduly high and has been shuffled off on to the taxpayer and consumer. The very considerable private enterprise which exists alongside it has not brought about an adjustment of prices because it is prevented by taxation from undercutting state enterprises, and because the government, which taxes profits and sales on a percentage basis, has so far been interested in letting industry charge what it can.

Turkey's current economic problems should be viewed against this background. Some, but by no means all of them, are of Turkish making. High internal prices, for instance, could have been reduced by cutting state production costs, and, in particular, by spending at an earlier stage on improving transport. Too little thought was directed along these lines during the heyday when rival belligerents were tumbling over

one another to buy and pre-empt. And since the war, price adjustments have nowhere been easy. They have been governed, in Turkey as elsewhere, by uncontrollable factors such as hard currency shortages and American price levels. It is not all the fault of the Turks, therefore, that the 50 per cent devaluation of the Turkish pound in 1946 and a simultaneous encouragement of imports entirely failed to bring about a fall in internal prices.

The heyday is over now, however, and one of the most difficult tasks before the new government is to make the Turkish exporter realise this, and to calm the public discontent that must follow when the collapse of the sellers' market leads to less earnings for the Turkish producer and grower. The peasant of the Anatolian highlands is self sufficient and virtually proof against crises, but the blow will fall hard upon the coastal tobacco grower and the town worker. The knell has sounded over tobacco. A recent trade mission to Germany, eager to sell last year's very considerable stocks, impressed all who met it as still living in the clouds, and failing to see that it would do better to face a small loss now rather than to wait upon a falling market. It failed to sell its wares, and the fault was not all America's.

In the longer run, the most effective economic innovation possible would be the establishment by the President of some method of deciding which of the many capital developments at present scheduled are true priorities—that is, are pre-requisites of other projects, and must therefore have first call upon such funds as are available. Tugs of war between departments for credits are common to all countries, but few are so prone as the Turks to make a mass of beginnings and to start operations, whether the way to the end is visible or no. There are many monuments to this defect: unfinished factories; a major coalfield without a port; a steel works that is only now achieving a railway direct from the source of its ore. The present fifteen-year plan is an impressive document and contains remedies for most of the defects. Time and money could both be saved if it were tackled in a more logical order than past ministries were contemplating. If Turkey is to fill the role it could play in the Marshall arrangements, the most important developments are, probably, the modernisation of its coal fields, the improvement of its roads in order to cut transport costs, and the development of flood prevention in order to prevent devastation of its valley crops. In time development of the wheat, meat and dairy produce that western Europe needs might offset its present dependence upon tobacco. All the developments envisaged will cost money, of which there is a fair amount lying idle in Turkey, because its owners will not consider investment except at exorbitant interest rates. Some aid will be available under the Marshall Plan. The American Export-Import Bank has already advanced some \$30 million. Private American lenders may come forward if, as is now happening, the state relaxes the stringency of the conditions upon which it is ready to admit new foreign industrialists.

All told, therefore, though some short-term economic problems are formidable, the long term outlook is good. The country's economy is very broadly based; production ranges from fuel—oil in workable quantities, and containing a high asphalt content for roads, was discovered recently in the south-east—through metals to essential foodstuffs. Its leaders are aware of the difference that rural education will make to their economic prospects. Above all, its people are politically sturdy, and well fitted to support the peculiarly testing position of being one of Russia's "unassimilated" neighbours. Their steadiness and internal soundness make them an oasis of stability in an uncertain and divided Middle East. As such Turkey is not only a member of the Marshall Team. It is a bastion of every legitimate Western interest throughout the Middle East.

The Burden of Taxation

THE basic trouble with the British national economy, now and for the next decade or so, is that the national income is too small. The capacity of the British community to produce wealth is insufficient to provide all the material resources that are required. This has not always been so. Throughout the two inter-war decades, for example, an even more pressing problem was to discover means by which sufficient demand could be generated to keep actual output up to capacity. And it may be that at some future time the emphasis will shift again. But for the present, it is clear that the major problem is one of inadequacy of output. To say this is not to imply that an all-round increase of output of all kinds indiscriminately would solve the nation's economic problem, because it is obvious that the most urgent need is for more goods of the kinds that can be exported or that will permit imports to be reduced. But the issue of the balance of payments is only a special aspect—which conditions in the outside world have made critically urgent—of the general proposition that the British community appears to be committed to using up each year more economic resources than it is producing. In 1947, the main heads of gross expenditure were as follows:—

Personal Consumption	£7,421 million
Government activities	2,168 "
Maintenance, replacement and increase of domestic capital	2,020 "

No one of the three categories was as large as it should have been. Many people still felt their personal consumption to be unduly restricted; some schemes of Government expenditure had to be curtailed for lack of resources; and the expenditure on gross capital formation, large as it was, made alarmingly little progress against the arrears. Nevertheless, the total of £11,609 million exceeded by no less than £675 million the total output of the British community itself, working under conditions of more than full employment.

The main objective of economic policy must therefore be to increase the national income as rapidly as possible. But until this can be done (and there is no quick-action specific available) there must inevitably be rivalry and competition for the division of the available resources among the alternative forms of expenditure. The first group of articles in this series stated the case for according an effective priority to expenditure on the formation of new capital equipment, precisely because it is the best way—indeed, in the long run almost the only way—of securing an increase in the national output. The present article moves on to consider the allocation of resources to the activities of the Government—by which is meant not only the central Government but also the local authorities and such semi-autonomous taxing authorities as the National Insurance funds.

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It is unlikely that there would be any dissent in this country at the present time from the proposition that the level of taxation is altogether too high. The days when only the rich felt the incidence of taxes and the poor paid them without knowing it, have gone, if they ever existed. Few can be unconscious of income tax, and fewer still of Purchase Tax and of the duties on beer and tobacco. The level of taxation is too high not merely because it is unpleasant for the taxpayers, but also for the strictly economic reason that it has an unhealthy reaction on the output of the community. All down the line, from the surtax payer to the unskilled labourer, the disincentive effect of high taxation is plainly visible. Even more damage is probably being done by the rapid depletion of the free working capital of

business enterprises, and by the virtual stoppage of private savings available for venture capital.

That taxes are far too high is obvious. But to draw the line at which they would be just tolerable, at which the economic harm done could be dismissed as inconsiderable, is much more difficult. Some three years ago, Mr Colin Clark advanced the thesis that no country could collect in taxes more than 25 per cent of its national income without running into all the perils of chronic inflation. The figure of 25 per cent is, of course, too round to have any exact scientific validity. But every economist—indeed, every person of commonsense—knows that there is some fiscal Plimsoll Line beyond which the economy cannot safely be loaded, and it cannot be very far from 25 per cent. In the United Kingdom in 1947, the total of private income before tax (that is, the taxable corpus) was £9,911 million and the combined tax revenue of all public authorities was £3,616 million, a ratio of no less than 36½ per cent. By any test, this is far too high. Moreover, there are some special reasons why it has been easier to collect this outrageous total in present conditions than it would be in more normal times. Nearly £1,000 million of the total is collected on tobacco and alcohol, on which the public was spending in 1947 no less than 18.4 per cent of its total consumption expenditure—3s. 8d. out of every pound spent. Clearly, when there is a greater variety of consumer goods available, this will not continue. But the Chancellor of the Exchequer will find it politically impossible to impose the same crushing rates of duty on the other objects of expenditure to which the public will turn. There is nothing else on which the rate of tax can be raised to several hundred per cent of the cost price. It follows that the revenue must fall as more food, clothes and other things now scarce come forward, and that the raising of the present total tax revenue would involve some increase in the present tax rates.

But if the present burden of taxation is more than the economy can bear and maintain its economic health, then it follows inexorably that the level of Government expenditure is also too high—or, to put the same thing in another way, too much of the available supply of goods and services is being allocated to the execution of the various activities of governmental bodies. One of the primary objects of economic policy must therefore be to reduce the total volume of these activities. This is a conclusion which will be hotly contested between the political parties. It may perhaps help to make it more palatable to point out that what is here discussed is the various activities of the Government that are financed by taxation. To say that these are too large is not, in itself, an argument against the nationalisation of industry—unless, indeed, nationalised industries make a habit of running at a loss and have to be subsidised by the taxpayer. What is here argued is not that a stop should be put to the transfer to public ownership of the commercial activities of the community—which is an entirely different argument—but that several steps will have to be retraced in the financing of economic activities by compulsory levies. But even with this concession, the conclusion is not likely to be very acceptable on the Left, since it appears to be one of the most firmly held convictions of the Labour Party that government expenditure can never be too large. Yet those who view the present level of expenditure with equanimity must convince themselves either that a community can go on paying some 40 per cent of its national income in taxes or else that a permanent and large budget deficit does not matter. On the latter point, it will be remembered that one of the conclusions of the earlier

group of articles was that, if there is to be an adequate flow of capital creation, the state will itself have to supply some of the savings—that is, pile up a surplus of revenue, on the average of years, above its current expenditure.

The conclusion is really quite inescapable and wholly divorced from party polemics. The activities of the Government in this country are at present far larger than the national economy can

NOTES OF THE WEEK

Dockers and Discipline

The world's greatest port has been paralysed for ten days by a strike of 19,000 dockers which has underlined one of the most difficult of contemporary problems—that of industrial discipline under full employment. No great human principle is involved: the strike was simply a chain reaction from a dispute between the Dock Labour Board and eleven men who demanded a higher wage for unloading a "dirty cargo" of zinc oxide. Undoubtedly the employers had been negligent in supplying this group with proper protective clothing, and the arrangements for viewing and pricing the job were very cursory. Moreover, the original penalty of thirteen weeks' suspension for refusing to accept the board's wage offer was unduly severe, although not criminally harsh in view of the excellent money they had been earning in the past. When this was reduced to two weeks the case of the eleven men might be deemed to have been settled.

This little dispute was only the *casus belli* for the expression of a *malaise* which must have been gathering in strength for months past. The causes are twofold. First, as *The Economist* has often pointed out, there is a master-and-man relationship inherent in industrial organisation whether the master is the private employer or a state board. The dockers, after over fifty years of struggle, have at last acquired a charter of employment and a victory over the hazards of casual labour. But their new master, the Dock Labour Board, is more exacting, demanding a steadier flow of work and putting an end to the old game of playing off one small employer against another. The London dockers are suffering from the frustration bred of reconciling the unpleasant alternative of industrial discipline with the yet more unpleasant alternative of casual labour.

There is an even more powerful reason for the spread of the strike and the refusal of the dockers to accept the advice of the Transport and General Workers' Union to return to work. Mr Bevin created a machine too big for Mr Deakin (or anyone else except Mr Bevin) to handle. This union has the worst record of unofficial strikes, because its enormous size, wealth and power place its leaders in a position so exalted that only an exceptional man could keep in close touch with the rank and file. Consequently the Union has, in the minds of its members, become an entity as remote as the Government or the employers, and in fact largely identified with them. This was clearly exemplified on Tuesday when the official union meeting at the Albert Hall voted for a return to work, while a far larger unofficial meeting in Victoria Park voted with equal confidence to stay out. No promises from Mr Deakin to review the disciplinary clauses of the dock employment scheme, nor the use of troops, have as yet had any marked effect.

A dock strike on this scale loses this country vast quantities of foreign exchange as well as jeopardising London food supplies. In so far as the strike is a product of a nostalgic desire to reconcile freedom and authority, there is nothing very much that can be done to prevent a recurrence. In so far as it is an expression of dissatisfaction with the machinery of discipline and of the union's relations to the employers and to the workers and their shop stewards, swift action must be taken. Although the Communists have undoubtedly been the mainstay of the unofficial strike Mr Deakin would be well advised to carry his review of conditions within the union further than a mere witch hunt.

* * *

Blackmail in Berlin

The position of the Russians in Berlin this week-end is less triumphant and more anxious than appears at first sight. For months the chief motive behind their moves against the Western Powers has been the hope that the Americans, British and French might be deterred from going ahead with the political and economic reorganisation of western Germany—which Moscow

sustain, and they ought therefore to be reduced. But to say this is one thing and to show how it can be done is entirely another. In the next article an attempt will be made to shed some light on the problem by analysing the constituents of tax-financed expenditure.

(To be continued)

sees as the decisive step towards re-establishing a balance of power in Europe. The deterrents have failed, as have the gentler inducements of the little peace offensive of the last six weeks. The Six Power proposals for Germany and the currency reform just carried out represent in Russian eyes the severest diplomatic defeat suffered since the end of the war.

Moscow is now bound to hit back, and the gathering of East European Foreign Ministers around Mr Molotov this week end in Warsaw suggests that the diplomatic riposte may be sharp and skilful. It has certainly been long prepared. But the satellite Ministers realise as clearly as anybody the inherent contradictions in Russian policy towards Germany. It cannot at one and the same time exploit the eastern zone and make it challenge the western zones to a race for prosperity. It cannot denounce German resurgence and at the same time bid for the German nationalist following. Above all, it cannot at the same time maintain "Slav solidarity" behind the curtain and hold out to Germany the hope of a readjustment of the eastern frontiers with Poland. In the general game for power in Germany the Russian hand is at present weak and Mr Molotov knows it.

In Berlin his hand is much stronger—in fact overwhelmingly strong. The squeeze on the Western Powers now being brought to throttling point in the city can be exerted through financial, economic and political sanctions to which there is no adequate Western reply short of the threat to use force. Token garrisons of Western troops could be maintained in Berlin by air; but 2,500,000 Germans under British, American and French authority can be neither fed nor employed if the Russians determine they shall not be.

It appears, however, that there is still some room for manoeuvre; Marshal Sokolovsky has lately been courteous if not helpful, the most recent interruptions to road and rail communications have been justified on technical rather than political grounds, and the Russians have nothing to gain from economic collapse in Berlin. It has to be assumed that the British and Americans know exactly what they intend to do if the blackmail goes on. They have had six months' notice of its imminence and have presumably used that time for something more than statements that they intend to stay in Berlin by right. In particular it is to be hoped that General Clay's instructions from Washington are specific and firm and that London knows precisely what they are. If not, the situation might become perilous.

* * *

Irgun Challenges Israel

"If you do not co-operate with the Government of Palestine to root out terrorism," in effect said the British High Commissioner to the Jewish Agency last year, "you will one day have to do the job for yourselves." That day has now come. The Government of Israel has ahead of it the tough job of rooting out habits of violent resistance and opposition to authority which many Jews brought with them from the lands of their oppression. The young bloods of the Irgun and Stern gang will not be easily crushed. They will not be daunted—they may even be strengthened for the moment by what happened on Tuesday last. On that day, the Irgun Zvai Leumi attempted clandestinely to run a cargo of arms and reinforcements ashore. They were baulked by Government forces, orthodoxly observing the truce. They refused to negotiate and decided instead to stage a show down. They ran their cargo ashore on the esplanade at Tel Aviv. The Government fought them and destroyed their cargo. It decided, it seems unanimously, to start crushing an element which it must deal with sometime, and which it prefers to tackle on a semi-external issue—as is the truce—than on an issue of internal disagreement.

Yet that internal disagreement exists. The Haganah, which is the army of the present Israeli Government, is Socialist, and accepts the Uno verdict on partition. The Irgun has the backing

of elements to the right of the present Government—the Jewish Farmers Federation, the big citrus growers, the industrialists. These relish the existence of a potential bodyguard. To that extent, the Irgun is Fascist. But these classic distinctions—left, right, socialist, Fascist—apply so far and no further. The Irgun, when it agreed, two months ago, to co-operate with Haganah did so with a reservation. This was that its co-operation was purely internal, that it did not recognise partition and that outside Israel it considered itself free to conduct operations according to its own lights. "Outside Israel" includes Jerusalem. To get on with these external jobs it needs arms from somewhere. It also needs men, for its numbers (estimated, as suits the argument, at anywhere between 2,000 and 6,000 souls) are very small. Its resources are American money, but recruits and arms it can get only in Eastern Europe. Its leanings at home may be right wing but they are, inevitably, red in the matter of support from abroad. To say that Irgun is relying on Russia and Haganah on America is, however, an over-simplification. Both must, of necessity, get their money from one side of the iron curtain and spend it on men and arms from the other.

Clearly it is in the interests of the West that established government should assert complete authority over the activists, as they call themselves. Outside watchers of Israel's struggle to subdue Irgun must therefore accept several facts. The first is that the contest will be long because, except on occasional issues like that of the truce, it is not clear cut. Though most Israelis deplore Irgun's methods, many hanker after its aims. The second is that if the contest flares repeatedly it will cause trouble with the Arabs, who will interpret it as a sign of Jewish weakness and try to meddle in a smouldering feud. A third is that to contribute anything—whether money, men or guns—towards maintenance of the feud is to favour nobody but Russia, which likes keeping quarrels at boiling point at places where they embarrass the West. The longer the quarrel lasts, therefore, the more it is likely to cause Israel to lean eastwards. Does the White House, and do the American Jewish almsgivers, appreciate these points? Presumably not.

Congress Casualty

Among the pieces of unfinished business left behind by Congress in its rush to adjourn in time for the Republican Convention was a composite Bill covering various aspects of America's international relations. Its provisions had secured Senatorial approval and it is little short of tragic that it now vanishes for six months at least and may achieve only the slowest possible resurrection in the next Congress. The clause in the Bill of most concern to Western Europe authorised the United States to support and participate in regional defence schemes within the framework of the United Nations. It had been Senator Vandenberg's intention in supporting this legislation to secure firm American backing for the Brussels Pact. Whether or not the Five Powers could by more explicit and precipitate action have encouraged the House of Representatives to give support for the Brussels Pact a higher priority, the opportunity is lost for the time being and, short of a special session in the autumn which Senator Taft thinks "is not necessary," January or February of 1949 is the earliest period at which Congressional support for American participation in Western Defence can be reconsidered. This delay is all the more unfortunate in that the American Government has announced that the United States will be prepared in the course of the next months to consult the signatories of the Brussels Pact on the question of American participation. The American Defence Department would be in a stronger position if Congress had already agreed in principle.

The other clauses in the lost Bill concerned the United States' relations with the United Nations and called for various ways of strengthening the Uno machine and limiting the use of the veto. But the saddest casualty in this context is the \$65 million interest-free loan for building the permanent United Nations headquarters in Manhattan. Six more months have been irrevocably added to the discomforts of thousands of Uno officials who must continue to labour underground at Lake Success. Another blow—small but irksome—has been directed at Uno's prestige and efficiency. And all this when half an hour on the floor of the House would have been sufficient to settle the issue.

Truth in Danger

Professor J. D. Bernal has dropped a heavy stone into the usually calm pool of discussion upon the methodology of science. He has submitted to an International Conference on Scientific Information, summoned by the Royal Society and deliberating

this week, proposals for the creation of a central secretariat to control the publication and distribution of scientific papers and documents. The reason is that among a large number of scientific journals mostly controlled by learned societies, the individual scientist finds it very difficult to keep in touch with all the ideas upon which his, and his colleagues, scientific progress depends. Reprints and space are difficult to obtain and consecutive scientific thought on a particular subject may be overlooked or unnecessarily delayed. A central secretariat, by distributing scientific papers to the relevant societies and journals, would, Professor Bernal argues, improve scientific communication and bring order into chaos.

He is probably right, but the objection to his proposal is nevertheless a fundamental one. Scientific truth (and by the same token the progress of applied science and industrial efficiency) depends for its growth upon a spirit of free inquiry, of a willingness to treat evidence upon its merits, and to permit all qualified persons to make their own deductions from the evidence. Wasteful though the present means of communication may be, the very existence of numerous and overlapping scientific journals guarantees freedom from censorship; a central secretariat would inevitably restrict that freedom. Professor Bernal argues speciously that it would act only as a post office; but if it was manned by clerks it would be pointless; if it was manned by scientists it would occupy a position of such power as to be virtually the arbiter of the direction—and thereby the destroyer of the spirit—of free scientific inquiry.

"Scientific Financiers"

This week the Institute of Actuaries has been celebrating its centenary in company with members of the sister Faculty of Actuaries in Scotland and kindred societies from overseas. In the public's mind, the actuary has always been a man of mystery, practising his craft in a remote atmosphere of advanced mathematics, which in some vague way has a practical bearing on insurance. But though his mathematics may lie beyond the non-specialist's grasp, the actuary's business is concerned with the eminently workaday problem of calculating the incidence of risk, and the proper financial provision to be made against it.

These problems have existed for a much longer period than the Institute's century, in the particular case of life assurance. That they were so successfully solved during the middle of last century is due in no small measure to the insistence of the Institute, and the Faculty, on high standards of professional attainment. In those times, as the early records of the Institute show, an "actuary" might be any person who was minded so to describe himself, and it is not surprising that the affairs of some insurance offices and friendly societies were conducted on anything but strict actuarial lines. In the course of the century—and armed for the past 64 years with the authority of its Royal Charter—the Institute has encouraged the great development of the statistical techniques which serve the actuary; his main raw material—vital statistics—has been vastly increased in scope and refined in quality; his professional attainments have been amply safeguarded by what is openly conceded to be the stiffest examination test in any profession; and the range of the actuary's work has spread well beyond the confines of life assurance, into social and mutual insurance, and into more general statistical work in the Government service and industry.

The importance of the actuary's skill is out of all proportion to his numbers. There are about 475 Fellows of the Institute in active employment, and 200 members of the Faculty, and there are too few qualified actuaries to fill the openings at home and abroad. Increasing use of the actuary's services in Government service and industry (though it still absorbs a minority of actuaries, compared with the 80 per cent employed in insurance) marks the fuller recognition of the actuary's professional capacity as a statistician. But he is usually much else besides: a demographer, a shrewd judge of economic trends and investment problems, a man who can use the certainties of past experience as an instrument for measuring and insuring against the uncertainties of the future—in short, a man of whom the description "scientific financier," first applied in 1884, is still true.

The Dentists' Grievances

Alone among the professional bodies the British Dental Association is recommending its members not to take part in the National Health Service. Its decision, taken at this late hour and after the bodies representing the doctors, chemists and opticians have all agreed to co-operate, is worth examining. Are dentists

to have a worse deal than doctors? The levels of income proposed by the Spens Committee and accepted by the Ministry of Health are, dentists agree, generous enough. What they object to is the method to be employed for putting the committee's recommendations into force.

It is the old difficulty. How is more than ordinary skill to get its reward in a publicly remunerated service? In private practice, a successful dentist attracts more patients and is able to raise his fees. The British Dental Association, therefore, asked that in the National Health Service the essence of this system should be retained. Dentists would announce their fees to their patients who, if they agreed to them, would pay the difference between them and a grant-in-aid to be provided from public funds. The measure of a dentist's success would be the size of the difference. Mr Bevan, however, has firmly refused this proposal, pointing out, with reason, that it was inconsistent with the principle of a free health service that people should be asked to pay fees. Instead there is to be a fixed scale of fees, to be paid from public funds, for each dental treatment. A patient may pay the difference where an expensive treatment is desired but is not clinically necessary—for instance, a gold filling—and treatment requiring special skill will be given a higher rate of remuneration from public funds. But the general rule will be that a dentist who can drill painlessly will earn no more than a dentist who hurts. The public will soon realise to what painful necessities its demand for a free service has brought it.

The second grievance concerns clinical freedom. Ordinary fillings and extractions and emergency treatment can be carried out immediately. But for a prescribed list of treatments the dentist has first to have the approval of a Dental Estimates Board. Because it is desired to curb some dentists who might carry out unnecessarily expensive treatment, control has to be placed on all. The dentists thus have a strong case in asking that the treatment for which prior approval has to be sought should be reduced. The prescribed list is so long that, it appears, either approval will have to be given by a clerk—in which case it is clearly unnecessary—or, if it has to await scrutiny by a professional member of the Board, it will be an unreasonably long time in coming. The right course would surely be to allow dentists as free a hand as possible to begin with and only to impose control when it is shown to be necessary.

Departure from Delhi

The time has come for the last of the Viceroy's and the last British Governor-General to leave the city which was the capital of the Moguls and is now the seat of a purely Indian Government. In recent years observers of the Indian scene who were aware of the tensions created by the nationalist movement and the explosive possibilities of the situation would hardly have dared to predict that in the hour of British withdrawal from India, and even after it, an Englishman could achieve as much as Lord Mountbatten has done and depart from office amid so much goodwill and esteem. Throughout his tenure of office he has shown just the right combination of vigour and patience for surmounting one crisis after another, where any rash or ill-tempered move might have had the most catastrophic consequences. He has set an example of friendly and unreserved British co-operation with the leaders of the new India which, it is to be hoped, will be followed in another role by the British High Commissioner in Delhi.

Meanwhile Lord Mountbatten's office passes to the distinguished Indian scholar and statesman Mr Rajagopalachari, who has been appointed on the recommendation of Mr Nehru's Government and now represents the link of independent India with the Commonwealth. Whether India is to perpetuate that link or sever it is a matter which is solely for the Indian people to decide for themselves; it is the sincere hope of Britain that this bond of unity, which is now between equals, will not finally be dissolved; but it would be an impertinence to urge or exhort Indians to maintain it unless it is of their own free will. One thing, however, is certain—that in recommending Mr Rajagopalachari for the office of Governor-General, the Indian Government has shown the desire to fill it with honour and dignity, for its new holder is certainly one of the most eminent of living Indians. In his succession he has the good wishes of everyone in this country.

Blockade of Hyderabad

If there is one great disappointment which clouds Lord Mountbatten's departure from India, it is undoubtedly the failure of the prolonged efforts which he has made to bring about agree-

ment between India and Hyderabad. The negotiations having broken down, Hyderabad, though not subjected to armed invasion, is under blockade. It is in fact the only state in the world claiming to be independent which not only has no access to the sea, but is entirely surrounded by the territory of a single neighbour. It is just for this reason that Hyderabad has been at such a disadvantage for making a settlement with India; the possibility of economic blockade must always have been present in the minds of the negotiators, and whatever initial arrangement had been made, this fundamental factor would have worked in time to integrate Hyderabad more and more closely with India, both economically and politically. But the fact that Hyderabad was in any case so far "in the bag" makes Indian impatience and intransigence appear entirely reprehensible, especially in view of the inconsistency of the Indian attitude to Hyderabad with the policy towards Kashmir.

India's claim to have been in the right in accepting the accession of Kashmir, in spite of the Moslem majority in its population, is incompatible with the Indian demands for changes in the internal administration of Hyderabad on account of its Hindu majority. If the right of the ruler is valid in one case, it is also valid in the other. It is true that India additionally claims the accession of Kashmir on the ground of Moslem support for Sheikh Abdullah, but there has so far been no way of knowing whether a majority of Kashmir Moslems support him or not; and if there are pro-Congress Moslems in Kashmir, there are also anti-Congress Hindus in Hyderabad who are not without influence. The present Indian tactics with regard to Hyderabad suggest a desire for a spectacular victory of prestige to compensate for the failure to break the deadlock in Kashmir; it may be, nevertheless, an unwise policy, for the Hindu-Moslem conflict remains latent all over the sub-continent and it would be folly at this time to provoke a fresh conflagration.

Italian Colonies under the Hammer

This week-end all nineteen governments which signed the Peace Treaty with Italy should be in possession of each of the three reports prepared by the Four Power Commission on the Italian colonies. The Commission has spent six months touring Somaliland, Eritrea and Libya, and recently returned to London, after a stop in Rome. In a fortnight's time the Deputies of the Big Four, America, Britain, France and Russia, meet again to hear any further views that the other interested Powers may care to express after digesting the reports; all fourteen of these Powers have already had a preliminary hearing. Then on July 20th, the Deputies begin to discuss their final recommendations about the disposal of the colonies.

No one, except Ethiopia, strongly opposes returning Eritrea and Somaliland to the Italians, in the form of a trusteeship under Uno. The Russians are backing this course, with the understandable proviso that Ethiopia should at least secure an outlet to the sea, probably through eastern Eritrea. The British want any reasonable solution that is economically workable. The Americans and French are non-committal.

But Libya is different. It has great strategic importance in the centre of the southern Mediterranean littoral. It is the scene of mounting Arab nationalism. The British pledged themselves in 1942 never to let its eastern territory, Cyrenaica, return to the Italians. And the French have made claims on economic grounds to bits of the western and southern territories, Tripolitania and the Fezzan. The French have furthermore administered the Fezzan since the war and regard it, as indeed they also regard Tripolitania, as a flank guard to their North African empire.

The British have administered all the territories, except the Fezzan, during this long interim period. But, like all caretaking governments, they have been unable to make long term plans and have been very short of money. This has been particularly felt in Libya, where in spite of very efficient local British administration, economic uncertainty has been added to political crystal-gazing. The local populations have watched the Americans establish a large air base at Mellaha near Tripoli, and the British evacuate troops from Palestine to Cyrenaica, while across the sea in Italy the popular press has been turning the whole colonial issue more and more into a question of prestige—although Italian sovereignty was formally abandoned two years ago in Paris.

None of these events makes settlement easier. If the Deputies of the Big Four cannot agree by September 15th, they have to refer the matter to the General Assembly of Uno. All who know the colonies would welcome a fair settlement, whoever it comes from. But they want it soon.

Commonwealth—much of the present talk of natural emigration from this country may become unreal.

Much more important, however, was Mr Griffiths's reference to a possible change in the whole system of national insurance—though this is clearly not immediate. Speaking of the relation of insurance benefits to national assistance, and confessing his anxiety about the narrow margin between them, he said that

we have about reached the limit of what can be done by means of flat rate contributions and in future we shall have . . . to see whether some method of financing the insurance scheme other than by flat rate contributions can be found.

Does this mean that Britain may eventually adopt the system in force in most other countries, under which contributions and benefits vary with earnings? In favour of the British practice of flat rates Lord Beveridge argued that it enabled benefits to be placed on a subsistence level, leaving the individual free to provide for himself above that level by supplementary voluntary insurance. Under the alternative system the benefits of the lowest paid workers would fall below subsistence. Mr Griffiths's remark would seem to indicate that the flat rate system is not so flexible as Lord Beveridge held it to be, and that if benefits fall below subsistence—and a comparison of the new benefits with the Assistance Board's new scales of assistance shows that this is beginning to happen—it will not be possible to restore them to the subsistence level simply by a flat increase in contributions. The contributions that come into force next month will, it is evidently recognised, place as big a burden on the lowest paid workers as they can be asked to bear.

The arrival of the *Empire Windrush* at Tilbury carrying 492 West Indians to this country has concentrated public attention upon an aspect of the Commonwealth migration problem which is frequently overlooked and which was completely ignored in last Friday's debate in the House of Commons—namely, that emigration as a solution to overcrowding in this country is not a simple deduction from the total population, but only part of a profit and loss account. While Great Britain may seem to some of its native sons a land of oppression and frustrated enterprise, to other of His Majesty's subjects beyond the seas it appears as a paradise of economic security and racial toleration. The migration balance of the inter-war years shows the ebb and flow of this tide. In 1924 155,000 British subjects emigrated and 64,000 arrived, leaving an outward balance of 91,000. The outward balance declined very slightly during the 1920s and was 87,500 in 1929, but in 1930 it was only 26,000. By 1931 it had changed to an inward balance of 37,000. Immigration reached a peak of 75,595 in 1932, in spite of the vast unemployment figure in this country, creating an inward balance of 48,607, and declined slowly during the thirties as employment conditions in the United States and the Dominions improved, but in 1938 there was still an inward balance of 6,500 British nationals. The effect of the war as a spur to migration can be readily seen by the fact that although immigration in 1946 was 63,000 (the highest figure since 1932), there was a net outward balance of 103,509 people (a large proportion of which were war brides). In the first nine months of 1947 43,000 British subjects immigrated to Great Britain and 88,000 emigrated.

It is too early to say what the postwar balance of migration will be, for many combinations of motives draw people to or drive them from this country. The most obvious magnet is full employment and social security, and, in the case of the 40,000 coloured people now estimated to be dwelling in Britain, racial toleration. With the interchangeability of security benefits for migrants between Britain and the Dominions, the former factor may have lost some of its force, but if there is any similarity between the pattern of the 1950s and the 1930s—if, that is to say, Britain takes the knock of a world recession in purchasing power and employment less hardly than the United States and the rest of the

There are considerable merits in Mr Trygve Lie's suggestion, made at Harvard a week ago, that the United Nations should be provided with a small international force for police work and for use in sudden emergencies. Hitherto the discussion of how "to put teeth into Uno" has been conducted on the assumption that the international force provided should be large enough to intervene in sizable conflicts and indeed wage a war against any but the great Powers. The events of the last year, however, suggest that for the time being at least, any risk of large scale fighting is likely to be limited by the uneasy equilibrium between the Powers. The dangers to peace come rather from minor but envenomed disputes—Palestine, Kashmir, Hyderabad, Indonesia—where a small international force might be used with great advantage to keep each side from the other's throat during a "cooling off" period, thus enabling a United Nations mediator or Good Offices Commission to work out an acceptable compromise. For some time to come, discussions on armies and navies and air forces for the United Nations will prove fruitless, but a small compact, efficient, utterly impartial international police unit might be the nucleus for later expansion. As in many other international operations, the working model may prove more effective than the comprehensive paper plan.

In country after country behind the Iron Curtain, the Communists are coming to grips with the one force powerful enough, dogmatic enough and stubborn enough to resist the Communist steam roller—the Catholic Church. On June 16th the Hungarian Parliament passed, by 230 votes to 63, the law for the nationalisation of schools. It was strongly opposed by the Democratic People's Party of Mr Barankovics, and especially by the independent Catholic Miss M. Shahta, who in the words of the Communist paper "unmasked herself" as having a "treacherous mentality" and was therefore suspended from Parliament for a year. Meanwhile a priest has been sentenced to death for inciting a crowd to disorders which resulted in the death of a policeman, and a second priest arrested for denouncing the regime from the pulpit. The attitudes of both the Minister of Education, Mr Ortutay, and the Primate, Cardinal Mindszenty, have stiffened. It remains to be seen how many of the teachers in the nationalised schools will remain at their jobs against the Church's orders and what the Government will do to those who resign.

In Czechoslovakia, the Archbishop of Prague has suspended the Catholic priest Plojhar, who stood for Parliament in the recent elections and is serving as a Minister on behalf of the rump People's Party. In reply, the Government has suppressed a Catholic weekly paper. In Poland, polemics continue against the Vatican for its allegedly pro-German policy, and the Senate of Warsaw University has sent a message to Cardinal Hlond protesting against the Pope's letter to German bishops.

On June 6th the new Patriarch of the Rumanian Orthodox Church was enthroned in Bucarest, and made a speech appealing to Rumanian members of the Greek Catholic (Uniate) Church—which is strong in parts of Transylvania—to “return to the church of their forefathers, the Rumanian Orthodox Church.” It will be remembered that two years ago, in the other main stronghold of the Uniate Church in Europe, Eastern Galicia, the Soviet authorities forced the Ukrainian population, by imprisoning Church leaders and suborning individuals, to be converted to Orthodoxy. Those architects of Orthodox repression in Czarist days, Stolypin and Pobedonostsev, might well be pleased with the work of the ex-seminarist, Stalin.

The Dominions seem slowly to be feeling their way towards solving the knotty problem of how much armed support they can usefully give to Western Union. Last Saturday, in an able and clear-sighted speech, Mr St. Laurent, Canadian Secretary of State for External Affairs, discussed the implications for Canada of a "North Atlantic Pact." On Tuesday, the Governor-General of New Zealand, Sir Bernard Freyberg, opened Parliament with a speech from the Throne calling for a closer "economic, defensive and spiritual union" with Britain and Europe. These are both welcome signs of the gathering interest in the hitherto apathetic

Mr St. Laurent outlined his now familiar ideas for a regional security pact between the countries of Western Europe, Britain, the United States and Canada. He suggested that defence resources should be pooled and that forces should be co-ordinated immediately. But, with a welcome touch of realism, he pointed out that Canada's adhesion to such a pact without the United States would add very little to it. This fact was worth emphasising. It is too often glibly assumed that Dominion contributions to defence would alone tip the scales in Western Union's favour. With a total white population of roughly only 23 million in Canada, Australia, New Zealand and South Africa, such an assumption is obviously false. It is to be hoped that Mr St. Laurent's statement will be carefully noted in both Washington and Whitehall. A North Atlantic Pact in the form which he suggests would be an effective contribution to security, and should also calm the fluttering nerves of Western Europe.

The importance of what was said by the Governor-General of New Zealand lies in its recognition of the need of changes in the economic life of the Dominion, if the association of the Commonwealth and a Western Union is to have any practical value. While the New Zealand government does not go so far as to commit itself in advance to whatever changes may be necessary, it does show a willingness to consider such changes. This is farther than any other Dominion has yet gone publicly. It should stimulate London to a more determined and clear-headed effort to educate public opinion in the meaning of Mr Bevin's foreign policy and in the changes of attitude it implies.

It is exactly a year since it was announced that colonial development would be accelerated by the formation of the Colonial Development Corporation. Since then no Minister seems to have been quite clear whether the main purpose of the new policy is to develop the colonies for their own good or to help Britain's balance of payments. It is constantly emphasised that colonial development is primarily undertaken in the interests of the colonial peoples, but after lip service has been paid to this principle, official speakers then go on to enumerate in detail the advantages for this country. This is doubly unfortunate; it makes the colonial peoples suspect that they are being "exploited," and it strengthens the criticisms in this country that the whole policy is doubtful and that from the point of view of Britain's balance of payments it would be more fruitful to export agricultural machinery to Denmark than to Tanganyika.

This week, Lord Trefgarne, chairman of the Colonial Development Corporation, again put forward the balance of payments arguments—but from a different angle. Colonial development will help to solve the dollar problem, not so much by enabling Britain to buy more foods and raw materials from the colonies, instead of from hard currency areas, as by enabling the colonies to export more of certain products to the United States, where they will find a market far more readily than will British manufactures. But even this development will take time—ten years, said Lord Trefgarne—and he did not attempt to justify colonial development as an immediate dollar earner.

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(Telephone : WHItchall 1511, Ext. 13.)

He did, however, make one startling *obiter dictum*. He would, he said, hesitate to recommend to the Board that large investments should be made in colonies "with a political obsession against the good faith of the United Kingdom," and his subsequent remarks showed that he had in mind the Communist-inspired riots in Malaya and—possibly—in the Gold Coast. But to rule out colonies politically obsessed against this country would not only rule out large parts of Africa from colonial development. It would also be the best possible means of fostering Communism in the colonies.

It is almost too good to be true that Mr Arthur Horner, speaking at Deal, should attribute the financial losses of the National Coal Board to the higher earnings of the mineworkers and to the high cost of materials. That he should hand the Board such a welcome shield and buckler is due presumably to his fear that coal nationalisation will suffer a damaging attack when the first annual report is published in the middle of July, and of which Thursday's debate is but a foretaste of criticisms to come. Mr Horner must maintain a difficult balance between a desire to defend the Coal Board from the Tories, and a desire to express the resentment of his followers at its policy of over-centralisation and at the lack of workers' control. It is to be hoped that when the Coal Board has weathered its crisis and Mr Horner returns to destructive criticism of it, his remarks on costs will not be forgotten. On his own estimate the improvements granted to the workers during the first year were at the rate of £62 million a year—no small slice of the cake.

While costs will be the main battleground in Parliament, the closing of pits will be the big problem locally. In Yorkshire, Mr J. Hall, president of the Yorkshire Union, forecast the closing of 30 to 40 pits in Yorkshire and urged the miners to accept the necessity. This is an overestimate, as the chairman of the North-Eastern Divisional Coal Board subsequently announced, but all the Divisional Boards are now getting on with their plans and large numbers of closures must be expected. The Waleswood strike is an example of the cleavage of point of view between the men and their leaders. The announcement of a decision to close a pit is a very delicate matter. Government Departments such as the Ministry of Town and Country Planning are pressing the Coal Board to declare which districts will cease to employ coalminers, and their anxiety to ascertain this, several years in advance, is understandable. On the other hand the Board's policy is to discuss closures first with the men on the spot ; to do so years ahead of the actual closing makes present work in these mines doubly difficult. What young worker is going to stay in a doomed mine ? In such cases workers may disappear faster than the economic working of the mine declines, and areas may become derelict before they need.

When the Easthampstead Rural District Council early this spring sent a demolition squad to pull down Mr Ralph Kirby's unauthorised bungalow, "Briar Patch," the outburst of popular indignation was such that the Ministry of Town and Country Planning halted the proceedings for an official enquiry. The report of that enquiry has now confirmed the sentence on Briar Patch, with a six months' stay of execution; the unamenable Mr Kirby has announced that he is staying put and the matter will presumably rest where it is until, some time around Christmas Eve, the demolition squad turns up again—with what appetite for its job may be imagined. The report does not make impressive reading. Mr Kirby was disrespectful of regulations, cheeky to inspectors, and negligent of his legal opportunities for protest and redress; so he deserved all that was coming to him. His bungalow was built in an area already afflicted with "undesirable developments" and was therefore, according to official logic, worthier of destruction than if it had been the solitary and conspicuous blemish on a beauty spot. Moreover, to allow him to get away with anything would make it impossible to prevent other unruly persons from doing likewise. But the whole argument exudes the characteristic smell of official solidarity. It is a small none the better for mingling just now with another, even more familiar odour; the odour of that retail licence in Reading granted, in defiance of all regulations and over the objections of the local Food Committee, to a relative of a member of the Government.

Because the Briar Patch decision retains all its original appearance of vindictive idocy, it does not mean that Mr Kirby should get off scot-free. He may deserve a severe fine; or the compul-

sory destruction of his bungalow when other housing becomes available. But a case such as this should not be decided entirely in terms of forms filled or unfilled, regulations regarded or disregarded, or even of principles satisfied or outraged. It is essentially a neighbourhood case, demanding a just balance between the rights of the individual and the needs of the community, a balance which any panel of upright men and women is capable of striking. As the free territory between the forbidden and the compulsory grows ever narrower, the need increases for an institution filling, in disputes such as this, the role of the common-law jury. Regulation may be inevitable; but the old question of *quis custodiet custodes* cannot be brushed aside.

* * *

The Snag in Snock

The Ministry of Food has followed up its snock-tasting party recently given to the press by a publicity campaign to boost snock recipes. All this expense has been made necessary because this South African tinned fish has not been a popular success. Why should it have been? Why should people buy these half-pound tins of a not particularly attractive fish at 1s. 4d. each at a time when prawns are plentiful and cheap—and free of points.

The snock campaign would be less important if it were an isolated example of the Ministry of Food's failure to appreciate the importance of popular demand. But other unbought tinned foods are piling up in the shops either because they are too expensive in money or in points, or because they are simply not wanted. The truth is that people are now discriminating in their purchases of food just as they are discriminating in their purchases of other things. They will buy tinned *pâté de foie* imported from Argentina but not tinned potted meat imported from the same source. They will buy home-produced spaghetti in tomato sauce but not spaghetti with gravy or meat sauce—and who can blame them?

Who allows the Ministry of Food to make these commercial howlers? It may sometimes be necessary to import expensive foods from countries with which Great Britain has a favourable balance of payments. Fruit from Italy is one example, French cheese is another. But there is a ready market for these, which does not exist for the potted meats on which hard currency has been spent. Or is snock just another folly of bi-lateral bargaining? It may not be practicable to allow the people a greater

say in what foods should be imported, and, therefore, piles of unwanted tins will continue to rise in the shops as a monument to faulty Ministerial planning. But in the circumstances Dr Summerskill's reported remark at the snock party—that snock had been canned by private firms "who do not understand the public taste as the Ministry does"—will draw tears not laughter. Private traders would not have plunged into snock before they had first tested the public demand, and would consequently avoid the pitfalls to which Government bulk sales are necessarily prone. Is the Ministry aware of a system called market research?

Shorter Notes

As was predicted and feared in *The Economist* of May 15th, the amount of private building work that can be done without a licence has been raised from £10 to £100. The Government's justification is the availability of labour and materials. But how could they not be available once cuts had been made in the housing programme? To squeeze labour and materials out of new house building in order to provide greater flexibility in the distribution of manpower, and then to permit them to be sucked in again in the much less controllable field of private repair work make nonsense of the Government's alleged intentions.

*

The House of Lords on June 21st deleted from the Nationality Bill the clause making the status of "Commonwealth citizen" equivalent to that of "British subject." The debate showed considerable strength of feeling on the subject, but little understanding of the purpose of the clause, which is expected to be restored by the House of Commons. The arguments used by the Opposition did not recognise the problem raised by the feelings of the new Dominions.

*

The third reading of the Representation of the People Bill produced a regular Brock's benefit of insults and expletives. The net result of the Government's refusal to compromise with the Opposition upon electoral representation, and the University seats, will be to make it quite certain that the Conservatives will reverse large parts of this Bill at the first opportunity, thus introducing an element of party vindictiveness into the evolution of the constitution.

Letters to the Editor

Russian Gold

SIR,—I read with interest, and I must add, some incredulity, the estimate of Russian gold production which appeared in *The Economist* of May 29th. I have since been trying, in vain, to find any corroboration of it.

Your contributor writes: "It (Russian gold production) is reported to have risen from about 11 million ounces in 1940 to 16 or 18 million ounces last year." I should like to know to what reports these figures, to which the authority of *The Economist* has now been given, are attributed. Information on such matters from Soviet Russia is notoriously difficult to obtain but your estimate is so much at variance with those made in other responsible quarters that I take leave to challenge it.

Eighteen million ounces a year is about three-quarters more than is produced by South Africa. It is appreciably more than half the estimated world production of gold. According to your correspondent this enormous expansion in gold production has taken place in one of the most inhospitable regions of the world, where temperatures are sometimes 94 degrees below zero, where the whole subsoil is frozen, and where the work is said to be done by convict labour, much of which has had to be devoted to opening up primitive road communications, with the nearest port 400 miles away, during a period when capital equipment for such expansion schemes has been notoriously difficult to come by.

If Russian gold production were at anywhere near the figure you suggest we would undoubtedly have had evidence of large sales of gold by Russia to the rest of the world. The sales which have taken place, mostly to the United States, are much more in keeping with the estimated production of about 4,000,000 ounces a year, which is the figure at which it is put by the Bank for International Settlements in its latest report, or with the even more modest figure of 2,000,000 ounces which appears in the careful and conservative estimates made every year by the Union Corporation.—Yours faithfully,

DAVID KESWICK

114 Old Broad Street, London, E.C.2

[The article was "By a Correspondent" and the estimate of production was given as "reported." It is therefore two stages removed from having "the authority of *The Economist*." Undoubtedly it is an exaggeration; but its significance lies in the fact that the only people who have been to this goldfield and have emerged to the outer world to tell their tale—some of whom are engineers, drafted into the Polish or Soviet armies—put the production at a very high figure. Where there are no official figures or facilities for investigation, but it is known that a great productive effort is being made, it is reasonable to make a greater allowance for concealment under Russian conditions of secrecy than bodies such as the Union Corporation may be prepared to admit.—EDITOR.]

Capital Shyness

SIR,—Your article explains why there was so little productive capital investment in industry before the war, but there is, I think, one other reason for this shyness, in addition to those you have mentioned.

The level of wages in many of the industries which should have been installing labour-saving devices was much less than that of the engineering industry, and it was difficult for the managers (and the accountants) to see any promise of substantial savings by substituting products of highly paid engineers for the hands of the cheap labour used by them. It would appear that, in countries of a low wage level the formation of productive capital is relatively slow, but that as soon as a high wage level is reached, management seeks ways of making savings by the introduction of labour-saving devices, and it may be that, with the complete change of wage levels in this country, conditions in future will be much more conducive to the growth of labour-saving devices than they have been in the past.—Yours faithfully,

IAN T. MORROW

59 New Cavendish Street, London, W.1

Egyptian Thoughts on the Sudan

SIR,—I hope that you will permit me to draw the attention of your readers to what I consider to be misleading statements in the paragraph headed "Egyptian Thoughts on the Sudan" on page 963 of your issue of June 12th.

It is not true that the ordinance setting up a Legislative Assembly and Executive Council in the Sudan was drafted by the British Government. It was, in fact, drafted by the Sudan Government. Its provisions were based on the recommendations of a special conference set up for that purpose, consisting of Sudan Government officials and private Sudanese citizens. His Majesty's Government's part was confined to the three suggestions mentioned by your correspondent and of the detailed examination of the draft ordinance by the Anglo-Egyptian Committee in Cairo.

It would seem incorrect to imply, as does your correspondent, that if agreement between His Majesty's Government were not forthcoming as a result of the Cairo talks, the Governor General would, by promulgating the ordinance, exceed his functions. In fact, in view of the circumstances obtaining in the Sudan, had the Governor General failed to do so, he would have been guilty of defaulting in his obligations. This view is, I submit, supported by the words used by the Under Secretary of State for Foreign Affairs in the House of Commons on June 14th, when he said, "His Majesty's Government therefore fear that they can no longer stand in the way of the Governor General doing as he thinks fit regarding the promulgation of the ordinance with his duties and obligations for the good Government of the Sudan under the Agreement of 1899."—Yours faithfully,

R. C. MAYALL,

Sudan Agent in London.

Sudan Government Agency in London,
Buckingham Gate, S.W.1

Industrial and Economic Democracy

SIR,—Even economists who rarely share the same views, will have to admit the fundamental truth of the statement expressed in the excellent leader in *The Economist* last week that "neither management nor labour has any right to dogmatise upon the problems of industrial democracy, since neither has yet found a solution to it."

The problem seems to originate from a constant confusion that exists between *industrial* democracy and *economic* democracy. It is true that the formation of works councils, joint production committees and the like bodies set up to promote

From *The Economist* of 1848

June 24, 1848

OUR anticipation and hopes of Germany, which were much more favourable than for France, seem not likely to be speedily realised. The suicidal war in the north continues. It was begun in hot haste; and, though all parties are tired of it, there is not sagacity enough to put an end to it. To the commerce and prosperity of Hamburg, and to the general prosperity of Germany, its lingering disorders and petty battles are most injurious. It is furnishing, too, a pretext for the Emperor of Russia to interfere, and it teems with general war. Nor do events march satisfactorily in Berlin. The representative body there and the Ministry have been overawed by the mob. The city has been again the prey of disorders, the arsenal has been plundered, and Government seems almost as much at fault at Berlin as at Paris. The Germans themselves look with much hope to the diet at Frankfurt; but we see no means of its forming and exercising an executive power, which would not set aside the reigning princes, and cause many a struggle to retain an old dominion. The demand of the Germans for a political national unity encounters great difficulties, and will be attained, if at all, only by means of terrible dissension. Their efforts, too, are raising up counter pretensions; and the Slaves and the Czechs, who have latterly been almost unheard of, have started into a kind of national existence, and propose in Bohemia, Moravia, and other territories of Austria, to form a power apart and distinct from the Germans. . . . The Emperor of Austria has declined to open the national assembly of Austria at Vienna in person. His capital is still in possession of the students and the national guard; and he seems quite denuded of imperial power. There is, in truth, we regret to say, at present as little prospect of a restoration of public tranquillity in Germany as in France.

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Britain's Way Out

By A. Grant McGregor

WRONG WAGE POLICY IS THE ENEMY,
NOT THE PROFIT MOTIVE

GRAHAM HUTTON

in his broadcast reported in "The Listener" said: "What we need really is something like what the American and British Engineer, A. G. McGregor, calls prosperity wages"

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efficiency through co-operation in individual firms is to be welcomed. Organised industry, however, is but a part of the national economy, essential as this part may be. Neither "public control," irrespective of whether by nationalisation of planning, nor "combined operations" of organised industry and labour, will serve as substitutes for those new methods of public co-operation and co-ordination which functional democracy requires. Within the framework of a parliamentary democracy, "industrial democracy" can have no other meaning than of being part of a system of "Economic self-government," running parallel with "political self-government," and like the latter under parliamentary control. As hardly a single profession or trade exists in the United Kingdom which is not organised collectively both as to its owners and its workers, such a system of economic self-government, as visualised by Winston Churchill in his Romanes lecture as early as 1930, could easily be embraced by the British flexible constitutional system. With its roots drawing sustenance and knowledge from every humble producer and consumer, it might give

real meaning to the phrase "economic democracy".—Yours faithfully,
LEON ZEITLIN
80 Greencroft Gardens, London, N.W.6

Too Much Equality

SIR.—In reply to your note to my letter, may I say that the new regulations for direct grant schools, which resulted from the Education Act, 1944, were introduced by the Coalition Government? (Circular 32, March 16, 1945.)

The decision to make sixteen the minimum age for the new examination was taken by Mr Tomlinson on the unanimous recommendation of the Secondary Schools Examination Council, an entirely non-political body (see *Hansard*, June 3, 1948).—Yours faithfully,
SHEENA D. SIMON

Broomcroft, Ford Lane,
Didsbury, Manchester, 20

Books and Publications

Jeremiah the Prophet

"From Smoke to Smoother." By Douglas Reid. Jonathan Cape. 317 pages. 10s. 6d.

"INSANITY FAIR" over again; this is the best description of Mr Reid's new outburst, and it has the advantage of being the author's own. *From Smoke to Smoother* has all the qualities of its predecessor; it is brilliantly written, penetrating in argument, knowledgeable beyond belief (in more senses than one), vibrant with passionate conviction, unanswerably right, quite extraordinarily wrong, and more than a little dotty. For a man who foretold practically every move that Hitler made one has a necessary respect—a respect which extends itself to his subsequent judgments on Stalin and on events in Palestine.

But what is one to make of the propositions which follow? That the emigration of Russian and Polish Jews to America at the turn of the century, and the concentration of those Jews in New York, was the result of deliberate planning by the "managers" of nihilism, who intended all along to use the Jewish vote as a lever as they are now doing. That Hitler was trained in Russia, by the inner Communist circle which represents the current generation of "managers" especially so that he might destroy Europe; that this destruction, not the establishment of the millenary Third Reich, was his aim from the beginning; and that he almost certainly survived the siege of Berlin (Trevor-Roper and all other authorities notwithstanding) and is now in Russia along with his fellow-managers. That the "managers" managed the dollar crisis, purely in order that this might be made an excuse for a general assault upon the liberties of Englishmen. (To read Mr Reid on the subject of bread rationing, one can only conclude that they also managed the harvest weather of 1946.) That their ability to "manage" these economic pressures rests on the fact that they control not merely the Cominform and the Zionist movement but the American money-power; the devil sits on the gold of Fort Knox. That the whole movement for world government is a device of these same "managers" who by its establishment would find themselves enabled to destroy liberty, nationality, Christianity, and the family, and to impose their nihilist ideals (first outlined by Adam Weishaupt at Munich in 1776, and first embodied in the French Revolution) of degradation, depopulation and death. After all this, it is hardly astonishing

ing to learn that the Fabian Society, the London School of Economics, and PEP are all screens for the "managers"—Mrs Nesta Webster's researches on the subject are quoted with approval—and one is only surprised—and a little indignant—that *The Economist* is not somehow included.

That there are, in all conscience, sinister forces enough at work in the world, no one will be disposed to deny; and leaving the devil at Fort Knox and the many devils at Lake Success out of the picture, one need not diverge too far from Mr Reid in one's views of where those forces have their headquarters. But that these descend by deliberate plan and initiation from the *Illuminati* of the eighteenth century, or that their motives are so different from the normal, all too normal, desire for power and national wealth, is harder to believe. It is possible to explain the world's present troubles quite adequately without insisting that these have been planned for 150 years by a sanhedrin of Stavrogins.

The Problem of Pace

"The Economics of Disturbance." David McCord Wright. Macmillan (New York). 109 pages. 12s. 6d.

PROFESSOR WRIGHT analyses the problems of a growing society "in terms of overlapping rates of change," and his closely-reasoned, often difficult but always stimulating essay achieves, in spite of a high degree of abstraction, a realism denied to those whose argument is couched in terms of particular institutions, particular monetary systems, or particular national circumstances—still more, of course, to those who like Major Douglas have failed to understand the processes which they discuss. The "disturbance" of his title is not the upheaval of war, demobilisation, revolution or even major technical change; it is merely that deviation from the nearly stationary which is bound to occur in any society, capitalist or planned, which pays any attention to the wishes of consumers. Of course, the greater the changeability of taste, and the complication of the economic system, and the speed of technical advance, the greater the "disturbance"; but any live system will, in one form or another, encounter the problems which Professor Wright analyses. There is the problem of the right or socially desirable rate of real saving—how, in any given society, can it be evaluated and what mechanism adjusts actual monetary saving to this optimum? (The answer is, none.) There is the conflict, particularly acute in the durable goods industries, and equally real in planned and unplanned societies, between the ideal of stability and the ideal of giving the consumer what he wants when he wants it. This analysis casts a vivid and indeed rather painful light on those aspects of the British housing problem which are now pushed into the background by the balance of payments crisis, but are only waiting to pop out into the limelight again in more propitious times; the dilemma of over-expansion to meet present needs or neglect of those needs in the interests of stability of employment. There are the besetting minor problems of readjustment: "if we assume," says Professor Wright, "that it is easier to get men into an expanding line than it is to get them out of it, and if we assume that the expanding industry or, more likely, its suppliers, collapse faster than others rise, we have the seeds for a depression." Had he been writing in Britain instead of in America he would probably have phrased this differently; politics being what they are, the more likely secondary assumption is an inflationary stimulus to employment. But in any case the result is disequilibrium.

The general conclusion of his argument, it is probably not unfair to say, is that stability is probably unattainable—certainly not worth attaining at the price it would entail; although compensatory public action can greatly reduce the instability which is the inevitable accompaniment not merely of capitalism but of democracy and science. With beautiful objectivity he disclaims for that argument any conclusive value as regards social choice; but he hopes, with justification, that "it will help us to make it more reasonably."

The Miracle of America

"A New History of the United States." By Andre Maurois. John Lane; The Bodley Head, 1948. 456 pages. 15s.

THIS "new" history of the United States by a Frenchman is remarkable chiefly for the liveliness of its presentation and M. Maurois' happy turn of style. The author makes no pretence of having gathered new facts; and his pages do not often justify the claims of the dust-cover that they achieve a wider perspective than that attained by British and American historians. The emphasis on the rôle of the French explorers in North America and the reasons for the collapse of French Canada and Louisiana give a glimpse of early America from a new corner of the compass, but for the most part the book follows the conventional outline.

Written chiefly for French readers, the book will cause no heart-burnings in the United States; the title of the American edition is "The Miracle of America." In the main it provides a balanced account for the general reader with no special knowledge of the States, and it is eminently readable. But it is precisely the general reader who will be most disappointed to find the "miracle" one of the remote past. M. Maurois has devoted three-quarters of his book to the period before 1865. On the excuse that it still belongs to the field of polemics rather than history, the absorbing story of the last twenty years is dismissed with a few careless and in some cases misleading generalities. Twenty years ago another eminent Frenchman, M. Andre Siegfried, wrote "America Comes of Age." M. Maurois has been content to retell the familiar story of America's adolescence without any of the penetrating assessments which distinguished the earlier book.

Caribbean and US Relations

"The United States and the Caribbean." By Dexter Perkins. The American Foreign Policy Library. Harvard U.P. (London: Geoffrey Cumberledge), 1947. xii+253 pages. 12s. 6d.

THE literature on the Caribbean and on United States relations with that area is already large. But there was room for a short book, on the borderland between history and contemporary affairs, which should re-appraise, in the light of changing political, economic and social conditions, the national and international problems of the American Mediterranean; and Mr Sumner Welles was fortunate to find so able a pen as that of Professor Dexter Perkins, perhaps the most distinguished of American diplomatic historians, to write the first Latin-American volume in his new American Foreign Policy Library.

Professor Perkins is always lucid, he is often penetrating, and he is anxious to be scrupulously fair. Some readers may feel that this anxiety leads to an excessive tolerance when he surveys the records of the dictators who have ruled, and still rule, a number of the Caribbean states, or to an undue optimism when he considers the economic record of the Good Neighbour policy. Nor do his statements on pages 67 and 68 square, at first sight,

very happily with recent events in Costa Rica. Yet it is possible that this discrepancy is more apparent than real. All in all no better introduction to the Caribbean area for the generality of readers could be found than this all too brief survey.

Shorter Notices

"Matters of Life and Death." HMSO. 20 pages. 6d.

THE Registrar-General is to be congratulated on this attempt to provide a small guide to the immense collection of statistics compiled in his office. This booklet, concisely but lucidly written, contains the main facts about the growth of the population of England and Wales, the birth, death and fertility rates and the comparative mortality from various diseases. A useful Appendix lists all the Registrar-General's publications and gives a brief description of their contents.

"Voluntary Social Services." Handbook of Information and Directory of Organisations. Published by the National Council of Social Services. 197 pages. 7s. 6d.

THIS very useful and comprehensive handbook is now available for the first time since 1939 and covers every possible aspect of Social and Voluntary Services. It gives an historical survey of the Voluntary Social Services of this country and their progress since 1650, when only three existed, to the present day when, with the growth of the public conscience, there are thirty. Any student of social services will find it invaluable and more ordinary mortals cannot but be impressed by the magnitude and diversity of the work undertaken by private citizens who were not content to await State legislation to come to the aid of other people.

"Economics: An Introductory Analysis." By Paul A. Samuelson. McGraw Hill. 608 pages. 27s.

"Fundamentals of Economics." By Myron H. Umbriet, Elgin F. Hunt and Charles V. Kinter. McGraw Hill. 448 pages. 3s. 75.

THESE two formidable volumes illustrate the American tendency to let the textbook do the teacher's job—and a great deal of the student's job too—instead of merely providing a framework to be filled out in classroom or tutorial or by specialised reading. Granted (a lay assumption) that this really is the best way to teach either economics or anything else, both are competent and practical jobs, and Professor Samuelson's even conceals within its bulk some good and stimulating writing. The combination of theoretical soundness with solid detailed down-to-earth realism has, moreover, advantages which it ought to be possible to achieve within a smaller compass, but which are certainly favoured by room to manoeuvre.

"Atomic Energy. Its International Implications." A Discussion by a Chatham House Study Group. Royal Institute of International Affairs. 128 pages. 4s.

THIS little book was prepared as an Interim Report, mainly of an informative character, for the guidance of the general public, and consists of nine papers contributed individually by the eminent members of the group; four of them are concerned with the scientific and technical facts, the remainder discuss the wider aspects. It forms a useful compendium on the present situation, giving an unemotional and, on the whole, impartial comparison of the various plans for control which have been put forward officially and unofficially, and discussing at length the practical difficulties in the way of realising them. The group has cautiously avoided making any very definite recommendations, or attempting to foresee the probable political developments of the future; the only speculative papers are contributed by the Rapporteur, Dr H. E. Wimperis, who on the one hand impersonally discusses the horrifying characteristics of an atomic war, and on the other draws an inspiring picture of an international atomic research organisation. Lord Hankey provides a pessimistic tailpiece, saying in effect, "None of your schemes will work—they will wreck the United Nations if it is burdened with them. We shall have to leave the matter to settle itself, and hope that we come to our senses in time."

* Industrial Problems *

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LONGMANS

AMERICAN SURVEY

A Policy for Wages

(From Our US Editorial Staff)

UNTIL the end of May, many Americans hoped that, despite the effects of the Marshall plan and the arms programme, the inflationary drama was nearly played out. For this reason, the 11-cent wage increase granted by General Motors in the latter part of May was popularly considered a surprise surrender to the "third round" of union demands. Actually, it is merely a continuation of the rise in wages which has been going on since before the war, with only a slight interruption in 1945, and which has elevated weekly earnings in manufacturing industries from an average of \$23.86 in 1939 to \$52.07 in March of this year.

Before General Motors gave way, the newspaper headlines had made much of the decision of the US Steel Corporation, the General Electric Company, and other large corporations to cut their prices as a substitute for advances in workers' pay. But even then, increases were being quietly granted in a number of smaller industries; and price indices are once more approaching the high levels reached just before the drop in February.

These wage increases contribute to the upward trend of prices both on the demand and the cost sides, but the first is probably the more important. Because demand for both consumer and investment goods is so high, an increase in wage rates produces a similar increase in the total wage bill, instead of unemployment. Total consumer expenditures go up, not only by the amount of the wage increases, but by the amount of savings which the less fortunate must draw upon in order to keep up appearances.

Wage increases also leave their mark on prices through their effect on costs. It is true that productivity has been improving; a recent survey showed physical output per man-hour higher than it was a year ago, and also higher than the immediate prewar level, in almost two-thirds of the companies reporting. The increase in productivity, however, has probably fallen short of wage increases. Management has not resisted wage increases violently, however, because there is a strong desire to keep production going—and profits flowing—when sales are easy and costs can be passed on. "Industrial statesmanship" does not—and perhaps cannot—extend to more than a very slight absorption of higher costs, since profits, excluding inventory gains, are modest in relation to the gross national product for a period of prosperity.

Labour's arguments for higher wages are now avowedly based on the cost of living. This wages policy, which resembles a dog chasing his own tail in an atmosphere filled with the intoxicating fumes of inflation, is the result of some deep-seated forces in this country, and others are developing from it. The organisation of labour undoubtedly has increased the responsiveness of wages to the state of the labour market. Furthermore, union leaders are under even stronger compulsion than business managements to demonstrate their accomplishments every year in order to retain the allegiance of the rank and file. The workers, still suffering psychologically from the awful 'thirties, cannot escape the feeling that the reaction is bound to come very soon.

Hence the continued emphasis on the need to maintain purchasing power in a period when effective demand is already excessive. Government policy suffers from the same kind of contradictions and the present monetary inflation, providing easy credit for both consumption and investment purposes, encourages the dog to go on chasing its tail.

The profound changes which are developing include a major redistribution of income and the economic decline of the white-collar workers and the middle class; training and education in particular are selling at a discount. The implications of this are both cyclical and long-term. Because of the political as well as the economic strength of the labour organisations, it is unlikely that in a recession this income pattern will be reversed as it was in the past. The labour market has now developed rigid price sectors just as did industry before the 1930's. Not only may this accentuate fluctuations in employment within these sectors, but it may mean that in the next depression the unorganised groups will take the place of the farmers in the last, bearing the brunt of readjustment of incomes while buying in markets where the terms of trade are against them. Such a situation might obviously in the long run discourage training and education and have unfavourable effects on economic, social and political progress.

The high fixed costs to which industry is committed are likely to be increased to an unpredictable extent by a recent ruling of the National Labour Relations Board that companies must now bargain on pension plans as well as on wages; if their employees demand it. The prominence of pension considerations in both the coal and rail disputes indicates that their importance may continue to grow.

Higher wage rates have also exerted immediate pressure for mechanisation, which has increased productivity, but has pushed up overhead costs as well and has thus contributed to further rigidities.

The stresses and strains which must inevitably accompany the emergence of an economy of highly organised groups are only thinly glossed over by the veneer of boom conditions. The possibility, in an election year, of bringing political pressures to bear on economic problems, which Mr. John L. Lewis exploited recently, hastens developments which will produce future problems.

The United States needs a mature wage-price policy, and perhaps also a new way of formulating it. The present policy was born in depression, has lived through a time of troubles, and is a peculiar *potpourri* of ideas, emotions and customs. It is compounded of some remnants of the competitive-market-marginal-productivity myth, some medieval ideas of the just price, and more recent concepts of welfare economics, and a liberal seasoning of power politics. Too often the interests of the organisations involved, whether they are labour unions, corporations or the government, appear to assume an identity of their own, independent of the interests of the individuals they are supposed to represent. Pattern and custom exert their own independent influence, too; the General Motors increase of 11 cents will probably set a standard for other demands, even though its basis was supposed to be the relationship between General Motors wages alone and changes in the cost of living, with an annual addition for improving the standard of living of the workers.

A more mature policy would lay greater stress on productivity, noting perhaps that wages in England average about half those in the United States, but that selling prices are not more

than competitive, if that; wages and wage costs are very different things. This moral for management could be matched by one for labour; if wages had been directly linked to prices during the last century, labour would have been deprived of its share of the real gains resulting from increased productivity. On the other hand, the inclusion in wage agreements of an arbitrary "improvement factor," unrelated to productivity, as in the General Motors settlement, may kill the incentive to greater productivity. A long-term credit policy could be designed to offset rising costs by ever-rising prices, but it would penalise saving, and might eventually lead to the financing of all investment by bank credit and perhaps even the complete socialisation of investment. A more mature labour policy would reward skill and training instead of discouraging them. It would protect the interests of consumers and of unorganised labour groups. It would be a policy designed to achieve an equitable balance of interests among, and for the benefit of, the many groups which together make the nation.

American Notes

Dewey for President?

Dewey buttons were reportedly the best sellers in Philadelphia on the opening day of the Republican convention and the odds in favour of this fancied candidate improved steadily until on Wednesday evening, with balloting due to start next day, it looked as if Governor Dewey was almost unbeatable. This was, of course, the impression which his campaign was planned to produce and it was achieved, as was to be expected from a politician who prides himself on his modernity, by a jet-propelled version of psychological warfare, which does not however differ very much in its essentials from the more traditional methods.

The convention opened in an atmosphere of greater uncertainty than usual and Mr Dewey's undercover agents found it easy to foster anxious fears both behind the enemy lines and amongst the neutrals. The latter's greatest fear, in a year when the Republicans are convinced that they are choosing not only a candidate but a President, is that of remaining neutral so long that they will forfeit their share in the spoils of victory. It is here that Mr Dewey's unorthodox campaign achieved its great success. Senator Edward Martin was induced to abandon his "favourite son" candidacy before the conventional first ballot and to lead over half the important Pennsylvania delegation into Mr Dewey's camp at once, instead of later. Governor Driscoll of New Jersey followed quickly after, with a similar proportion of his State's 35 delegates, and with these additions to Mr Dewey's strength the advantages of being on his side became almost irresistible. In spite of Mr Dewey's insistence that no deals were involved, it will cause little surprise if these names appear again amongst his Cabinet appointments.

Mr Dewey is staking all on a quick and overwhelming victory and if his opponents can prevent this, Senator Taft's hopeful forecast that the Dewey reserves have been brought up too quickly may prove correct. As far as is known at the time of writing, Mr Dewey has not yet collected the full 548 votes needed for nomination, and during Wednesday night his opponents may have gained some strength and carried out some surprise reorganisations. But they showed no signs of being able to achieve the unity which is essential to even a successful holding action, in spite of frequent meetings between Mr Taft and Mr Stassen, the leaders of the two best-organised sections of the opposition. Mr Stassen, of the two best-organised sections of the opposition, refused unwillingly to sacrifice both his ideals and his independence, and Mr Taft's offer of the Vice-Presidency, as well as Mr Dewey's, but Mr Taft was prepared to accept a similar offer from Senator Vandenberg. The senator is the most serious menace to Mr Dewey, but it has been rumoured that he may put not only the votes which are pledged to him, but also his influence in the party, behind Mr Dewey, whose victory would then be assured. Governor Warren of California has as yet given no indication of his position, and of further uncertainty arises from the absence of reports on the activities of the leaders of the party machine, who are certainly not idle.

The delegates to the convention have meanwhile been entertained by, amongst other things, elephants, ranging from a live baby to an inflated rubber one, frequent renderings of the national anthem, the personal appearance of the only living Republican ex-President and the glad news that their sole enemy is the Communist Party. But they do not seem to have found the customary variety show as absorbing as usual. It may be that they are growing more sophisticated, or perhaps the know-

ledge that they are being televised discourages the old abandon. But it may also be that they are conscious that the eyes of the world are on them this week and that they would prefer to take a more serious share in the responsible business that brought them to Philadelphia, the business of choosing a leader not only for their party but for their country.

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Rain-check for ECA—

On the North American continent, if an outdoor entertainment is spoiled by rain, ticket-holders are given a "rain-check," allowing them to make a second visit free, and the expression has become part of the language. The Senate, not altogether unwillingly, agreed to the inclusion of rain-checks in both the foreign assistance appropriation and the selective service Bills, in order to save the face of the House of Representatives and to get the Bills passed before Congress adjourned. These rain-checks not only insure the Republicans against any change before November in the climate of public opinion, now set at least mainly fair for internationalism, but will also enable them, if a storm breaks, to take shelter at the electoral expense of the Democrats.

In the case of the foreign assistance appropriations, the rain-check is the compromise on the vital question of whether the funds for the European Co-operation Administration should last for 15 months, as the House decided, or for 12, as laid down in the original authorisation and reaffirmed by the Senate. After negotiations dragging on for three days, through breakdowns and deadlocks, and finally an unprecedented visit to the conference room by Mr Hoffman and Mr Lovett (in the absence of Mr Marshall), it was agreed that the appropriation should ostensibly cover the 15-month period, ending on June 30, 1949, but that it could be spent by April 2, 1949, if the President and the Administrator considered it necessary. There seems little doubt that it will be so spent, since Mr Hoffman has always insisted that the full amount is urgently needed and has already authorised procurements amounting to over half the \$1 billion originally made available. Indeed, in his evidence before Congress, he said that if the appropriation had to be spread over 15 months, it would mean the virtual abandonment of the constructive aspects of the European recovery programme, which distinguish this programme from earlier relief plans. Unless Mr Hoffman can point to real progress in this field, he will find it difficult to justify his Administration when he is called upon to do so by the new Congress in January. Already there are signs that faith in the ability of ECA to accomplish its task is beginning to decline.

This decline of faith gave added force to the House attack on ECA, although Mr Taber himself found his inspiration in his fetish of economy. He remained recalcitrant to the end and finally gave in without grace and presumably only temporarily. Apart from the victory for the Senate's more liberal attitude, represented by the arrangement over the duration of the appropriation for ECA, this appropriation was cut in the final Bill by \$245 million to \$4 billion. This does not appear to endanger the programme, however, and the various restrictions on the use of the funds, on which the House had insisted, were much modified. The full appropriation, the largest single foreign aid appropriation in the history of the country, was for \$6,030,710,228, which is \$503 million below the original request, \$95 million below the Senate's recommendation and \$50 million above the House version.

* * *

—And for Selective Service

The ECA appropriation will begin to run out only after the new President takes office, but at least the Republicans have left themselves free, if they so desire, to accuse the Democrats of extravagance in this respect during the election campaign. On selective service their rain-check is more specific. The House Bill, which was finally passed by 283 to 130, was watered down to little more than a token gesture, in order to get it through quickly after the months of delay imposed by the Rules Committee. One of its weakest features was the provision that the men were not to be called up until next February. In conference it was, however, agreed that conscription could start in three months, the time needed to set up the necessary machinery, but that the final decision that the draft must begin should be left to the President. He will hardly be able to decide otherwise, in view of his past pronouncements, even though the decision must be made just one month before the election. But if the Republicans find, as they have always feared (although the grounds for their fear have never been clear), that their support of selective service is losing votes, they have provided themselves with a scapegoat.

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The second weak feature of the House Bill was that the men were to be drafted for only one year, which is considered to be useless by the military authorities, while the Senate favoured two years. Agreement was reached on 21 months. All men from 19 up to and including 25 years old must register and it is expected that about 230,000 will be called up in the next year, in order to bring the strength of the Army up to 790,000. The authorised strength of the armed forces is increased to 2,005,882 by the Bill. The Senate's provision for the enlistment of 25,000 aliens was eliminated in the final version, but its provision for the voluntary enlistment of 161,000 18-year-olds was retained, the only surviving vestige of Universal Military Training.

* * *

Contribution to Peace

The Republican members of Congress went to Philadelphia exhausted by their efforts to make their contribution to the peace of the world. Their exhaustion was largely the result of the nerve-racking attempts of Mr Wallace's supporters, notably Senator Taylor, to prevent the passage of measures which, in their view, are an inevitable prelude to war: in practice, Mr Taylor succeeded in making it quite certain that those measures would not get lost in the last rush. "We're not going to let Glen Taylor run the Senate," said Senator Taft, announcing that if Congress did not complete action on ECA and selective service, it would have to resume work after the convention. The House did not, however, manage to take final action on the loan for the United Nations headquarters, which has been given more significance than is warranted by the sum involved, since it is regarded as the one practical way in which, at the moment, the United States can show its faith in the United Nations.

The Republicans have made their contribution to peace, but it is a contribution which is open to varying interpretations in the future, and the same is true of the foreign policy plank in their platform. It was not to be expected that Senator Lodge, in spite of his growing resemblance to Senator Vandenberg, would induce the Resolutions Committee of the party convention, of which he is chairman, to forsake precedent and propose that the party commit itself irretrievably on this issue. Nevertheless the plank shows more evidence of his influence than of Mr Taft's, although the latter is not entirely absent, and it is surprisingly strong for a statement which has been accepted by the whole party. The Republicans promise co-operation on the basis of self-help and mutual aid to assist other peace-loving nations, within the limits of prudence and "our own economic welfare," and with insistence on business-like administration of all foreign aid. They affirm their belief in collective security and in the United Nations and particularly commend the value of regional arrangements under the Charter. They will support a system of reciprocal trade, although "safeguarding our own industry and agriculture" at all times.

The real meaning of this plank will, as always, depend upon the choice of Presidential candidate. That choice, and the course of the campaign, may demonstrate also the reliability of the Republican contribution to peace and will give Europe some guidance as to the real value of the diplomatic talks on the strengthening of Western Union which, from this week's announcement, will begin just when the election campaign is at its height. Senator Vandenberg and his colleagues have delayed the birth of the new isolationism, but they have not yet guaranteed that it will be still-born.

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Whistling in the West

The myth that President Truman's tour was non-political seems to have deceived no one, except perhaps the managers of the trip, who arranged such politically unprofitable occasions as a speech to Swedish Americans who are largely Republican, and who, further West, allowed the President to address a virtually empty hall. The crop of Presidential boners was well up to average, to the satisfaction of the press. Among the minor mishaps must be counted the cold-shouldering of local Democratic bosses, who were deprived of their coveted privilege of a *tête-à-tête* with the President and a ride across the state in his train.

But Mr Truman refused to allow even the gloom and inefficiency of his own party machine to dampen his high spirits and it is generally conceded that, after a bad start, the President made a recognisable come-back. Mr Truman may only be armed with a pea-shooter, compared with Mr Roosevelt's thunderbolts, but with a target the size of Congress, he was bound to find some thin skin on the Republican elephant. Except in California, where his speech on foreign policy was one of the best non-party

addresses of his career, he has flayed Congress unmercifully. He has denounced it as the worst in history or at least the second worst. He has asked why Congress failed to pass a long range housing bill, with provision for low-cost rental housing; a true extension of social security rather than the bogus measure the President unsuccessfully vetoed; a health insurance Act, federal aid to schools, price control, more money for land reclamation, public power, and irrigation. He pointed out that, instead, Congress passed a "Rich Man's tax bill" and the Taft-Hartley Act. Senator Taft, conveniently forgetting his own sponsorship of the housing and education Bills blocked by the House, fell into the trap of admitting that "here in Washington we are still fighting the New Deal" and arraigned the President for his passion for extravagance and bureaucracy.

Any resemblance between Mr Truman's domestic programme and that of Mr Wallace is probably more than a coincidence. It is Mr Truman's tragedy that he has enemies both to right and to left; and Mr Wallace's claim to have inherited the Roosevelt mantle is quite as deadly to the Democrats as the Republican attempt to tear it to tatters. In stoning Congress, Mr Truman hoped to hit two birds, one of which was the Third Party.

Mr Truman may be a "gone goose," as Mrs Luce assured the Republicans, but he is determined to go down honking. The only exception is in the South, where Mr Truman has prudently concluded that absence makes the heart grow fonder. The President's belligerence belies the suggestion that he will gracefully decline the reluctant nomination of an ungrateful party. And if the Democrats are to be defeated, it is surely better, for the future, that they should go down flying the flag of the New Deal, their most priceless asset.

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Congressional Record

By the skin of its teeth, on the last day of the session, Congress achieved the compromises on foreign assistance funds, on conscription, and on farm price supports which were, by general agreement, the very minimum it must accomplish if it was to adjourn without the grisly prospect of returning to Washington between or after the conventions. The first Republican record in sixteen years is complete, barring an emergency which would require Congress to reconvene. Even some Republicans are assailed by doubts whether it can be pointed to in the coming campaign with more than the conventional party pride.

On foreign issues there is no doubt that the 80th Congress has been historic, both because the measures it passed registered the defeat, if not the final rout, of isolation as the touch-stone of American policy, and because it recognised that America's international role no longer permits a deadlock even when the President and Congress represent opposing parties. The 80th Congress has a secure place in history for its passage of the Marshall plan, the Vandenberg resolution, the extension (though with amendments and only for one year) of the Reciprocal Trade Agreements Act; military and economic aid to China, Greece and Turkey; and the support it gave Mr Marshall through the revival of conscription and an enlarged defence budget, not only in time of peace, but in an election year.

These were measures wrung from Congress by history. On domestic legislation, there has been a double deadlock, that between the President and Congress, and that between the Senate and House. Of the two, the latter, reflecting the splits inside the Republican party, is the more significant for the future. Once the Party had achieved its negative aims of abolishing rationing and controls, reducing taxes, and curbing labour unions, the mildly progressive wing of the party found its way blocked, all too often, by the authoritarian chairmen of the House of Committees, mastodons who had escaped the Reorganisation Act. Congress managed, in the end, to extend the term of the Commissioners for Atomic Energy for two years, to continue aid to private housing, to make a small increase in some social security payments though this was offset by taking away coverage from a large group of independent agents, and to increase the pay of government employees. But the list of the Bills that failed gives a clearer picture of the urgent business of Congress.

The ghosts on Congress's cutting room floor are not all the ghosts of good Bills. The Bills that died included not only the civil rights programme, long-range public housing, Federal aid to education, the increased minimum wage, and statehood for Alaska and Hawaii, but also the return to the states of the title to tidelands oil, and the Bill to control Communists. This is some compensation, but no excuse, for a system which at the end saw the House passing 73 Bills in a day, patchwork accepted in the name of compromise, and important principles denied a hearing.

THE WORLD OVERSEAS

India's Mountbatten Year

(From Our Bombay Correspondent)

PROBABLY more events have been crammed into the fifteen months during which Earl Mountbatten of Burma has occupied Government House, New Delhi, than in any two generations of India's long and very varied history. A few of the major events include the declaration of India's independence, the partitioning of the sub-continent into the Indian Union and Pakistan, the Punjab holocaust and its sequel of unparalleled migrations of population, the assassination of Mahatma Gandhi, the "war" in Kashmir, the virtual disappearance of the princely states and the holding of two great international gatherings in India—the Asian Conference in New Delhi and the Economic Commission for Asia and the Far East (ECAFE) conference in Ootacamund.

Less spectacular, but equally important from the country's viewpoint, are the slow but steady removal of war conditions; the initiation of decontrol policies and progress in social and industrial reforms such as industrial insurance; the 48-hour week; industrial conciliation and such matters as the introduction of total prohibition and the outlawing of bigamy. It is significant of Lord Mountbatten's handling of the situation that, despite the disaster which followed the partition of the country, his popularity in India, far from suffering, has increased.

But the past year's events have given observers plenty of reason for thought and some are frankly depressed. They raise the question: Is India going to emerge as a modern state, unlike anything Asia has seen before, or is it going the way of China?

They consider that, if the Hyderabad and Kashmir disputes are not settled soon, permanently disturbed areas may be established and give rise to a form of warlordism. Even more serious is the risk that these disputes will precipitate another Hindu-Muslim clash. In Kashmir, despite Sheikh Abdulla's attempts to raise a defence army of Kashmiris (who are predominantly Muslim), the fighting is almost entirely between the Muslim tribesmen who have invaded the State from the North-West Frontier Province, and Hindu and Sikh troops sent from India to repel them. There is also a strong impression in India that despite the tribesmen's invasion, the majority of Kashmiris would vote for joining Pakistan if a free referendum could be held.

In Hyderabad tension springs from the fact that a Muslim ruling group holds sway over a predominantly Hindu population. New Delhi demands that the Nizam should establish a responsible government (which means a Hindu majority) and should hand over to the Indian Government control of defence, external affairs and communications. The situation has been made tenser in recent weeks by the emergence in Hyderabad of an extremist Muslim private army, the Razakars, led by Kasim Razvi, whose ostensible aim is to preserve the Nizam's sovereignty. The result has been a long series of border incidents and attacks on trains, one of which caused suspension of the Bombay-Madras service till armed guards could be provided.

Even the Razakars would be unimportant if their activities did not arouse Hindu-Muslim tension inside the Indian Union, where responsible people feel that another widespread outbreak would ruin the state. At the time of writing, this tension has reached serious proportions.

Puritanism in High Places

Regarding the background to the present state of affairs, adverse critics of the Indian Government make the following points: Since it took over last August the Nehru Government has made little headway in administering the country. It is mainly concerned with such trimmings as sending out expensive embassies and missions, quarrelling about a national language, rearrangement of the provinces on a linguistic basis, and the generation of such crises as those of Kashmir and Hyderabad which, say the critics, could have been dealt with later. They allege that, while New Delhi is unable to promulgate a coherent economic policy, big business is having everything its own way through its alleged friend, the Deputy Prime Minister, Sardar Vallabhbhai Patel. It is also claimed that, by allowing provincial governments to enact

a variety of public safety laws, the ordinary citizen has become actually much less free than he was under the British regime. The cost of living has continued to rise, while production has not yet shown much sign of improving. There is a feeling that there is too much dogmatic puritanism in high places and too much corruption only a little lower down the scale.

This is a formidable list of shortcomings, but the ten-month old government also has some very solid achievements to its credit. The first is the very fact that it is still in the saddle and that its leaders enjoy the support and respect of the majority of the people, in spite of the crises following partition and the assassination of Mr Gandhi. Both those crises showed that there were well organised forces inside the country whose ambition it was to remove Congress administrations from power by the crudest methods. Precautions recently taken in Delhi and elsewhere suggest that further attempts to produce chaos may be made—if the opportunity arises. But obviously the longer the present administration remains in power the more difficult it will be to destroy it.

A United Government

The main reason for the present Indian Government's success is that in spite of rumours to the contrary, Pandit Nehru and Sardar Patel are at one in their aims, and India probably boasts the most united government in Asia.

Nearly as important as staying in the saddle has been the Nehru government's achievements in restoring order in the ravaged East Punjab and the handling of more than four and a half million refugees. The refugee problem has by no means been solved, but at least these people are being resettled by degrees and being provided with food, clothes and shelter.

Progressive decontrol of two essential commodities—cotton cloth and food—though causing much controversy, has not caused the confusion which was forecast. If it is possible finally to dispense with these controls the Government will have rid itself of considerable embarrassment, because the control agencies have been the main targets for charges of corruption.

The five-year industrial truce, negotiated with the trade unions early in the year, is at last showing signs of working. The industrial courts are still choked with disputes sent for adjudication, but the flood of strike notices is ebbing. This does not mean, however, that labour is working more willingly—most factory managements complain that morale is low, go-slow tactics are common and the 48-hour week, which practically prohibits overtime, automatically limits production in a country where even semi-skilled labour is far from plentiful.

Limited working hours can only be compensated by satisfactory mechanisation and the urgent necessity for more capital goods was at the forefront of all the Asian countries' cases at this month's ECAFE meeting. It was the keynote of Pandit Nehru's speech at the opening of the conference, though he made it clear that capital goods and technical assistance would not be accepted at the cost of economic domination.

Attitude to Foreign Capital

Pandit Nehru's thesis was to some extent countered by Dr Henry Grady, American Ambassador in India. He told the conference flatly that countries in need of foreign capital assistance should have clear-cut policies giving security and reasonable returns to foreign investors. It is this lack of clarity in the whole of Asia's economic future which worries Asian countries like India as much as it does Dr Grady. Dr Grady's remarks were much resented by the extremist Indian press which claimed to see in them indications of the new "Anglo-American Imperialism." The fact is that the atmosphere of newly won freedom is extremely nervous, and every move by western countries will be subjected to the closest scrutiny for signs of an attempt to reimpose foreign dominance.

So far as Britain is concerned, the results of the sterling balance

talks can do much to clear the air and should make possible the formation of a definite import-export policy. In the last few months there has been considerable confusion regarding imports, though recently there has been some loosening of licensing arrangements for soft currency countries. A freer flow of imports could do much to arrest soaring prices.

Though foreign offers of economic aid may still be viewed with suspicion, opinions are perhaps less strident than they were a year ago. At the ECAFE meeting Pandit Nehru deprecated talk of India's "leadership of Asia," yet this was a dominant theme at the time of the Asian Conference. With the exception of the Kashmir issue, there is also a tendency towards better relations with Pakistan, at any rate in the economic sphere. Agreements for the interchange of goods and food have recently been made with a minimum of controversy.

Finally, India's internal administration is likely to be considerably simplified by the virtual disappearance of the princely states. Some 500 of these have been amalgamated into 20 unions, each about the size of a former British Indian province. Each union is headed by a Rajpramukh (equivalent to a provincial governor) who is usually the most prominent prince in the group, while the administration is in the hands of a popularly elected government. The rest of the ruling families have been pensioned off with ten per cent of their states' revenues as privy purses, to be paid during good behaviour. Many observers consider it a reform long overdue.

India's most urgent need is a period of complete calm during which time the work already begun can be consolidated. It is apparent that Lord Mountbatten worked hard behind the scenes to settle the Kashmir and Hyderabad disputes before he left. Future economic as well as political progress must depend on speedy settlements, because both disputes are costing the Indian Union heavily in men and money, quite apart from their stimulating effect on irresponsible elements.

Political Upsets in Canada

[FROM OUR CANADIAN CORRESPONDENT]

POLITICALLY, this summer promises to be about the hottest in Canada's history. It started to warm up in May when the Socialist Co-operative Commonwealth Federation (CCF) party won a federal by-election in a British Columbia riding (Yale) which had been strongly conservative. Next, on June 7th, Ontario held its provincial elections. The Conservative government, headed by Premier Drew, chose to go to the province only two years after the previous election which had given him 66 out of the 90 seats in the legislature. The public responded by reducing his seats to 53, by defeating him in his own constituency, by raising the CCF seats from 8 to 22 and by making that party the official opposition in place of the Liberals whose representation rose only from 11 to 12. (Two communists kept their seats, and one instead of three Liberal-Labour candidates was elected.) Next day there were two more federal by-elections. Both were for seats previously held by Liberals, one in the west (Vancouver Centre) and the other, also largely urban, in Ontario. The CCF won them both—and has naturally been riding on political clouds ever since.

But the summer has only just begun. There are the results of three more provincial elections to come. On June 24th in Saskatchewan the first CCF government in Canada asked the voters to send it back for a second term. Its chances, already good because of a mixture of good administration and good times, were further improved by the sweeping CCF successes elsewhere. In two days' time the Liberal government of the Maritime province of New Brunswick will ask for re-election; the CCF is not strong in that part of the country and the Liberals will probably succeed. Next, on July 28th, Premier Duplessis will ask the voters of Quebec to re-elect him and his *Union Nationale* party. By that time the federal Conservative party (properly styled Progressive Conservative) should have put forward its new party platform. And finally, in the first week in August, the federal Liberal party will gather in Ottawa to decide who shall take the place of Mr Mackenzie King as its leader.

Progress of the Socialists

The cloud on the political horizon that is being studied by all party prognosticators is the success of the CCF. The first point that comes out of this study is that every seat that the CCF has won recently with the possible exception of Yale, is largely or entirely urban. CCF gains result in part from the entry of the Canadian Congress of Labour (affiliated with the CIO in the

United States) into politics and the active campaigning that is going on through the trade unions. Nevertheless, a good deal of the progress of the CCF in Ontario is simply a result of the uncertain workings of a three-party system. The system favoured them before in 1943 when they won 34 out of 90 seats in Ontario with only 31 per cent of the votes; in the 1945 election it ran strongly against them when they only got 8 seats as a result of 22 per cent of the votes; now they have 22 seats on the basis of 27 per cent of the votes. The Ontario Liberals are, of course, emphasising this because they got 29 per cent of the votes—more than the CCF—but only 12 seats.

The CCF now appears to be within striking distance of becoming the official opposition in Ottawa after the next election. In Ontario, and in the West, with a couple of seats in the Maritimes, they might very well muster enough strength to be the second-largest group; and, learning from the early experience of the British Labour party, they might be very coy about joining a coalition government with either of the old parties. On the other hand, they seem to have little chance of forming a government at Ottawa because, so far at least, they have not been able to muster practically any following east of Ontario. The coming elections in Quebec and New Brunswick will be watched closely for any signs of CCF gains. Even in Ontario the CCF can scarcely expect to form a government. They have no rural representation there. Unlike the western farmer, who is an exporter and believes in centralised and controlled marketing schemes, the Ontario farmer sells largely in the home market where the field for socialist policies is less fertile.

Two or Three Parties?

Although the CCF may not be able to form a government in Ottawa or in Toronto for some time to come, people are beginning to ask whether the time has not come for the two anti-socialist parties to get together in the federal field and in Ontario, as the CCF has already forced them to do, to hold on to the provincial governments in Manitoba and British Columbia. So far, however, this is just talk. The politicians and their followers in the old parties find it hard to think in any terms except mutual opposition. Many other people, more aloof yet deeply opposed to socialism, are unwilling to accord to the CCF the position of official opposition in a two-party system because such an opposition is sure to come into power some day. Nevertheless, since Canada has not yet gone as far as most countries towards state control, it is doubtful whether the CCF can be kept permanently in the position of a junior partner in a three-party system. Looking to the longer future, Canada will have to decide which party or group of parties is to oppose the CCF. Each of the older parties will, as time goes on, vie more and more for this position; its success will depend on its structure and its leadership.

Until the Ontario elections there was a growing chance that the leadership of the Progressive Conservative party would change. The leader, Mr Bracken, who had been tempted from a secure political position at the head of Manitoba's Progressive party, has been dogged by misfortune. A solid, unspectacular person, he has not commanded universal support and has lost a number of by-elections culminating in the one at Yale. If Mr Drew could have shown a spectacular success in Ontario a section of the party, especially strong in the traditional Tory stronghold of Toronto, would have pressed for him as a vigorous, vote-getting leader who could count on strong support in Ontario. But now he is considerably discredited as a leader and as a strategist. The election which he called resulted in the loss of most of his majority and in the loss of his own seat; worst of all, he only carried four out of the seventeen seats in the Toronto area—all the rest went to socialists or communists. On the other hand his chances for national leadership are not entirely dead. It was especially significant that he brought into the Conservative camp four traditionally Liberal seats on the Quebec border—seats where most of the voters are French-Canadian. Mr Drew was most outspoken for conscription during the war, and is the heir to the rabid Orange-Protestant tradition in many parts of Ontario; up to the present he has not been at all popular either with the average French-Canadian or with the Catholic hierarchy and the support of both is needed to get candidates elected in most French-speaking constituencies.

The Next Prime Minister

The Progressive Conservatives are not running candidates in the Quebec provincial elections but are supporting Mr Duplessis and the *Union Nationale*. There is no particular love between him and Mr Bracken, but between him and Mr Drew a sort of entente has grown up. They hold diametrically opposite views on many fundamental issues, including the British connection and

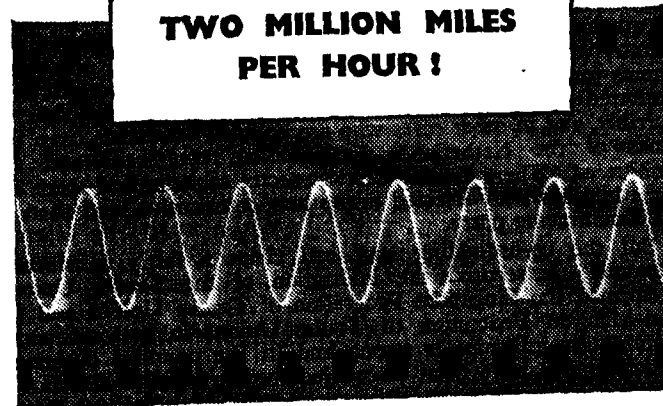


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conscription (Mr Duplessis opposed Canadian participation in the last war), but they both want to beat the Liberals, whose stronghold is in Ottawa, and they both cordially dislike Mr Mackenzie King. Both their provincial elections, and especially that of Mr Duplessis, have been called in the hope of muddying the political waters before the Liberal convention in August. That convention is likely to name a French-Canadian, Mr St. Laurent, as the next prime minister of Canada. He might well make Quebec safe for the Liberal party for the next fifty years—just as another French-Canadian, Sir Wilfrid Laurier, did fifty years ago. Mr Duplessis, who in spite of all his racial protestations is far more of a politician than a French-Canadian, is launching the weight of his attack against Mr St. Laurent. (The fact that Mr St. Laurent happens to be in federal politics is no obstacle to this sort of a campaign in Quebec.)

There is no doubt that the parties of the Right have a lot of strength—Conservatives in Ontario, *Union Nationale* in Quebec, and Social Credit in Alberta. They all make working arrangements with each other. They all show certain reactionary tendencies: the most outstanding anti-semitics in the country are Social Crediters; the *Union Nationale* has little regard for civil liberties; and even a federal Conservative who has led a campaign for a Canadian Bill of Rights can be found urging censorship when he comes across a book ("The Sexual Behaviour of the Human Male"), of which he happens to disapprove. But these isolated instances of anti-liberal (as well as anti-Liberal) beliefs are no foundation for a national policy or a national party.

Warning to Liberals

The Liberal party, which can in its own name get support in every province, can claim to be a national party. It is well represented in Ottawa. The Prime Minister has boasted that there are a dozen Liberals sitting with him in the House of Commons who could take his place when he retires. This is true; but it is also an indication of the extent to which the federal Liberal party has drained good men from the provincial Liberal parties and left the party as a whole very vulnerable at the provincial level. This is a grave weakness, for while it is theoretically possible for a national party to be successful in Ottawa without any representation in the ranks of the provincial governments, in practice this situation is very unlikely. It is doubtful whether the federal Liberal party is paying enough attention to its provincial fences. Perhaps this failure stems in part from the great and growing power of the civil service in Ottawa in shaping federal government policies.

If the Liberals are to oust the Conservatives and their allies as the main opposition to CCF socialism they will have to take a leaf out of the CCF book: they will have to work hard and continuously, not only at the federal level, but also at the provincial level and probably at the municipal level as well. In Canada party considerations are not normally supposed to enter into municipal politics, but the CCF has ignored this tradition and is busily training candidates there for higher political offices. This is a far-sighted policy that will greatly strengthen them in the long run—and they are going to need all the strength they can muster.

Crime in Malaya

[FROM A CORRESPONDENT IN SINGAPORE]

THERE is a spate of lawlessness in Malaya. Whether it is due to normal postwar crime or to Communist inspiration is being debated. The politically knowing see a synchronisation of events which cannot be fortuitous. They point out that after the iron curtain was rung down in Czechoslovakia, the Communists halted their advances in Europe and have now opened a second front in the Far East, that similar troubles are being experienced in Burma, Siam, India and the Netherlands East Indies, and that lawlessness in Malaya is country wide. The Commissioner General in a broadcast on June 6th shared the view that the extreme Left is making a trial of strength. He has called attention to the distinctive trademarks of the outbreak, and to the type of propaganda that has been made. Communists insinuate themselves into any group and warmly espouse it whether it be nationalist, anti-imperialist, anti-capitalist, democratic, communal, labour, or a trades union, and get a divorce when domination has been attained and the group swung to Communism.

The broadcast was more a diagnosis than a prescription, and the precise nature of the action to be taken is under discussion.

There is no need for panic. The trade and production of the country as a whole continue with amazing vitality. Though panic measures must be avoided, constant vigilance and repression must be exercised. The Malayan left wing is far less orderly than its opposite number in England, and the trades unions have little if any experience of negotiation. Many of the leaders are *déracinés*. One, a Chinese who has been in the country for over twenty years, has not yet learned one word of the easy language of the country. In Singapore incidents are rare because the Government has a more compact area to control and because it has kept a firmer grip on the lawless by banishing the most reckless criminals. It has had only two clashes with large groups who attempted to defy the law on a grand scale in February, 1946, and in May, 1948.

Singapore followed the example of the ancient Roman who lopped off the heads of the tallest poppies, but the Federation, hampered by distance, absorbed in constitution-making, and administratively over-strained, allowed the fever to spread before it applied the quinine of banishment and stern sentences. It has now banned all Federations of Trades Unions and has denied admission to a Trades Union of a man who does not follow the relevant trade. Road blocks to facilitate the search of cars, trucks and lorries have been fixed round the villages. Planters on lonely and remote estates have been given guns. But the Communist Party has not been banned.

In the first five months of this year Singapore lost 102,222 man-days through strikes involving 20,269 workers. This does not include protest strikes for political purpose. For example, on May 24th, 60,000 downed tools as a protest against the arrest of leading trades union officials. In May there were 33 reported cases of terrorism in the Federation. Not all cases are reported and such is the terror inspired that in one Johore village on June 13th when guns were drawn on Kuomintang leaders—three were murdered—people who actually saw the gun battle and watched two of the gangsters escaping, would not give assistance to the police. Earlier in the year companies of soldiers were called upon several times to fight bandits near the Siamese border and in the jungles of Perak and Johore.

Gangsters and Secret Societies

It is difficult to avoid the conclusion that a directing staff is co-ordinating the activity. It has refractory material. There is the ordinary labourer whose rice is far beyond its prewar cost and who can readily be excited to mass hysteria. There is the gangster who, after a Robin Hood existence during the Japanese occupation, is now a gang robber pure and simple who infests country areas and is well armed with rifles, bombs, sten- and tommy-guns. There are the Indonesians who in many cases were imported by the Japanese for forced labour, and who suffered horribly, and in other cases who are political extremists from the ranks of the Netherlands East Indies republicans and are embittered. There are the Chinese secret societies and there are some idealists who objected to the new constitution, and there is the Kuomintang party.

But the co-ordinating staff can claim a fairly satisfactory outcome. It secured the infiltration of the Trades Unions. It formed the Singapore Federation of Trades Unions and the Pan-Malayan Federation of Trades Unions in both of which Communist influence is strong and in the premises of one of which bombs have been discovered during a police search. It had enough voice in the leftist societies like the Malayan Democratic Union to make them scarcely even perfunctory in deprecating violence while noisy in protesting about police interference.

The addiction of Chinese to membership of secret societies is well known. The societies practise extortion and run protection rackets for gambling, smuggling and prostitution. They have, like the Chicago rum-runners, their own pitches, and they frequently clash. The Communists endeavoured to merge the warring societies by mass-initiations under the age-old ritual of the Triad Society. Forty-nine arrests were made at one such initiation and it is extremely doubtful whether the Secret Society men will sacrifice their societies to any person or party. The leaders of the Communists are usually foreign-born, but many of them have gone underground and have handed over their duties to local born deputies who are legally exempt from banishment. Much Communist activity is devoted to the struggle against the Kuomintang. Both Kuomintang and Communists are well equipped with arms and they will come to terms with each other when oil mixes with water or when China ceases to have civil war.

Meanwhile, the peaceful citizen is stung beyond endurance by these gad-flies, and will give a moral though not co-operative support to any action that will destroy the pest.

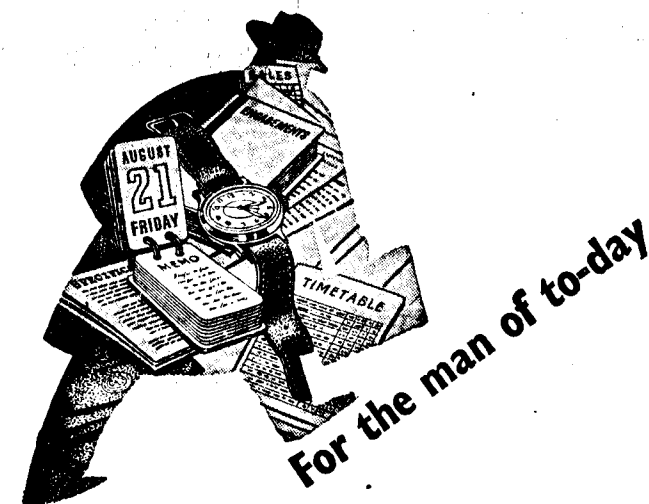
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THE BUSINESS WORLD

The Deutschemark

THE monetary reform which is now proceeding in Western Germany must be viewed as far bigger in scope, far more fundamental in its economic significance, than the mere substitution of one currency for another. The old Reichsmark had lost all claims to be an effective currency. It commanded no confidence. It was issued by many authorities, between whom little collaboration, and in some cases positive antagonism existed. No one could say, therefore, to what extent the old currency had been inflated. Official prices and wages were fixed without relation to the true value of the currency, and economic activity consisted largely of barter transactions—refined here and there by the introduction of the cigarette as a currency standard—and by other payments in kind. The currency reform must, therefore, be regarded as the reintroduction of Western Germany to a money economy. The mere exchange of new notes for old must be viewed as part of a greater financial design. Another aspect of that design is the banking reform, which can come to life now that a real currency exists to sustain it. Others are the revision of the taxation system, wholesale changes in rationing and price control, and the progress which is now being made to give the German currency some international status.

It should be said at once that this revolution in the economy of Western Germany will, like all revolutions, have its painful episodes. Any economy will adjust itself to the environment, however harsh and crude, in which it is called upon to work. In this respect, Germany has proved no exception. Three years of barter, of the cigarette standard, of an Alice in Wonderland structure of official prices and wages, of black markets, have moulded the German economy to a certain pattern, absurdly inefficient by any normal standards but designed to make the best of the prevailing circumstances. To subject that economy to a cold douche of financial orthodoxy and of hard money, may be an essential condition of ultimate reconstruction and indeed of survival; but the immediate shock is bound to cause much friction, local unemployment and hardship. It would be well for the Allied and German authorities now launching the reform to emphasise and publicise this aspect of the problem from the outset. Propaganda blaring from the East will not fail to seize on each symptom of transitional difficulty in order to persuade the German public in the Western zones that they are being made to suffer for some sordid design of Anglo-Saxon manufacture. Indeed the blast has started already. There will be plenty of material for it to exploit, for in truth the more the new regime hurts in its early stages the better it will do its job.

The reform has been launched on the basis of three laws promulgated by the military governments of Great Britain, the United States and France, two of which have already been published, while the third is imminent at the time of writing. The first law came into effect on Sunday, June 20th. It sets up the new currency, the Deutschemark, which is to be divided into 100 pfennigs. The old money, the reichsmarks, rentenmarks, and the mark notes issued by the Allied military authorities, became invalid on June 21st. The only exceptions are notes and coins up to a denomination of one mark, which will remain valid at one-tenth of their old or nominal value.

Each inhabitant of the three Western zones is to receive, as a first issue of new currency, 60 Deutschemarks against an equal

sum of old bank notes; 40 marks were paid out last Sunday through the food rationing offices, and the remaining 20 marks are due to be paid one month later. Each individual and business enterprise has been asked to hand in and register by June 26th all holdings of old currency and bank deposits. Any amounts not surrendered or registered by that date will become worthless. This cash and credit will be converted into Deutschemarks at a later date at a rate which has yet to be officially announced, but which is understood to be one in ten, the ratio indicated by the devaluation of small change in old currency. In order to provide cash required for wage and salary payments in the first few days, employers will receive bank advances in the new currency on the basis of 60 marks per employee, provided that the total so advanced to any firm does not exceed its holding of old currency. To clear the decks for the currency reform, a moratorium was declared for this week on all money obligations in reichsmarks.

The immediate impression left by this first instalment of the currency exchange is its severity. The initial ration of new currency issued to the population is small. Sixty marks per head, together with the new currency provided through bank advances for wage payments, are expected to produce an initial circulation of about 3,600 million Deutschemarks. The subsequent supply of currency will be fed firstly by advances from the banking system to provide working capital for trade and industry, and secondly by the one-in-ten conversion of the cash and credit paid in or declared this week. It is impossible to predict how rapid this re-expansion will be, since it must depend first on the policy to be pursued by the German banks in extending credit to their customers and secondly on the rate of releases under the conversion scheme, of which details have yet to be issued. It should not be long, however, before the proposed ceiling of the new Deutschemark circulation is reached. This ceiling, as defined in the second of the three laws already mentioned, is ten billion Deutschemarks. A further issue of one billion may be made if it has the sanction of three-fourths of the directors of the Central Bank and is agreed to by at least six of the states.

The new ceiling of ten billion Deutschemarks compares with a Reichsbank circulation of approximately the same size immediately before the outbreak of the war. That circulation had, admittedly, been inflated by the rearmament boom in Germany, and had risen from about Rm. 7 billion in 1937. The prewar circulation, however, applied to the whole of Germany and not to the much smaller area over which the Deutschemark will circulate. Allowing for this fact, and for the poverty of German resources today as compared with 1939, it cannot be said that the ten billion marks ceiling is unduly restrictive. It compares with a total circulation in the three zones before June 21, 1948, estimated by the Allied military authorities at between 60 and 80 billion marks, but many Germans put the figure twice as high.

Much of this inflated circulation will never be presented for conversion. There will be an inquisition on all declared holdings of more than 300 marks. Many such holdings, which are the product of illegal black market operations, will never be declared at all; the notes will either be destroyed or, if it can be done, smuggled into the Russian zone. There would be some poetic

justice in the latter development since much of the inflated currency has come from that zone and a certain "reverse lend-lease" would not be out of place. The Russians, however, are well aware of this possibility and have already strengthened their defences against it.

Apart from this destruction of a considerable part of the old circulation, much of the notes and deposits that are being declared will be skimmed off by the taxation proposals which accompany the German monetary reform. There will be a graded tax on all capital assets, designed to spread the burden of financial reform over all holders of property and not to confine it to holders of cash and bank deposits. In addition, there is to be a 100 per cent tax on all increments of capital value, taking 1939 as a basis. Finally, there is to be a complete suspension of payments on the old Reich debt, and German banks have been requested to remove such debt from their balance sheets. It is thus evident that the financial reforms will squeeze most of the water out of the dropsical financial condition of the Western zones and that the Allied and German authorities will have effective control over the subsequent re-expansion of currency. How they will exercise that control is another matter.

One of the most urgent and complex tasks that await the authorities in the western zones is to adjust the price structure. At the time the price stop was clamped on the German economy in 1936 in order to check the inflationary effect of Hitler's rearmament programme, prices bore some relation to one another within related groups of industries, and to world prices. This has long ceased to be the case. A beginning was made last April in adjusting these distortions in anticipation of currency reform. At that time, prices of coal and steel were raised, and the German economic authorities were instructed to fix new price schedules duly related to costs of production. It was intended that prices should be raised within each industrial group.

Simultaneously, the system whereby the German importer and exporter paid and received only the internal 1936 price for goods bought or sold abroad through the Joint Import-Export Agency was abolished. Instead, the German importer has normally been paying the full value of imported raw materials, converted for the time being into marks at the rate of one mark to 30 cents (or 1s. 6d.). For exports, the arrangement is flexible, since it is recognised that for some goods, but by no means all, the mark is too highly valued at 30 cents to enable the German exporter to find a market. For this reason, the exporter receives the foreign exchange price converted at the 30-cent rate, or the internal mark price, whichever is the higher. German exporters estimate that about half the goods which Germany now sells abroad would be too dear to compete if the 30-cent rate were used to convert a price based on present production costs, because the latter are particularly high owing to the low productivity of labour.

Staple foodstuffs, except potatoes, were exempted from the price-raising order last April, in the hope that a steep rise in the cost of living might be avoided. The adjustments to industrial prices should not mean a very great average rise. With this in mind, the Anglo-American authorities authorised the trade unions to negotiate wage contracts which would give a maximum increase of only 15 per cent for each industrial group. It is too early to judge whether an increase of this order will be sufficient. Normal methods of estimating costs of production and adequate wages have hitherto been impossible, owing to the prevailing barter system. Once the bloated currency is finally reduced, this process of adjustment of prices to one another and to world prices can be undertaken seriously. Until this is done, no exchange rate for the mark will be fixed. Hitherto, despite Military Government instructions, nothing much has been done to alter the legal, controlled level of prices. Now the Frankfurt authorities have begun, by removing price

controls altogether from a fairly wide range of consumer goods, though not from foodstuffs.

Another aspect of this problem is the reintroduction of clothes rationing. This had been abolished in 1942 for the good and sufficient reason that there were no adequate supplies of clothing with which any nation-wide rationing scheme, however meagre, could be operated. Clothes were issued only on dockets to those with high priority claims, such as the bombed-out. During the past two years, there has been considerable inflation of the issue of these dockets and it has been decided to replace them by clothing coupons which will be issued, on a very modest scale at first, to the whole population. It is hoped that the release of hoarded stocks, which are probably considerable, will enable the ration to be met until more adequate supplies, manufactured from Germany's large imports of cotton and wool, are forthcoming.

The introduction of a separate currency in the west was bound to have serious implications for Berlin. If the monetary reform could have been achieved on a quadripartite basis (of which there has long been no serious hope), the particular problem of Berlin would not have arisen. That problem, for better or worse, must eventually be solved by a single currency, since it is impossible even to begin to control the movement of population and of currency between the Russian and non-Russian sectors of Berlin if different currencies are to circulate in each. The Russians, who were holding out for an all-German reform, because of its great advantages for them, have been jostled by the action of the western powers into carrying out a hasty reform in their zone, and have demanded that their currency alone shall circulate in Berlin. There can scarcely be serious objection on economic grounds to this as a general proposition, provided that the currency circulating in Berlin is subject to effective quadripartite control. Unfortunately, the suggested means of putting the Russian plan into operation, and the question of prestige, have brought the most serious challenge yet to four-power government in Berlin. Whether the western Allies will insist on the new Deutschemark in their zones in Berlin—which will bring about economic confusion of an extreme kind—or whether agreement can even now be reached with the Russians about a single currency remains to be seen. The problem involves much more than the mark; it involves the entire future of Germany under four-power Government.

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The Economist

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Sufficient Iron Ore?

SIX months ago, the Committee of European Economic Co-operation examined the prospective supplies of raw materials which would be needed to provide the planned increase of 16 per cent in steel production between 1948 and 1951. Coke supplies were recognised as a serious obstacle, but the Committee reported that world supplies of rich iron ore would be adequate up to 1950, though in 1951 supplies would fall short of demand. The estimate of three years' grace, however, is already proving too optimistic; iron ore is joining the long list of raw materials which are scarce. It has suffered, like so many primary raw materials, from the disruption of war; labour has been difficult to recruit for the hard and uncongenial work of iron ore mining; but the main cause of the emergent shortage of rich iron ore is due precisely to the same cause as other shortages of key materials—demand continues to run at a much higher level than in pre-war years. Despite the elimination of German demand for rich ores—though that is now reviving in order to increase German steel production—the world is consuming more rich iron ore than it did before the war. And it is doing so mainly, though not entirely, because coal and coke are short—because more steel can be smelted with less coke from rich ores than from leaner ores.

Before the war the bulk of the world's steel was produced in four areas, all in the Northern Hemisphere: the United States, West Germany, France and Belgium-Luxemburg, the United Kingdom, and Russia. America and Russia produced almost all the iron ore they needed, but the European steel industries imported large quantities of rich ore from Sweden, Spain, North and West Africa, Newfoundland and Brazil. A table which charted and measured this prewar trade and compared it with the postwar pattern, would be most instructive; but unfortunately it is impossible to compile. Many of the necessary figures are not available, and many of those which are published deal only in crude tonnages which need to be corrected for their iron content, which may vary from 25-30 per cent for Lincolnshire, Northamptonshire and Lorraine ores, to 60 per cent for Swedish ores. A systematic series of figures is given in Volume II of the Report of the Committee of European Economic Co-operation, but while this serves the Committee's purpose quite adequately it has too many gaps, when assembled, to reveal the full pattern of the trade in rich iron ore, even within the limited area of the sixteen co-operating countries.

But though changes in the pattern since the war cannot be exactly measured, the main features are quite clear, and in the case of the United Kingdom for which good statistics are available, they admit of no doubt. There is a physical limit to the quantity of ore which can be imported at present, for the bulk of this trade has to be carried in a limited number of small vessels which can load at the Mediterranean and West African ore ports, and unload at equally shallow berths in this country. Freight charges are high, even allowing for the Government subsidy, and they are likely to remain high until the export trade in coal revives to provide return cargoes. Recently, however, increased foreign purchases of ore have presented a further threat to supplies for Britain. Dollars have been made available to purchase 1½ million tons of ore for Germany; and the significance of this transaction lies not in its size but in the fact that it represents the re-entry of the German steel industry into the iron ore market. Britain's requirements in 1948 are put at 9,000,000 tons, compared with 7,000,000 tons in 1947 (and 1937): arrivals in the first quarter were at a rate of 8½ millions, though that is a bad season for shipping, and during the winter certain ores cannot be shipped.

Home ore production is running at the target rate of 12½ million tons, and it might be expanded if necessary. In 1942, output reached 20 million tons, but to switch to home ore would reduce pig iron output and increase coke consumption; there would be a serious fall in the quality of the pig iron; and any such scheme would involve immense difficulties of labour supply and transport. According to the "Economic Survey," stocks of imported ore stood at 900,000 tons at the end of 1947, and these would support a spurt in iron production this year, even if imports should lag a little. Supplies of manganese ore, to make the ferro-manganese and spiegel needed in steelmaking, are causing anxiety in many parts of the world. The largest resources are in Russia, India, South and West Africa, but supplies from Soviet sources are uncertain and demand for the output of the other sources is outrunning the supply. Here again America's needs have increased its imports much above prewar levels. But, though difficulties about manganese ores are acute, they are different in kind from those which affect the much larger physical problem of obtaining sufficient ore for making pig iron.

Undoubtedly a substantial increase in pig iron production could be obtained now if the quantity and quality of blast furnace coke could be increased. If the quality of coke and coking coal was as high as it was before the war, pig iron production could be increased by 5 per cent without using any more coke than at present. Half a million tons of iron would make a most welcome contribution towards alleviating the steel shortage. More steel now means more pig iron, unless German scrap begins to flow in freely; in twelve months' time, more steel will probably mean more pig iron without the option. For this reason, it is not too soon to give serious thought to prospective supplies of iron ore for Britain and Western Europe. The trade in rich European ore is at present distorted by the dislocation of war and the dollar shortage. European ore is being shipped to America, for dollars, as return cargo in coal boats. The Germans have been given dollars so that they can replace lean French ore by rich Swedish ore, and thus counteract, in part, their lack of coke. Marshall Aid is then left to ease the financial strains which result from this distortion of normal trade. Thus the confusion of intra-European trade which Marshall Aid is intended to resolve, seems in this case to be increased by American action. Moreover, accessible supplies of rich ore have more than a temporary attraction because Europe's coal production is now inadequate; for America has joined Britain, Germany and Belgium-Luxemburg as an importer of iron ore. As the exhaustion of the easily won Lake Superior ores approaches, imported rich ore is becoming more competitive with American domestic ore. Supplies are being drawn from Brazil, Venezuela, Chile and Cuba as well as Europe, and great interest has been aroused by the discovery of a large field of rich ore in Labrador.

Thus, the world faces a prospective shortage of rich ore during the next decade. How is the British steel industry likely to react to this situation? An increase in the output of home ore can hardly solve the problem; before many years elapse iron ore mining by the present open cast methods will have to give way to drift mining, which will involve a steep rise in costs. Every rise in the price of coal and every increase in the cost of inland transport (for a large part of the British orefield is relatively distant from coal and steel plants) will absorb some of the technical economies which are being achieved by careful ore preparation. Considerable improvements in iron making efficiency have been gained from crushing, grading and sintering home produced ore, and it is quite possible that an economical

method of concentration may be developed that will enable lean British ores to be charged into the blast furnace in a form that is almost as rich as imported ore.

It is too early to say if these developments will keep pace with the increasing cost of mining home ore, and higher rail charges and coal prices. At present, the high capital cost of new plant favours the blast furnace which uses rich ore, and therefore can show a greater throughput and a lower capital cost per ton of iron produced. Furthermore, the continued expansion of the demand for flat steel products increases the advantages of a rich and purer ore. Promising changes in production technique may also favour the purer ore; and this is especially likely to prove true if the use of oxygen revives the Bessemer process. More home ore, more scientifically prepared, may be the best and only answer to the problem in the short run; but it is unlikely to be the permanent answer. The first task is clearly to develop existing foreign sources and to ensure that all the economies of ore mining which have been contrived, say, in the Northamptonshire quarries, are applied to the mines abroad. This policy is particularly appropriate in West Africa; the reserves are high, the quality is good, and they can be developed under British auspices. It is not necessary to be near the ore to make steel cheaply, provided that the ore can be transported cheaply by water; the economics of steel production of Pittsburgh and New South Wales prove that point completely. But a fleet of special ore ships may well be required eventually to replace the returning collier.

For this reason, if no other, the authors of the steel industry's five year plan seem to have decided wisely in proposing that new blast furnaces should be erected mainly at coastal sites. Whether the British steel industry should be expected to go beyond this stage of developing existing resources of iron ore overseas depends mainly on the view which is taken of its permanent scale. If the present target of 16 million ingot tons is regarded by the industry and the Iron and Steel Board as a permanent ceiling—and so far the Board have found no quarrel with this major premise in the five year scheme—then the first job is to work existing home and foreign ore resources as economically as possible. But if the present shortage of steel is to be taken as a sign of permanent buoyancy of demand, and if the British engineering industry continues to increase its contribution to the national product, much wider views will have to be taken.

During eighty years of steel development, Britain has progressed from self sufficiency in ore and coal to a position where it has been necessary to import first ore and then semi-finished steel. America is following the same cycle. That Britain never imported much pig iron was partly due to the technical virtues of the hot metal process of steelmaking and partly, in past years, to the quality and cheapness of British coal. Cheapness is still vital if Britain's export economy is to be competitive. But without discounting its importance, other factors must also be considered. These are strategic problems of great moment. There is also the problem of avoiding the fluctuations in steel output which in the past imperilled the industry's finances during slump, and now in time of boom threaten its imports of iron and steel making materials. No business can afford to leave its supplies of raw materials in jeopardy. No sensible economy would take the risk of ten engineers having to stand idle for want of the steel which one man could produce if he had the materials. There is a strong case for an adequate potential supply of steel and iron and, therefore, of ore and steel materials. Where can adequate supplies be found at lowest cost?

The resources of S. Rhodesia have recently received some publicity, and the public has heard of a scheme (which has still to be examined in detail and set going) to use Wankie coal and the hydro-electric power of the Kariba Gorge to produce hematite iron, ferro-chrome, and steel from the rich ores of that country. There may be other places in the Southern Hemisphere where a similar project might be planned. The ore resources of Africa and Australia have still to be proved and recorded in full. Australia, with its high grade ore, has already shown the possibilities by producing two million tons of steel per annum at about half the cost of British or American steel. In addition to developing accessible iron ore supplies in West Africa, should Britain also arrange over the next ten or twenty years to feed its steel and engineering industry with 3 or 5 million tons of pig iron or "semis" from plants established in Commonwealth countries of the Southern Hemisphere? What is the economic balance between such new sources of supply and the scale of the British steel industry? These are the elements in really long-term planning for steel, and they cannot be answered without a far-reaching assessment of future costs and future demand. The tight position in iron ore supplies, however, is a portent of difficulties in store which wise planning should seek to minimise if not wholly to avoid.

Business Notes

Investments in Brazil

Publication of the text of the Trade and Payments Agreement with Brazil [Cmd. 7438], has been followed by considerable fluctuations in the prices of Brazilian railway and utility stocks in London. The reason is negative—namely the absence of any specific provision in the agreement about the purchase of British investments in Brazil. There can be very few informed quarters in which such details can have been seriously expected. All earlier indications about the contents of the agreement suggested that it would do no more than give in general outline the various ways in which Brazil would be allowed to use its accumulated sterling. Specific negotiations about the taking over of British assets could not be anticipated in the inter-Governmental agreement.

The relevant clause in the Agreement, Article 19, states that the accumulated sterling in Brazil's "A" account, in which the immobilised funds are held, may be employed in five types of operations: (1) for the repatriation of Brazilian sterling loans, federal, state or municipal; (2) for taking over the San Paulo Railway; (3) in payment "for such other British owned railways or utility companies operating in Brazil as the Government of Brazil may decide to purchase by agreement with the entities concerned"; (4) for the settlement of claims by persons or companies resident in the United Kingdom outstanding since April 1, 1947, the amounts so paid being "whatever the Government of Brazil or

the Brazilian courts may agree"; (5) up to £250,000 for embassy buildings in Britain.

The sum from which these expenditures may be financed can be calculated from the agreement. Brazil's sterling balances, which amounted to £61.5 million on March 31, 1947, had fallen to £50 million by May 21, 1948, the date of the new agreement. From this sum there remains to be deducted £8,500,000 representing the balance of the £10 million to be released from the "A" to the No. 1 account under the latest agreement. These releases will be spread over the next three years. The amount in question, now in the "A" account, will clearly be left earmarked for use in financing current transactions. There remains, therefore, £41.5 million to meet expenditure under the five heads mentioned above. It is open to anyone to guess how that sum will be distributed. The negotiations in Rio de Janeiro made no attempt to go into such details; they merely cleared the lines for specific negotiations between the Brazilian Government and each of the companies concerned.

* * *

Eire Trade Pact

A new trade agreement with Eire has been reached after a week of friendly but difficult negotiation. Eire has been importing more British goods than it could pay for by its export of domestic produce to this country, and its adverse visible deficit

£9,000,000 less than the amended total for April of almost £185 million; originally this was given at over £186 million, but the total has been reduced by a correction for the value of raw cotton imports. A high level of imports might be justified, on the ground that stocks are being built up so that imports can be reduced in later months. Despite the present day wealth of statistical data, it is still difficult to get up-to-date and comparable figures for stocks. In the accompanying table, average monthly consumption and average monthly imports of certain raw materials and foodstuffs have been calculated. For raw materials, consumption refers only to the first three months of 1948 and for foodstuffs to the first four months; average imports in both groups refer to five months. Such a comparison, although not strictly accurate, should be sufficiently reliable, taken in conjunction with earlier stock figures, to indicate the recent movement in stocks. Generally, raw material stocks have risen. Although cotton stocks showed a decline of 21,000 tons in the first quarter of the year, the large gap between imports and consumption reflects heavy arrivals after March. Stocks of hemp, jute and rubber, increased up to March and expanded still further in April and May.

BRITISH IMPORTS AND ESTIMATED MOVEMENT OF STOCKS
('000 TONS)

	1948		Stocks		Increase (+) or Decrease (-) Compared with End of 1947
	Average Monthly Consumption	Average Monthly Imports	End of Month	Quantity	
Raw Materials:—					
Cotton	35.7	41.0	March	310.0	-21.0
Hemp	7.9	7.9	March	29.6	+0.3
Jute	8.4	10.2	April	39.4	+5.8
Rubber	18.4	19.8	March	137.1	+9.9
Foodstuffs:—					
Wheat*	381.0	340.0	April	...	-199.0
Butter	21.0	26.7	April	...	+26.7
Cheese	16.2	14.5	April	...	-8.5
Meat	105.4	81.8	April	...	-89.9
Bacon and Hams	13.0	17.3	April	...	+4.2
Sugar	193.0	141.4	April	...	-357.9
Tea	15.0	14.2	April	...	+3.25

* In terms of flour.

For foodstuffs, the problem is complicated by the absence of published stock figures; nevertheless, some indication can be obtained by comparing consumption and imports. Allowance for home production has been made in the consumption figures for wheat, butter, cheese, meat, bacon and hams and sugar. Wheat stocks appear to have been reduced by nearly 200,000 tons over the first four months of this year. Butter stocks appear to have increased by 27,000 tons up to April and the rise continued during May though at a lower rate. Stocks of cheese have declined. There is a serious discrepancy between average monthly imports and average monthly consumption of meat, even after allowing for domestic production, which may be partially due to statistical method; but the figures show, as the meat trade already knows, that a considerable reduction in meat stocks occurred up to the end of April, and the reduction may have become larger during May. Stocks of bacon and hams up to the end of April increased by 4,000 tons and during May imports exceeded consumption. Sugar stocks, however, apparently declined by 338,000 tons in the first four months of 1948 although imports in both April and May have risen significantly. Stocks of tea showed a net increase of over 3,000 tons by the end of April but last month's imports were only half the average monthly consumption.

In general, raw material stocks have been built up, whereas food stocks in certain cases have risen and in others fallen. The level of imports in coming months could be reduced to some extent without affecting the general level of consumption. But such a policy could not be carried very far—certainly not to the point of rectifying the adverse balance of payment unless food rations were drastically reduced or industry starved of its raw materials. Hope lies more in maintaining the impetus of the export drive. After eliminating insurance and freight from the import figures, the visible trade deficit for January to May, 1948 amounted to £128 million compared with £145 million in the same period last year. In spite of record exports, the visible trade deficit is being reduced only at the rate of £40 million a year. The "Economic Survey" postulated a reduction of the order of £280 million in 1948.

Steel and Thunder

Mr G. D. H. Cole's essay* in steel leaves the intelligent man—the reader whose attention he has on occasions in the past

* Why Nationalize Steel? By G. D. H. Cole. New Statesman Pamphlet. 2s.

invited—in more doubt than ever why the industry should be nationalised. Mr Cole's reasons for nationalisation are his "particular belief that in the national interest and in the cause of speedy industrial recovery the steel industry ought to be brought as soon as possible under public ownership and operation." This is a statement, not a reason. There need be little dispute about Mr Cole's indictment of the industry's record between the wars. He cites the ugly deal between the Import Duty Advisory Council and the industry, the Richard Thomas episode of 1937, and the restrictive price and production policies of those times. But something more than old history is required to support new policy. And a history which ignores the functions of the Iron and Steel Board and the Government's control of prices is very old indeed.

Mr Cole wants to do away with high prices, restriction of output and shortage of plant by removing any vestige of competition. He will have nothing of the present system where the Government supplies the control and the industry undertakes the risk. His method is to create a state monopoly which must pay its own way—except when it does not. There will be subsidies instead of protection, ramifications instead of competition. On that indefinable borderline where nationalisation ends and private ownership remains, there is to be competition, unless "for any reason a particular product is to be sold below cost" when "a subsidy shall be made available to the private as well as the public producer." Mr Cole does not call for any "doctrinaire" rupture of the vertical structure of most important firms; but he does not explain in detail how the national steel authority will "sort out" the industry. On nationalisation for exports and specialised products, the argument is vague indeed.

On its postwar performance, Mr Cole condemns the industry for not planning in terms of an expansion to 26 million tons a year, and for contemplating a more modest increase in capacity to 17 million tons by 1953. In almost the same breath he argues that not even nationalisation would provide the resources required for such an expansion. Is it so unrealistic to suggest that by 1953 the country may be able to make do—perhaps all too easily—with 17 million tons of crude steel a year? Or that if more steel is needed, it may not be obtainable more cheaply from new sources in the Commonwealth? The present level of production is attributed to "death-bed repentance"; and the low output of the interwar period to artificial restraint. Granted, there was some restraint. But is it any more reasonable to condemn the industry for making little steel when little was wanted than to make large unverifiable guesses about future demand?

Wheat Agreement Stillborn?

Fate has always looked a little unkindly on international wheat agreements. It took the major wheat exporting and importing countries fifteen years to settle their differences and formulate an agreement which was acceptable to all. That was last March, when even Britain, which in the past had always been a stumbling-block, agreed to sign. The luckless infant is now in peril of its life. Under Article 20 of the Agreement, signatures had to be completed by April 1st, and formal instruments of acceptance by the signatory Governments were to be deposited with the Government of the United States by July 1st. Although it is believed that all thirty-six participating countries signed the Agreement, only a few have in fact given it formal ratification. The British Government, it is announced, will formally accept the Agreement, but the American Congress adjourned last week until next January, so that ratification before July 1st is to all intents and purposes impossible. The Agreement included a provision which allowed importing countries to deposit their instruments of acceptance after the scheduled date "if they are prevented by a recess of their respective Legislatures from accepting this Agreement by July 1, 1948." But apparently it was taken for granted that the three major exporters would adhere to it.

The United States' action—or rather inaction—will postpone the Wheat Agreement for at least a year and conceivably it may mean its final abandonment. An article on the Agreement which appeared in *The Economist* of March 27th showed that, if anything, it favoured the importers, and exporting countries were not slow to realise this. But American opposition came more from grain traders than from farmers, because the Agreement increased the scope for Government trading. Hence the prompt action on the Agreement, for which the President asked, was not forthcoming. If the general level of prices remains high in the United States, the domestic support price for wheat—that is, the price at which the US Government undertakes to buy, and which is calculated broadly by reference to farming costs—is likely to remain higher than the maximum of \$2 a bushel which was con-

templated in the Agreement. If the Wheat Agreement is in fact stillborn, Marshall Aid countries will, it is presumed, pay the support price and not the "world" price for their wheat supplies under ECA, but this question of price is still under discussion. This distinction is of particular importance, since the market price may, before very long, fall below the support price.

With good harvest prospects this year on both sides of the Atlantic, importing countries are not as anxious as they were about supplies. Import requirements will certainly be less than last season's, while dollars to pay for them will be made available under ECA. If domestic wheat prices in the United States are kept artificially high by the support price programme, the sixteen Western European countries may receive a smaller quantity of wheat under ECA than would have been the case had the International Wheat Agreement been accepted. Britain, however, is little affected either way. Under the Canadian contract, the price will be raised to \$2 a bushel as from July 1st in any case, whilst the unshipped portion of the Australian contract will continue to be sold at the agreed price instead of being reduced to conform to the maximum limit under the Agreement. Nevertheless, if grain crops fulfil their present promise, the world wheat price may fall below the \$2 level next season and quotations are already declining in Chicago. One encouraging sign of the end of peak prices is the report from Buenos Aires that the Argentine Government has reduced its export price for wheat from 60 pesos a quintal to 45 pesos—equivalent to a reduction from \$3.20 a bushel to \$2.40 compared with the current Chicago price of \$2.30.

Argentina's Exchange Policy

The past week has brought important changes in Argentina's exchange and commercial policies. Driven by the virtual depletion of its gold and dollar reserves and by the abundance of its holdings of certain other foreign currencies, notably sterling, the Argentine Government has decided to increase the attractions for American capital coming into the country and to liberalise its import licensing for goods from soft currency countries. The attraction of new foreign capital (in the prevailing circumstances it can apply only to capital from the United States) is to be achieved first by guaranteeing the free convertibility of any capital that has entered Argentina since the beginning of the year, and secondly by offering this capital a more favourable rate of exchange into pesos. The free market rates quoted in Buenos Aires have been raised by approximately 20 per cent, that for the US dollar rising from 403 to 480 pesos per \$100 and that for sterling from 16.21 to 19.38 pesos to the £. The new rates will apply to all overseas transactions except those for which special rates are arranged, as for example, the rates applying to meat and cereal exports. This depreciation of the free rate will thus widen the disparity in Argentina's complex structure of differential exchange rates. It may help the influx of new foreign capital to which the more favourable conversion rate will apply, though as a weapon of attraction exchange depreciation is decidedly two-edged. There is no suggestion of offering an exchange guarantee to supplement the free withdrawal of that capital from Argentina. The exchange risks involved in investing capital on a peso basis in Argentina will, in fact, be emphasised by this latest move, and as a deterrent this may more than neutralise the intended effect of the depreciation of the free rate.

That depreciation should, however, give unqualified help to the export from Argentina of the wide range of goods to which the free rate applies. Unfortunately, it will leave unaffected the prices of the basic food contracts in which Britain and other European countries are mainly interested. The relaxation of import licensing for goods imported from soft currency countries represents a real change in the attitude which Sr Miranda was adopting recently in the negotiations with Britain. "Inessentials" such as whisky, motor-cars, mechanical toys and bicycles will henceforth be imported without restriction if they come from countries with whose currency Argentina is adequately supplied. These countries include Britain, Belgium, France, Italy, the Netherlands and Spain.

The announcement from the Argentine Central Bank leaves in considerable uncertainty the fate of remittances on foreign capital invested in Argentina before 1948. Such capital will, according to the official communiqué, be accorded "more favourable treatment," but this comparative is not defined. There is a provision about retained profits being classed as capital for the purpose of remittances from Argentina, but the existing delays on such remittances are evidently not to disappear. The communiqué explains that remittances on old capital must be authorised "in accordance with the availability of foreign exchange"—a qualification which may excuse anything. Even if financial remittances, which have been banned for the past year, are again allowed, they

will cost 20 per cent more in pesos. Is this what Sr Miranda means by "more favourable" treatment?

Foreign Capital in Hungary

To judge from the meagre particulars available, there is a danger that the terms of the Hungarian Government's nationalisation arrangements may in some cases involve confiscation of foreign capital. On Saturday last the Hungarian authorities advertised in the *London Financial Times* an announcement that three "recent" decrees had been made requiring registration of interests in Hungarian undertakings. Three distinct processes of registration are provided for, and the Hungarian Legation points out that registration under one of the decrees does not carry exemption from the obligation to register also in accordance with the other decrees; but it is not made plain what distinct purpose these separate registrations serve. The third, however, relates specifically to undertakings which have been nationalised, and requires a declaration of title and nationality of the owner of any shares. These declarations are to be made at the Hungarian Legation (46 Eaton Place, S.W. 1).

Almost simultaneously with this advertisement, the Board of Trade pointed out that the recent Hungarian Nationalisation Law, which provided for nationalisation of all industrial, mining and similar undertakings employing more than 100 persons, contains provisions for the exemption of such concerns in those cases in which there is a "genuine foreign interest" of more than 50 per cent. It now appears, however, that, in order to rank for such exemption, all shares in such companies held by foreign persons or corporate bodies, must be registered before the end of this month with the Hungarian National Bank or with a Hungarian Legation. The Board states that other interests in such companies must also be similarly reported by that date. The penalty for non-registration is a forfeiture not only of the right of exemption from nationalisation of the assets represented by the shares, but of the right to compensation for the nationalised property, as well as invalidation of the unregistered shares.

The unreasonableness of allowing a mere ten days between the moment of the announcement and the expiry of the period for registration is enhanced by the ambiguity and inadequacy of

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the official announcement by the Hungarian authorities. This, indeed, made no reference to the fact, revealed by the Board of Trade, that failure to register within so short a period would involve such extreme penalties. Nor is it clear whether registration under the only decree which refers to nationalisation will be sufficient to avoid the penalties unless it is supported by registration under either or both of the other decrees. The Council of Foreign Bondholders has requested the Government to obtain an extension of the time limit for registration, but meanwhile persons in this country with interests in Hungary are advised to register with the Hungarian Legation forthwith, and if a single registration only is required of them by the authorities there, it would be prudent to obtain a written confirmation that declarations under the other decrees are unnecessary.

German Assets in Switzerland

The question of releasing German assets in Switzerland for reparations purposes has again been raised in Parliament this week, and occasion has been taken to express once more the disappointment of the British Government at the wholly negative attitude of Switzerland in this matter. Switzerland undertook, by an agreement signed in May, 1946, to liquidate the assets of German nationals in Switzerland and to hand over one half of the proceeds to their former owners and the other half to the Allies. The amount involved has been estimated at the equivalent of about £30 million. So far no distribution of any kind has been made, although a very considerable sum is in liquid form and held by the Swiss Government.

A joint note was presented to the Swiss last May by the British, US and French Governments calling attention to this unsatisfactory state of affairs and asking the Swiss Government to make available immediately a sum of 100 million Swiss francs which, through its distribution among the European countries entitled to reparations, would make a real contribution to European reconstruction. By an earlier note, sent in February of this year, the Swiss Government had been asked to make a sum of 20 million Swiss francs available out of these German assets as an advance to the International Refugee Organisation. So far no reply has been received to either note. The excuse advanced in the past by the Swiss for their inability to implement the agreement of May, 1946, was that the Swiss Government are not in a position to pay the amounts due under that agreement to the German owners because there is no exchange value or market for the mark. The excuse is not particularly convincing. The Swiss could readily have kept in a separate account the amounts due to German owners, postponing the transfers until such time as the machinery for making them was restored. The Swiss record in this matter is in significant contrast to that of two other ex-neutrals, Spain and Sweden, whose governments have made satisfactory progress in liquidating and distributing German assets held in their respective countries.

Institutional Investment Problems

The Centenary Assembly of the Institute of Actuaries has provided occasion not merely for social meeting, but also for a series of papers as impressive in their scope and content as any in the history of the Institute. To select among them involves invidious choice, but there are two which illustrate the force of the nineteenth century description of the actuary as a "scientific financier." The first is Mr Weaver's paper on the changing background of institutional investment in this country; the second is a joint paper by Messrs. McAndless and McDiarmid on life insurance investments in the United States. Both papers are illustrated by tables showing the distribution of investments which show decided similarities of trend, particularly in the great expansion, relatively and absolutely, of holdings of Government securities.

Mr Weaver shows that this expansion has been consonant with the increase in Government borrowing during and since the war; he points out that nationalisation has further reduced the scope for insurance offices to find suitable investments outside the Government field—scope which has again been narrowed as a result of the repatriation of debt and British-held investments by Dominions and foreign countries. Thus, the "rather warped" distribution of insurance funds at the end of the war has been little changed, if at all. Mr Weaver expresses some scepticism about the equity theory of investment as a protection against inflation, on the ground that controls and taxation can greatly reduce the benefits which accrue to ordinary shareholders from inflationary conditions. Few investors will quarrel with that

statement, except to point out that under voluntary dividend limitation, even control is no longer necessary.

Mr Weaver makes some suggestive comments about the scale of the gilt-edged market. He declares that the very large amount of Government stocks in issue justifies a market "much more broadly based than at present," and suggests that close working between the market and the largest holders—principally insurance offices—"or the provision of institutional equity capital for the gilt-edged market" might lead to more stable gilt-edged prices and an outlet for surplus funds. The links are of course already close, and the germ of the idea which Mr Weaver suggests will certainly provoke discussion. So will his closing comments on investment policy. On this, two quotations must suffice:

DISTRIBUTION OF ASSETS OF 12 BRITISH INSURANCE COMPANIES

	1913		1930		1938		1946	
	£'000	%	£'000	%	£'000	%	£'000	%
Mortgages, incl. Loans on Stocks and Shares	33,591	13.47	64,225	9.73	71,850	7.98	41,772	3.57
Loans on Policies	9,418	3.79	38,119	5.78	19,962	2.22	9,755	0.83
Loans on Rates	16,716	6.73	19,828	3.00	29,445	3.27	26,467	2.26
Loans on Personal Sec.	988	0.40	212	0.03	190	0.02	61	0.01
Loans on Life Interests and Reversions	7,398	2.96	5,404	0.82	1,998	0.22	1,359	0.12
British Govt. Secs.	3,471	1.40	146,509	22.16	239,146	26.56	532,032	45.46
U.K. Mun. and County Secs.	3,258	1.31	15,180	2.30	37,274	4.14	35,223	3.01
Indian, Dom. and Col. Govt. Secs.	9,221	3.70	35,968	5.45	44,776	4.96	39,556	3.38
Indian, Dom. and Col. Prov. Secs.	2,466	0.99	1,838	0.28	1,958	0.22	1,152	0.10
Indian, Dom. and Col. Mun. Secs.	10,011	4.01	11,543	1.75	9,444	1.05	5,442	0.46
Foreign Govt. Secs.	11,554	4.63	35,199	5.33	40,557	4.51	42,368	3.63
Foreign Prov. Secs.	1,739	0.69	5,088	0.77	1,472	0.16	623	0.05
Foreign Mun. Secs.	8,704	3.49	8,728	1.32	4,170	0.46	1,302	0.11
Debentures	64,271	25.77	119,250	18.07	149,514	16.61	128,525	10.98
Stocks and Shares	24,726	9.91	89,664	13.58	133,195	14.87	187,413	16.01
Land & House Property, Ground Rents	22,491	8.98	23,575	3.58	47,251	5.25	48,653	4.16
Life Interests and Reversions	4,152	1.66	1,252	0.19	575	0.06	329	0.03
Miscellaneous	15,251	6.11	36,707	5.56	51,645	5.74	68,335	5.83
TOTAL	249,428	100	660,100	100	900,399	100	1,170,446	100

"A great deal of what has been written on 'scientific investment' is much nearer to astrology than to objective deductions from clearly enunciated principles. Even the best of it has little regard for the needs of the institutional investor who cannot, except perhaps in Government stocks, deal with the large blocks of securities and shares which he holds with the same facility as the financial journalist can deal with index numbers." It is a salutary reminder. Yet both the actuary and the more sober elements in financial journalism have to "take a view" based on past experience and the best judgment of future trends; both in their respective spheres are concerned with that "masterful administration of the unforeseen" which Mr Weaver neatly quotes to summarise the actuary's art.

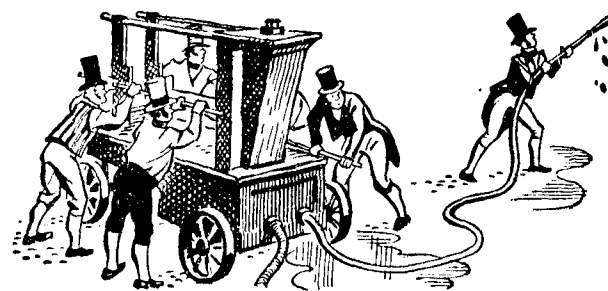
American Life Insurance Investments

The problems of the American life offices, outlined in the second of the two papers mentioned above, are in many respects closely parallel to those of the British offices. The table below shows that the expansion in holdings of Government bonds has been comparable with the expansion of gilt-edged holdings in this country. Cheap money has affected the American scarcely less than the British offices. They are limited much more severely than the British by legal limitations on the proportion of equity stocks which they can hold.

Where are they, then to turn for new investments? Their assets are increasing at a net rate considerably exceeding \$3 billion a year; that rate would absorb, starting from scratch, the whole

DISTRIBUTION OF ASSETS OF 49 AMERICAN LIFE INSURANCE COMPANIES

	Dec. 31, 1920		Dec. 31, 1930		Dec. 31, 1940		Dec. 31, 1946	
	\$Billion	%	\$Billion	%	\$Billion	%	\$Billion	%
U.S. Govt. Bonds	0.8	11.6	0.3	1.7	5.5	19.4	19.9	48.1
Other Govt. Bonds	0.5	7.2	1.0	6.8	2.3	8.1	1.7	3.9
Corporation Bonds and Mortgages	4.2	61.0	11.7	68.2	13.8	48.6	17.0	39.3
Real Estate	0.1	1.4	0.4	2.3	1.8	6.3	0.6	1.4
Stocks	0.1	1.4	0.4	2.3	0.5	1.8	0.9	2.1
Policy Loans	0.8	11.6	2.5	14.5	2.7	9.5	1.6	3.7
All Other Assets	0.4	5.8	0.9	5.2	1.8	6.3	1.5	3.5
TOTAL	6.9	100.0	17.2	100.0	28.4	100.0	43.2	100.0



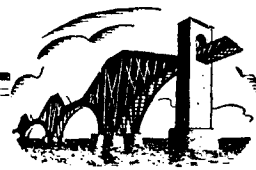
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Out-of-date fire-fighting methods raise a smile now, but out-of-date fire insurance can be a very serious matter. To-day's increased values make it advisable to check up your policies and keep your cover right up to date. Do it now—tomorrow may be too late!

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(b) "Early Thrift" Policy. Should be effected as soon after birth as possible to provide a splendid life or endowment assurance policy when the child attains the age of 21.

(c) "Family Protection" Policy. A policy on the life of a parent, incorporating valuable options on the life of his child at age 21. Income tax rebate is allowed on the premiums.

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LONDON OFFICES: 3 Abchurch Yard, Cannon St., E.C.4, 15a Pall Mall, S.W.1.

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SOUTH-WEST PACIFIC

UNIT SECURITIES GROUP OF COMPANIES

NOTICE TO SHAREHOLDERS

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the following Interim Dividends have been declared in respect of the financial year ending 31st December, 1948, and are payable to Shareholders registered in the books of the undermentioned Companies at the close of business on the 30th June, 1948.

These dividends are declared in the currency of the Union of South Africa. Cheques in payment of such dividends will be posted on or about 21st August, 1948, to registered Shareholders.

The Transfer Books and Registers of Members of the Companies will be closed from 1st to 10th July, 1948, both days inclusive. **SPECIAL NOTE.**—Although it has been advertised that the Transfer Books and Register of Members of Nassau Investment Corporation Limited will be closed from the 23rd to 30th June, 1948 (both days inclusive), to determine the persons entitled to attend the General Meetings of that Corporation to be held on the 30th June, 1948, they will be re-opened on 30th June, 1948, at 2 p.m., and during the period 23rd to 30th June, 1948, the Transfer Secretaries will accept shares lodged for transfer, so that such transfers may be registered between 2 p.m. and 5 p.m. on 30th June, 1948, and thus entitle the transferees to receive from the Corporation Dividend No. 18 referred to below.

Name of Company.	Dividend Number.	Rate Per Cent.	Nominal Value of Share.	Amount of Dividend Per Share.
ORDINARY SHARES:				
Affiliated Investments (Unit Securities) Limited	5	3½	10/-	4.2d.
Drakensberg Investments (Unit Securities) Limited	2	3½	10/-	4.2d.
Huguenot Investments (Unit Securities) Limited	5	3½	10/-	4.2d.
Managed Investments (Unit Securities) Limited	7	4½	10/-	5.1d.
Nassau Investment Corporation Limited	18	12½	5/-	7.5d.
Second Managed Investments (Unit Securities) Limited	7	5	10/-	6.0d.
Second Nassau Investment Corporation Limited	7	7½	20/-	1.6d.
PREFERENCE SHARES:				
Dinic Investments Limited	4	3	20/-	7.2d.
Second Nassau Investment Corporation Limited	7	2	20/-	4.8d.

In terms of the Union of South Africa Income Tax Act 1941 (as amended) a non-resident Shareholders' Tax of 7½ per cent. is imposed on dividends payable to Shareholders whose registered addresses are outside the Union. The Companies will accordingly deduct this tax from dividends payable to such Shareholders.

TUGELA INVESTMENTS LIMITED.

Shareholders in the above Company are reminded that in terms of the Prospectus, dated 10th May, 1948, it is the intention of the Directors to declare the first dividend of Tugela Investments Limited, in respect of the period from the date of incorporation, 7th May, 1948, to the 31st December, 1948, during August, 1948. Shareholders will be notified in due course of the dividend declared.

OPTION CERTIFICATES.

Holders of Option Certificates issued by Second Nassau Investment Corporation Limited, entitling them to take up during July, 1948, Ordinary Shares at 40/- per Share, are reminded that such Options must be exercised on or before 31st July, 1948, and if not exercised by that date will lapse and be of no value.

By Order of the Boards,

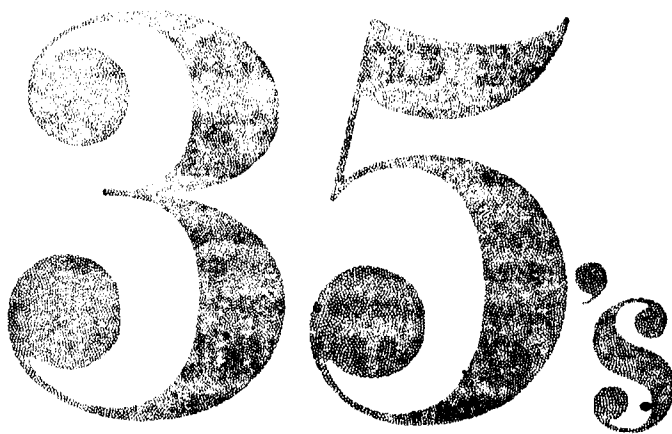
UNIT SECURITIES AND TRUST COMPANY OF SOUTH AFRICA, LIMITED,
Secretaries.

per: C. R. ANDERSON.

UNIT SECURITY HOUSE,
CORNER FOX AND SAUER STREETS,
(P.O. BOX 4765),
JOHANNESBURG.

19th June, 1948.

Consumers with your future in their hands—the under



More than a third of our adult population is aged under 35.

The men and women of this generation were cut off from

normal civilian life during war service, hence they are only now

reaching maturity as consumers. They are forming buying

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Will they choose the goods you sell? The Daily Mirror with

a net sale of over 3,700,000 daily is read by nearly half a

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Speak to this impressionable group while it is ready to listen.

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Daily Mirror

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WITH THE SECOND LARGEST SALE

470,000 more adult readers under 35 than any other national daily paper (vide independent Hulton Survey)

Cost of advertisement space (per column inch per thousand readers) lower than any other national daily

debt of electricity concerns in less than two years, and the entire telephone and gas utilities in less than one; it would embrace all railroad debt within three years, and all real estate mortgage debt, urban and farm, in about ten years. And, of course, the offices do not start from scratch, but have to meet the competition of other investors.

Outlets are likely to be found in corporate and mortgage debt—there will be an acute demand for new capital, particularly in the utility field, for several years, which should provide several hundred million dollars a year of potential new life company investments. Industry is also issuing more securities, but the most important increase which these authors expect in life insurance media is likely to be in urban mortgages. The scope for such expansion is clearly evident from the table above.

* * *

Shell Expansion

The fiftieth annual report of Shell Transport and Trading has been examined with added interest this week for news of the progress of capital projects, towards the finance of which some £64 million was recently raised by the Royal Dutch-Shell group from new issues. The greatest urgency has rightly been attached by Shell to the plans for establishing new refineries in this country. Sir Frederick Godber is able to report that although delays in obtaining the necessary steel and building licences have retarded the start of construction, much ground work has already been done at the Stanlow and Shell Haven sites. It is now hoped to commence partial operations at Stanlow by mid-1950 and at Shell Haven a year later, while the refineries are expected to be completed in three to four years' time. It is no fault of the company that these dates are a good deal later than was originally hoped, and the new refineries will be ready none too soon to deal with the rapidly expanding supplies of crude oil from the Middle East. To its other three refineries in this country on the Clyde, Thames and Manchester Ship Canal which have a total annual intake of some 2,000,000 tons of oil and produce nearly 70 per cent of the total lubricating oil of this country, Shell has added a fourth during the year by its purchase from the Government of the refinery sections of the aviation fuel plant at Heysham. After modification, this refinery will be able to treat 1,500,000 tons of crude oil a year, and though this tonnage will not represent a corresponding net addition to the country's refinery capacity it will mitigate to some extent the present shortage and add considerably to the refining resources of Shell.

*

Shell does not open any new vistas for its shareholders by publishing consolidated accounts for the past year, but confines its accounts to those of the parent company only. Moreover, the chairman has stated that "at this time publication of consolidated accounts is not feasible but the matter will be kept under constant review"; perhaps it is permissible to infer that the company may be considering an application to the Board of Trade for exemption from the obligation to provide consolidated accounts. Such a claim might have some justification in view of the complexity and strategic importance of the group's international interests. The accounts of the parent company show that income from associated companies increased from £2,685,181 to £4,183,187 before the deduction of administration and office expenses and reached the highest level since 1938. Earnings on the issued ordinary capital, as increased to £38,594,177 since the date of the accounts, were equivalent to 9.1 per cent. It seems reasonable to presume in the light of the bumper trading profits of other oil companies that group earnings rose considerably more than the parent company's figures alone would suggest. For example, profits of Venezuelan Oil Concessions, one of the progressive subsidiaries of the group rose by some £19 million to £35.6 million in 1947. Sir Frederick Godber, in his statement to Shell stockholders, makes it clear that the decision not to increase the final dividend was dictated by the need to conserve resources for the expansion of the business, and he makes no mention of voluntary dividend limitation.

* * *

Anglo-Iranian Development Progress

The potentialities of Anglo-Iranian are amply demonstrated by the full accounts for 1947 which reveal a record expansion in trading profit from £12,199,247 to £33,412,939. If consolidated accounts were provided, they would enhance the demonstration of the group's strength, for its interests in subsidiary undertakings

appear at a book value of £18,624,946 in the latest balance sheet, compared with £12,810,263 at the end of 1946.

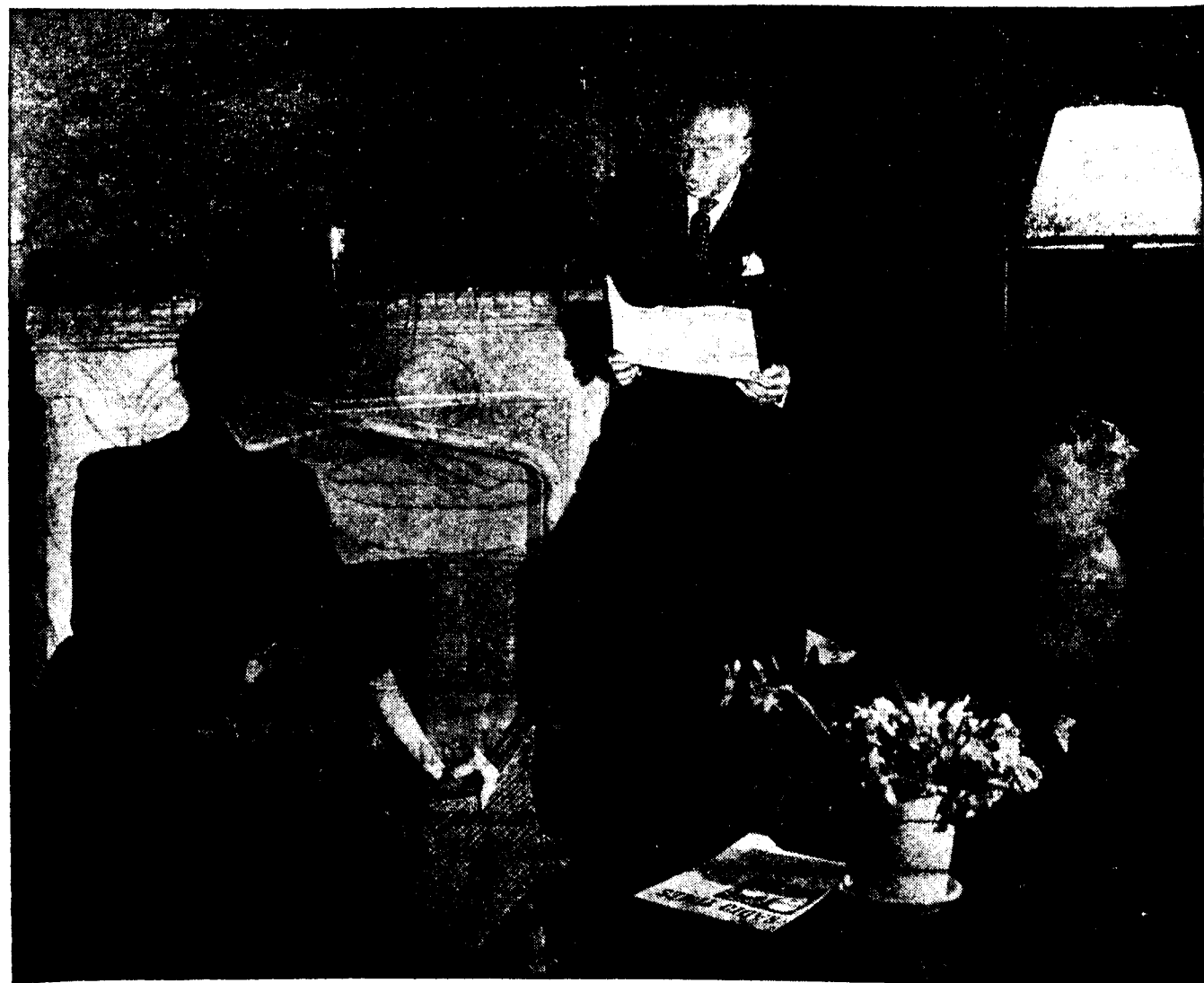
Increased activity by subsidiaries and allied undertakings has been mainly centred on the expansion of production in Iraq and Kuwait and the extension of marketing operations in Europe. The Kuwait Oil Company, in which Anglo-Iranian has a 50 per cent interest, is making good progress. Following the initial shipment of oil from the country in June, 1946, output rose to 2,185,308 tons last year and is expected to exceed this figure considerably in the current year. Capital expenditure in Kuwait has apparently been heavy, since facilities to enable six tankers to load simultaneously are being installed to replace the present submarine lines; in addition, housing and ancillary services are being expanded; no figures for expenditure on this account are given for Kuwait, but the parent company spent some £4,000,000 on various amenities in Iran during the year. The construction activities of the Iraq Petroleum Company in which the group has a direct interest of 23½ per cent were advanced in 1947.

The expansion of the tanker fleet is also entailing heavy capital expenditure. Tanker tonnage belonging to the wholly owned subsidiary British Tanker has been increased by 144,000 dead weight tons in the past year and now totals 1,244,000 dwt. Additional tonnage now on order in British shipyards, amounting to 49 ships of 600,000 dwt will replace equivalent tonnage which the group now has to run on charter. The extension of refinery capacity both in this country and overseas has also proceeded satisfactorily. Throughput at the Llandarcy refinery in the past year exceeded normal capacity; in 1948 it is expected to be more than doubled at 850,000 tons with a further rise to 3,000,000 tons by the end of next year. At Grangemouth the current year's rate of 600,000 tons is to be increased to 1,500,000 tons. The refinery at Abadan achieved a record output of 18,565,507 tons in 1947. New refineries are projected at Dunkirk and on a site to be chosen in the Eastern Mediterranean. The construction of the pipeline from the Persian Gulf to the Mediterranean in conjunction with the Standard Oil Company of New Jersey and Socony Vacuum has been retarded by disturbances in Palestine. Obviously the capital outlay required for present development plans will make heavy inroads on internal resources, even if they continue to be supplemented out of profits on the same scale as last year. An even more important consideration on which the whole plan hinges is the adequacy of steel supplies.

* * *

Trends in Bank Advances

At first glance, the latest quarterly figures of bank advances in Great Britain seem to bear out the fears, widely felt in banking circles last year, that the cuts in the nation's investment programme might produce a sharp deceleration of the strong upward movement of the past two years. The total of outstanding advances of all members of the British Bankers' Association in May was £1,351 million, compared with £1,307 million in February and £1,094 million twelve months earlier. The increase in the latest quarter, at £44 million, was only half that shown in the previous three months and barely two-thirds of that for the similar period of 1947. It has to be borne in mind, however, that the expansion in the early months of this year was abnormally heavy, apparently in consequence of the record rate of inflow of taxes to the Exchequer. On the other hand, during May the first distributions of the Argentine Rail monies were being made to stockholders, and the receipt of these funds probably slowed down the demand for advances. It is noteworthy that the large Personal and Professional group, which in the early postwar period represented nearly one-third of total advances, has expanded in this past quarter by a mere £7,000,000 (to £363 million), and now accounts for only 26.9 per cent of the total. Only six of the twenty-five classification groups show declines, and some of these are fractional; but most of the quarter's net new borrowings have been concentrated within three groups. Agriculture and Fishing, which in the similar quarter in 1947 rose by only £4,000,000, has this time jumped by nearly £10 million to £111.5 million, in contrast with only £66.5 million in February, 1946 (the earliest date for which these classified figures are available). The Retail Trade group, reflecting the tendency for stocks to accumulate, has expanded from £131 million to £141 million, and is now nearly £80 million above its level of early 1946. The largest expansion, both absolutely and relatively, has occurred in the Public Utilities group (this excludes Transport, which rose only moderately); the expansion here was from £13.9 million to £26.4 million. Moderate increases are shown by Engineering, Chemicals, Iron and Steel, "Other"



In the few idle minutes before dinner is served, the conversation has turned to last night's radio programme, and a difference of opinion has arisen about one of the items. Was it Chopin's first or his second concerto? "I don't know why we should argue so long about a matter that can be settled in a moment," says the mother, "just look it up in the Radio Times." You see, more than half the homes of Britain take the Radio Times regularly.

Average weekly sale for 1947, 6,273,926. A.B.C. figures.

RADIO TIMES

Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1.

COMPANY MEETINGS

OTTOMAN BANK

GOOD WORKING RESULT

THE HON T. B. MONEY-COUTTS'S REVIEW

The eighty-first annual general meeting of the Ottoman Bank was held on the 23rd instant at Winchester House, Old Broad Street, London E.C.

The Hon. T. B. Money-Coutts (the chairman) presided.

The chairman in the course of his speech said:

In January of this year I was elected chairman of the London half of the general committee. I greatly appreciate this honour and I shall do my best to sustain the high traditions of the bank.

Our former chairman, Colonel Sir Eric Gore Browne, joined the London committee in 1943 and was chairman from 1944 until 1947. During this difficult period he spared no time or effort in furthering the interests of the bank, and his energy and enthusiasm were of infinite value to all with whom he came in contact. The welfare of the staff at home and abroad was ever present in his mind. In expressing our very sincere gratitude to him, I know I am voicing your wishes as well as those of his colleagues of the general committee.

It was during Sir Eric Gore Browne's years of office that we were able, after the war years of separation, to renew contact with our colleagues in Paris, and the mutual confidence and co-operation which that reunion immediately revived has continued unchecked and stands to-day, strengthened by a frequent exchange of visits, as strong as it has ever been.

As was our custom before the war, certain of our directors from Paris and London recently paid a visit to Ankara, accompanied by our director general for Turkey. They were very courteously received by the President of the Council and by the Minister of Finance, and had interesting conversations with a number of officials, including the general managers of the principal Turkish banks.

THE BANK IN PALESTINE

No doubt you would wish me, before proceeding further, to give you some more recent information concerning the bank in Palestine. Naturally, business has had to be severely curtailed, but we have endeavoured to give service to our clientele while it has been possible to do so.

Our main Jerusalem branch had to close down in May last and our regional manager has moved to Amman, in Transjordan. Our sub-branch in Jerusalem West, however, which was only reopened a few months ago, is working normally, and the staff are all well except one messenger, who has been slightly wounded. The Jaffa branch has also had to be closed early in May, but the Tel Aviv, Haifa and Nablus branches are open for business at the present time. Although slight damage has been reported to the buildings in both Jaffa and Jerusalem, I am happy to state that according to our latest information they are still standing, and the strong rooms are intact.

May I now refer to the balance-sheet, which is already in your hands?

The figures for 1947 reflect an active and successful working year, though I would ask you to bear in mind that subsequent events will in due course have an adverse effect upon certain sections of our business. The balance-sheet total of £61,640,000 shows a small decrease of some £2,500,000 on the figure at December, 1946, attributable to a contraction of a similar amount in clients' balances with us.

On the assets side of the balance-sheet, cash has fallen by £1,700,000, money at call by £6,600,000 and bills receivable by

£2,500,000. On the other hand there is an increase in the more remunerative employments, investments having risen by nearly £2,000,000 and advances by over £6,000,000.

You will see that investments stand in the balance-sheet at £19,086,702 13s. 9d. and that of this amount no less than £18,146,332 12s. 6d. is invested in British Government securities. You may perhaps be interested to know that by far the larger part of these securities is represented by short-dated stocks.

RESULT OF YEAR'S OPERATIONS

The profit and loss account records a result for the year of £257,641 15s. 4d., an increase of over £70,000 on the previous year's figure. We have also been able to bring into account £81,054 7s. 2d. in respect of further remittances of profits from previous years.

Adding the amount brought forward from 1946, there is, therefore, a total available of £357,185 10s. 11d.

We may, therefore, reasonably claim to have achieved a good working result in 1947. The committee has, however, decided to transfer a sum of £18,000 to "reserve for contingencies," which, I think you will agree, is justified by present circumstances.

I shall shortly be submitting to you the committee's proposals for the disposal of the available balance; but before doing so, I shall endeavour to review conditions during 1947, in various countries where we are established.

CONDITIONS IN TURKEY

The activity and prosperity which were so strong a feature of Turkey's economy in 1946 continued into the first half of 1947 and indeed, the trade figures for the year both in volume and value (imports Ltq. 685,000,000; exports Ltq. 625,000,000), show a marked advance. However, during the latter half, the country's trade began to feel the full effect of a decline in the purchasing power of a number of European countries, normally purchasers of her produce.

Nineteen forty-seven may be said to mark a point at which these countries, whose policy under stress of war had been to obtain provisions at all costs, began to revert to a more strictly balanced economy, even at the cost of severe restrictions imposed upon their peoples. The dollar shortage in these countries, which were numbered among Turkey's principal customers, and the measures they were obliged to take for the protection of their currency, prevented Turkey achieving her 1947 export target, which would have ensured for her sufficient dollars to cover essential imports. Thus, the trade for the year results in the deficit shown in the above figures.

TURKEY'S VITAL OBJECTIVE

The Turkish Government is fully aware of the position, and has already, towards the end of last year, taken the appropriate measures to meet the situation. The concentration of all her resources in an effort to bring internal prices down below world levels, or, at the very least, into line with world levels and thus to ensure an export market for her produce, is Turkey's immediate and vital objective.

May I now revert to the balance-sheet? The balance remaining on profit and loss account is £177,185 10s. 11d., and your general committee propose that a dividend of 6s. per share be paid again this year, absorbing £150,000 and leaving £27,185 10s. 11d. to be carried forward to 1948.

The report was adopted.

CITY OF SAN PAULO
IMPROVEMENTS AND
FREEHOLD LAND COMPANY,
LIMITEDSATISFACTORY FINANCIAL
POSITION

The thirty-sixth ordinary general meeting of this Company was held on the 24th instant, in London, Mr R. G. Mills (chairman of the company) presiding.

The following is an extract from his statement for the year ended February 29, 1948:—

The amounts in Brazilian currency for assets, liabilities, profits and outgoings have been taken, as usual, at a fixed exchange rate of 3d. per cruzeiro (that is, 80 cruzeiros to the £), but throughout the year under review the effective rate of remittance of sterling under permit was 75.3948 cruzeiros to the £, which is, of course, a better rate from this company's point of view.

COMPULSORY DEPOSITS IN BRAZIL

The directors have decided that the profits which have to be compulsorily deposited with the Banco do Brasil and retained undistributed in Brazil by the company should be segregated and a new account, "Profits retained under Brazilian decree No. 9159," amounting to £122,910, has been set up.

On the assets side of the balance-sheet the "long-term deposits with the Banco do Brasil" had increased to £65,347, at the date of the balance-sheet, and to £75,735 after a final deposit made in March, 1948. A part of the compulsory deposit with the Banco do Brasil has been made in the form of Brazilian war bonds, for which the company was obliged to subscribe under previous legislation.

FREEHOLD LAND

The amount representing freehold land has been reduced from £253,297 to £218,898 by reason of sales made during the year. Land becomes enhanced in value not only by expenditure on development, which is shown separately in the balance-sheet, but by the effect of nearby development, and many other influences.

It has been suggested that if the whole of the land could be sold at today's prices for cash the proceeds would show a considerable increase on that figure. However, as there is no possibility of selling the whole of the company's holding of land upon a given date for cash, the result of implementing such a suggestion would be entirely notional.

The company's financial position is satisfactory. During the financial year under review remittances totalling £150,000 have been received. At the date of the balance-sheet the available resources in London included £150,000 Exchequer bonds and cash at bank of £126,834. In San Paulo the cash balance was the equivalent of £172,011, of which £10,388 has since been deposited with the Banco do Brasil, and £47,174 (although remaining in the company's possession) is frozen for a limited period, except that it can be used for the purchase of land.

The profit realised in San Paulo amounted to £160,068 (compared with £157,820 last year), after adjustments made in London, notwithstanding further increases in administrative charges. The net profit for the year, after charging interest on debenture stock for four months until it was paid off, and interest and sinking fund service of the income stock, and transfer of £55,404 to profits retained account, amounts to £72,897. Profits in suspense, receivable over varying periods in future years, have increased from £1,501,694 to £1,934,381, taking exchange at Cr. \$80 to the £.

The company's business is in a healthy condition, and during the current year sales have continued at a satisfactory level.

The report and accounts were unanimously adopted.

STEEL BROTHERS AND COMPANY, LIMITED

WIDER FIELD OF ACTIVITY

BEST RESULTS SINCE 1941

POSITION IN BURMA

MR J. K. MICHE'S REVIEW

The fifty-seventh annual ordinary general meeting of Steel Brothers and Company, Limited, will be held, on the 30th instant at Winchester House, Old Broad Street, London, E.C.

The following is the statement of the chairman and joint managing director, Mr J. K. Miché, which has been circulated with the report and accounts for the year to December 31, 1947:—

It is difficult to give a concise and clear word picture of the circumstances in which your business has been carried on during the financial year which ended on December 31, 1947, for they have been indeed complex. During 1947 trading conditions generally throughout the world were relatively easy once goods and licences had been secured and this is reflected in our figures.

WAR DAMAGE CLAIMS

Results as shown in the profit and loss account are the best we have had since 1941 and I would emphasise they have come from a wider field of activity than we then covered. Floating assets to the value of £3,733 were recovered in Burma last year but there were no receipts in respect of war damage claims. It is true the Burma War Damage Assessing Commission has completed its labours and I believe has been disbanded but we are without knowledge of the results. We do know that the question of war damage came into the financial conversations which were part of the treaty made in October, 1947, between this country and Burma known as the "Attlee/Nu Agreement" but unfortunately the only agreement reached on this question was to leave it open for further discussion. This, of course, did not help the sufferers.

Responsibility for damage done under "denial" operations is unfortunately in the first instance a legal question and with the encouragement of His Majesty's Government and in the assurance that a test case would be regarded by the Government of Burma as by His Majesty's Government as a necessary and friendly action, we in conjunction with others similarly placed, took the actions necessary to protect your interests by filing claims in the appropriate Burmese courts. Since then, however, the Government of the Union of Burma, which came into being as an independent sovereign state on January 4, 1948, has stated in writing that it will not commit itself to be bound by any decision in a test case and that it will take all necessary measures to avoid payment. Further the House of Representatives of the Union of Burma by a resolution passed on March 26, 1948, unanimously agreed that a claim should be made on His Majesty's Government for all war damage losses suffered in Burma by Burmese nationals.

UNSATISFACTORY POSITION

From this it will be seen that the situation of this company and of those in similar case continues to be most unsatisfactory. We wish to have no part in any disagreement between the governments concerned in this question and legal action is the last step we wished to take, but it is unfortunately one we could not avoid as trustees for our stockholders. This we have endeavoured to make clear to the Government of Burma. In the meantime His Majesty's Government has announced the terms of the settlements to be

made in respect of war damage in Malaya and Hongkong.

All I can add now is that your board in concert with others continues to pursue this matter through the appropriate channels in the hope that before we again report to you justice will be done. Until this question is settled we must keep our balance sheet assets in the present divided form.

BALANCE SHEET ITEMS

An outstanding feature of the balance sheet is the radical change in our stocks and cash positions. At the end of 1945 our stocks of merchandise and stores were negligible at £24,824; in 1946 these had increased to £444,473 and at the end of 1947 to £1,006,987. Our cash resources, which stood at £1,179,970 in 1945 are now fully employed and as you will see, we had a small overdraft of £32,815 (net) at the end of 1947, after paying off all arrears of Preference dividends. The improved trading account is of course a reflection of the active use of our resources.

The board is glad to have been able to bring up to date the payment of dividends on our cumulative preference stocks, a satisfaction I am sure we share with the stockholders of these classes of our capital. The holders of preferred ordinary and deferred ordinary stock I regret are still without recompense for their six years of patience and we can but hope that seven will be the total of their lean years.

TAXATION

That brings me to the subject of taxation. Last year I mentioned that the then profits tax of 12½ per cent. on our inescapable prior charges was in a normal year the equivalent of a 5 per cent. dividend on our deferred ordinary capital. As the tax has since been doubled it is now the equivalent of a 10 per cent. yield on our unfortunate risk bearing stockholders. But that is not all. In the year 1947 we paid out in preference dividends a gross sum of £348,000, of which £225,000 represented arrears on the 7½ per cent. second preference stock. On these dividends profits tax cost us £47,850 net, so that but for that payment we could have made a considerable though not a full distribution to our eight per cent., preferred ordinary stockholders. I heartily endorse the recent writings of an expert on taxation who said, *inter alia*, "of all the taxes on enterprise the profits tax is from the incentive angle easily the worst." To some the inequity of this tax may pale into comparative insignificance with the recent capital levy, but to those of us who suffer so severely from the former that we are saved from the latter, this offers no consolation.

NATIONALISATION IN BURMA

As I have mentioned, Burma achieved independent status on January 4, 1948, and one of her first actions was to take steps to nationalise part of industry of the country. The teak industry, in which we have considerable interests, is one of the chosen fields and on June 1, 1948, about 40 per cent. of our forest areas were taken over by the state. So far we have not been paid for the assets and stocks taken over and this is now the subject of negotiations.

According to the Government of Burma the balance of our forest areas and our timber mills will be nationalised within the next

two years, and it will be our immediate aim to try to reach agreement with the Government of Burma on a common plan whereby the transfer may be made smoothly and in the best interests of both parties. The terms of handing over should include equitable compensation paid not later than the date of transfer.

Burma is still struggling to increase her crops and revive her basic industries which indeed is the only means of ensuring a sound economic balance. Trading opportunities are therefore still limited and in certain respects, because of Government policy, are becoming more so. We hope, however, the Government will see the benefits to them of using world markets and the services of those who have in the past helped Burma to market her produce to the best advantage. But if purchasing countries continue to use Ministries as sole buying agencies there is little hope of the re-establishment of commodity markets and so of standards of quality and of business morality; for it is noticeable that the more Governments intervene the lower these standards sink.

OTHER COUNTRIES

In Palestine our staff have had a trying time. Our contract with the late Government automatically expired on May 15th, but at the request of U.N., the Jewish Agency and the Arab Higher Committee we are with the assistance of H.M. Ministry of Food continuing to the best of our ability to import foodstuffs to feed the populations of that distracted country. To assist in this aim we have opened an office in Limassol, Cyprus, which should ease the problems of storage and distribution. Our branches in India, Hongkong and Bangkok made satisfactory contributions to our results as did our wholly owned subsidiary in this country, Messrs Carbott and Company (1928), Limited.

FURTHER DEVELOPMENTS

I have now pleasure in reporting further developments. In order of sequence these are:—

The opening in June, 1947, of an agency in Rio de Janeiro, Brazil, with the intention of establishing a trading business in and with that country.

The acquisition of a majority interest in Messrs Mactaggart and Evans, Limited, whose business is chemical and industrial research in Great Britain and who have acquired, equipped and staffed an up-to-date research laboratory at Dorking, Surrey. The laboratory, we believe, will serve a long-standing need in this country and we therefore regard this business as having both interesting and wide possibilities. It is, however, purely an investment, as the technical side of the business will be run entirely independently of Steel Brothers and Company, Limited, who will rank as ordinary customers for their own researches. This is, of course, essential in a business of this kind which must ensure secrecy and protection to its clients. It will be formally opened on June 18, 1948.

The opening of a branch in Karachi, now the capital of Pakistan, where we have already established valuable trading connections.

The acquisition of a majority interest in the old-established Colombo business of Messrs E. B. Creasy and Company, Limited, a connection we hope will develop to the advantage of both companies.

The acquisition of an interest in the well-known East African business of Messrs A. Baumann and Company, Limited, which was formed on April 1, 1948, to take over the partnership previously run under the name of A. Baumann and Company. We are very pleased indeed to have been able to make this investment in a progressive company and to us a new territory, for we feel there are considerable potentialities for expansion and for mutual advantage.

As I write we are also opening a branch in British North Borneo, another Colonial territory new to us but in which developments are likely to happen.

THE OUTLOOK

We cannot expect to repeat 1947 figures this year, but unless unforeseen catastrophe hits us we look forward to a reasonably successful year. Again I wish to pay special tribute to the work of the staff throughout our business at home and abroad and in our subsidiaries as well as in the parent company. These results have not been earned without much toil and sweat or without an enthusiastic interest by the staff in the company's well-being and development.

As a matter of interest we record that we now employ thirty-two Asiatic covenanted assistants, which is a considerable percentage of our total covenanted staff.

SUNDAY PICTORIAL NEWS-PAPERS (1920) LIMITED

MR H. GUY BARTHOLOMEW'S STATEMENT

The twenty-eighth annual general meeting of Sunday Pictorial Newspapers (1920) Limited was held on the 24th instant.

The following is an extract from the statement by the Chairman:—

The accounts for the year ended February 29, 1948, record that the gross profit for the year at £661,483 shows an increase of £164,057 when compared with the figures for the previous year and after providing fully for taxation the net profit is some £73,000 greater.

We recommend payment of a Final Ordinary dividend at the rate of 17½ per cent. and thus maintain the annual rate at 30 per cent.

The amount to be carried forward to the next accounts will be £187,912.

The increase in the profit from trading is in great part due to the maintained demand for your publication.

When I addressed you last year the *Sunday Pictorial* had a circulation of over 3,800,000 copies. Throughout the early part of the financial year, sales continued to advance and by the time paper rationing was re-instituted in July last it had reached a Sunday sale in excess of 4,140,000 copies.

The sale was then pegged at the average sale for the four weeks of June previous and we had to revert to 12 and 16 pages on alternate Sundays. It is at this "pegged" figure of 4,000,000 that its circulation is maintained.

The adjustment in advertisement rates, together with the introduction of a seven columned page in September, has also assisted in off-setting the quite substantial rise in costs that took place during the course of the year.

The great demand for advertising space in the *Sunday Pictorial* is such that we have had to institute our own form of rationing so as to allow as many of our advertisers as possible to receive some part of their needs for space.

The increased provision for pensions is in part made necessary by the greater number of employees on the mechanical side of the business who have served over twenty years continuously in the employ of the Company. They are not covered by the scheme under which the "Mirror & Pictorial Pension Fund" was established and therefore are provided for separately.

By the transfer of £75,000 to reserve for contingencies that reserve will be made up to £400,000 and with other amounts of undivided profits will represent a cushion

against the effects on future profits of increased costs of production, particularly that for newsprint.

The current equalised price for newsprint, which is obtained by averaging the cost of imported with that of home-produced newsprint, is substantially higher than the average cost of the newsprint consumed by us during the year. If imports from North America are further reduced it would appear inevitable that the equalised price will go above the present level.

During the year under review one of our trade investments was sold and interests were acquired in association with The Daily Mirror Newspapers Limited, in Companies publishing weekly papers and a monthly paper.

The amount invested in these new interests is not large. As they are in the stage of development income from them is not anticipated for a while, but I consider that they offer favourable potentialities in the future progress of your company.

Our interest in quoted other investments, representing a diversified number of easily marketable securities having a market value at the date of the accounts of over £297,000, with the increases in other assets of a liquid nature, indicate the healthy state of the Company's finances.

It is appropriate at this stage for me to record to the staff as a whole my thanks for their work during a year that has not been devoid of difficulties. The continued progress of the business is in no small measure due to their keenness and conscientious efforts.

So far, the profits for the current period, although affected by the higher price paid for newsprint, are not unsatisfactory. Given maintenance of supplies of this, to us, most essential commodity, the next accounts to be submitted to you should not, I feel, be unfavourable.

THE LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

DIVIDEND MAINTAINED

The thirty-ninth annual general meeting of this Company was held, on the 16th inst., in London, Mr. W. J. Terry (chairman and managing director) presiding.

The chairman, in the course of his speech, said: The profit and loss account of the parent company shows a trading profit of £529,868, which with income from investments and transfer fees makes a total of £570,516.

This company continues its connection with a number of trade associations which operate to the benefit of all parties, manufacturers and consumers alike, notwithstanding anything which may be said to the contrary. These associations also provide a means of negotiating with trade unions and facilitate the provision of information to Government Departments.

The British Non-Ferrous Metals Federation has developed records of inestimable value to the trade and maintains a close contact with the Raw Materials Section of the Ministry of Supply. It gives me great pleasure to acknowledge the loyal support of the company's employees during a year when conditions have continued to be very difficult and also to express the sincere appreciation and thanks of the board.

In my view, any further steps towards Nationalisation should be postponed pending an improvement in the present state of affairs in this country and to prove by experience whether the industries already nationalised are rendering better services to the public at economic rates.

The board recommends payment of the same total dividend on the ordinary stock as last year—10 per cent., less tax.

The report was adopted.

BRITISH INSULATED CALLENDER'S CABLES, LIMITED

ACHIEVEMENTS DESPITE DIFFICULTIES

The third ordinary general meeting of British Insulated Callender's Cables, Limited, will be held, on the 30th instant, in London.

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

It is a pleasure to record that despite difficulties, the financial results of our operations were most satisfactory. Largely due to the introduction of greater productive capacity and improved processes turnover was substantially higher both in quantity and value. Profit on trading totalled £2,271,629, as compared with £1,632,993 for our first trading period of 18 months to December 31, 1946. The total dividend proposed on the Ordinary capital for 1947 is 6½ per cent., which is the same annual rate as that paid for the previous period of 18 months to December 31, 1946, and represents a return of only some 4 per cent. on the equity capital employed in the business.

HOME AND EXPORT BUSINESS

Our total sales for 1947, home and overseas, showed an increase in value of over 40 per cent., as compared with the 12 months to December 31, 1946. Some of this increase is, of course, due to increased wages and the higher prices ruling for copper, lead and other constituents, but even allowing for this, the physical output has risen very substantially.

The demand for many of our products which incidentally in total involve over 150 different main categories has exceeded our immediate ability to supply, and we have often been forced to turn down orders from potential new customers and to quote extended deliveries even to our old connections.

In some products this position is due to what, on past experience, can only be described as an exceptional demand. Where we feel this demand will be continued we are taking every practical step under existing conditions to remedy the position. But where the demand is essentially of a temporary and abnormal nature we are not increasing productive capacity which might become redundant on a return to more normal conditions.

RAW MATERIAL SUPPLIES

In other products, and particularly in the case of our power cables, delays in deliveries again arise wholly from the irregular and inadequate supplies of raw materials. Prior to the war manufacturers and assembly factories were in the happy position of being at the receiving end of markets and pipelines full of component parts, raw materials, imports of every kind arriving regularly and frequently at our home ports. The international business, manufacturing, exporting and importing, shipping and transporting machine, moved smoothly with the experience gained over many years, but I am afraid we have a long way to go to recover this position on which the prosperity and strength of Britain was built.

Our main efforts in 1947 have of necessity been concentrated on maintaining supplies to friends of 30, 40 and even 50 years' standing, and we have not neglected potential future developments.

The demand for most of our products remains at a high level, and we have in consequence a full order book in some cases for two years ahead.

WIGGINS, TEAPE AND COMPANY (1919), LIMITED

OUTPUT INCREASED DESPITE DIFFICULTIES

EXPANDED EXPORT TRADE

MR L. W. FARROW ON THE OUTLOOK

The twenty-ninth annual general meeting of Wiggins, Teape and Company (1919), Limited, was held, on the 25th instant, at Winchester House, Old Broad Street, London, E.C.4. Mr L. W. Farrow, C.B.E., the chairman, presiding.

The secretary (Mr W. Barnes) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year 1947:—

In my statement last year, commenting on the prospects for 1947, I referred to the fact that the output of our mills had been affected by the coal crisis in the early part of that year. I am glad to say that through the united efforts of everyone concerned the output for the whole year showed an increase of 1½ per cent. over that for 1946. Having regard to the fact that by the end of April, 1947, the output had dropped by over 8½ per cent. compared with the similar period of 1946, and to the fact that we had two reductions in the allocations of woodpulp during 1947, we have a great deal to be thankful for. You may well ask, how was this done? It was accomplished so far as the supply of raw materials was concerned, by the acquisition of a larger supply of unrationed raw materials and with regard to the rate of output, by the more efficient working of our machines and by working overtime.

NO CHANGE IN CONTROL

There has been no change in the control of our industry by the Board of Trade, to which reference has been made in the chairman's statement for some years past, and I cannot see how any substantial change can be made until raw materials are in ample supply, a state of affairs which I am unable to envisage for some time to come. As previously mentioned, this control extends to the allocation of our principal raw materials, to the type and quantity of paper we make, to the uses to which our products can be put and finally, to the maximum prices we can charge our customers. We can, however, acquire materials not rationed and contrive to use all our materials to the best advantage within the limits imposed. Those are the directions in which we can use the resources available to our group.

Notwithstanding import restrictions imposed by many countries, our export trade to our overseas markets has been expanded during 1947, both in regard to our own products and to the products which we sell through the merchanting side of our business. In fact, the turnover of our merchanting business abroad was the largest for many years past.

PIRIE APPLETON AND COMPANY

Our subsidiary company, Pirie Appleton and Company, Limited, showed a consider-

able increase in the production of envelopes and manufactured stationery. The turnover was an all-time record, both at home and abroad. I referred last year to the two new factories which that company will equip in the Union of South Africa. The land has been acquired, the buildings designed, and most of the plant ordered. It is hoped that the building of both these factories will be commenced in the near future.

I reported last year that we had postponed the project for installing a new paper machine at our Stoneywood Paper Mills. During the past year we have had reluctantly to take a similar decision with regard to the project to instal a new paper machine at our Ford Paper Mills.

PROGRESS WITH NEW PROJECTS

You will no doubt wish to know what progress is being made with the remaining new projects.

1. The alterations to the buildings of our Chatham mill and the manufacture of the new plant and machinery specially designed for making tracing paper, are proceeding satisfactorily, if somewhat slowly.

2. The buildings for the new mill at Wootton Green, which, as you know, is to enable us to double the normal output of photographic paper, are making satisfactory progress, but I am afraid the delivery of the plant and machinery will be delayed owing to the shortage of steel.

3. The project to erect the new mill in South Wales for the manufacture of tissue paper, is going very slowly, but the preparation of the site is finished, and the foundation work is completed. The manufacture of the plant and machinery is proceeding.

SHARE ACQUISITIONS

During the year, we have acquired the whole of the preference shares in our subsidiary company, Wm. Howard and Sons, Limited, and the remaining minority ordinary shares in our main subsidiary company, Alex Pirie and Sons, Limited. In both cases the consideration was mainly satisfied by the allotment of shares issued as fully paid in your company. In the first case, the shares allotted were 31,403 of our seven per cent. preference shares, and in the second case, the shares allotted were 17,181 of our ordinary shares. I am pleased to state that, with the exception of a very minor company, formed to hold certain patents, where outside shareholders hold 260 shares, your company now own all the equity shares of its subsidiary companies. The training courses to which reference was made last year, continue to be held and are much appreciated by those attending them and are of great benefit to the company.

In my last year's statement, I stated that certain repairs at our mills, which had of necessity been postponed during the war period, had been executed during 1946. This policy was continued during 1947 when the charge against profits for repairs amounted to £440,971. We have again not charged any of the expenditure representing deferred repairs to the reserves created during the war years for that purpose. We prefer to keep these reserves intact until we can estimate finally the ultimate cost of the expenditure

necessary to restore our mills and plant to their pre-war condition. We have added a further £18,285 to these reserves in respect of deferred repairs arising on certain water-houses.

LARGER TRADING PROFITS

The trading profits of the group for 1947 (which include the results for 53 weeks) show an increase of £421,164. These improved profits are due mainly to our increased export business, the increased merchanting turnover at home, and to the increased business of Pirie Appleton and Company, Limited. The amounts added to specific reserves which have in the past been charged before arriving at the amount of the trading profits are now disclosed and you will see that they amount to £165,352, compared with £25,416 charged in 1946. After allowing for these charges, pensions, etc., depreciation and dependants' allowances, etc., the profit before charging taxation amounted to £1,248,781, compared with £1,003,895. The deductions for taxation, dividends applicable to outside shareholders and profits retained in subsidiary companies, etc., are higher by £186,895. After providing for interest on debentures and dividends on the preference and ordinary stocks, your directors have transferred the sum of £184,024 to the reserve account, bringing the amount of that account up to £1,200,000.

It will be seen that your directors are recommending a final dividend of 5½ per cent., free of tax, making with the interim dividend, a total dividend of 7½ per cent., free of tax, on the ordinary stock for 1947, being at the same rate as was paid for 1946.

THE REAL DIVIDEND

I consider it most important to emphasise what my predecessors and I have stated on several occasions, with regard to the relationship of the dividend we pay on the ordinary stock to the equity book value of the ordinary capital working in the business. I referred last year to the reserves which had been ploughed back into the business. To those reserves considerable amounts have been added in 1947, in addition to which the share premium account has increased by the transfer of the premiums, less expenses, on the shares allotted in 1947. The total of the reserve accounts, share premiums and specific reserves now amounts to the substantial figure of £4,066,382. It is important to bear in mind that the gross ordinary dividend for the year is only equivalent to 4.4 per cent. on the ordinary capital plus these reserves.

The summary of balance-sheets presents the financial position of our group of companies regarded as a single undertaking. The net liquid position of the group on January 3, 1948, is strong and should enable the company to complete the expenditure on its new projects despite the considerable increase in prices of building materials and labour and the cost of plant and machinery which have taken place since these projects were decided upon.

CURRENT YEAR'S GOOD START

With regard to the prospects for the current year, the results for the first four months of the year compare favourably with those for the same period of 1947 which were affected by the coal crisis. There is every hope that the results for the year should be as good as those for 1947. In conclusion, I take this opportunity of thanking our staff and employees, both at home and abroad, for their loyal work and co-operation during the past year.

The report and accounts were unanimously adopted; the retiring directors, Commander W. B. Pirie, D.S.O., D.L., and Mr F. S. Portal, were re-elected; Messrs Price Waterhouse and Company were reappointed auditors and Messrs Wade Harrison and Company were appointed joint auditors.

THE SUEZ CANAL COMPANY

SOUND AND PROSPEROUS POSITION

MR F. CHARLES-ROUX ON THE NEW TRAFFIC RECORDS

The annual general meeting of the Suez Canal Company was held on the 8th instant in Paris.

Mr François Charles-Roux (the chairman), who presided, in the course of his speech said:

The company's financial situation is sound and prosperous. Its moral position is equal to the enviable reputation it has gained by the manner in which it has always been administered.

The results of the financial year 1947 are very satisfactory, since the volume of traffic was greater than before the war, thus breaking its own records for the most prosperous years of peace; the first five months of 1948 indicate a probable further increase in traffic and consequently in receipts, for the current year.

How long will this increase in traffic continue at its present rate? He would be a bold man who would venture to give an accurate forecast. In our commercial traffic, oil transports occupy a very important place: 61 per cent. of the south-north traffic. Although it seems that this intense tanker traffic will be sustained, if not increased, for another two or three years, it is to be presumed, on the other hand, that it will subsequently be affected by the opening of the pipelines now under construction in Arabia—unless, of course, the output of the Persian Gulf oil-fields increases to such an extent that both means of transport, by land and by sea, will benefit simultaneously.

Be that as it may, the excess of our receipts over our expenditure allows us to view without alarm the increases in our expenses. This does not mean, however, that we must not pay due heed to them: in 1947 the proportion of increase in expenditure was appreciably higher than in receipts.

DUTY TO EGYPT

Our own duties towards Egypt and the Egyptian Government are ever present in our minds. Our bonds with them form part of our historic heritage, as well as of our legal status and, I would add, of the natural background of our undertaking.

The form in which our founder, that man of genius, Ferdinand de Lesseps, constituted our company—an Egyptian and at the same time a universal company—is consistent with the permanent conditions of the task it fulfils; the company is Egyptian, because, as I have said, it is, after all, an auxiliary of the concessionary power and it is universal because the services it renders are international, services in which the whole world is interested in the highest degree. Thus do we see justified today, as in the past, the two fundamental principles of the statutes under which the company functions.

At its prosperity, that will doubtless depend in the future, as in the past, on the ability with which it is managed. But it will not depend on that alone; the Suez Canal is a work of peace. It was conceived and built for peace and as an integral part of peace.

EXTRACT FROM DIRECTORS' REPORT

For the first time since the war your company, in 1947, fully regained its pre-war appearance. The gradual resumption of normal commercial exchanges, among other things, has taken the graph of Canal traffic above the level reached before the war.

As regards canal traffic, there were 5,972 transits representing 36,577,000 net tons. This tonnage exceeds by 6.3 per cent. that of 1938 and even surpasses that of 1937, until then the highest on record. Our satisfaction at this increase in our activities would be unmitigated were it not for the simultaneous and very serious difficulties we are encountering in the matter of keeping our pilot-strength consistent with the expansion of traffic; these

are due to the long delays to which our applications for entry visas of staff engaged outside Egypt are at present being subjected. We sincerely hope this question can be solved without our having to impose certain restrictions on traffic, a procedure which we have always been able to avoid in peace time; discussions are now taking place on this matter with the Egyptian authorities.

In all probability, traffic in 1947 would not have reached the figures already indicated had not the volume of military traffic maintained itself at five times its average pre-war level. This exceptional military traffic is nevertheless only half of what it was in 1946, and it is to commercial traffic, alone on the up grade, that the overall increase of 11.7 per cent. recorded between the two years is due.

FAVOURABLE PROSPECTS

The trend towards the resumption of normal traffic combined with the continuance of post-war traffic of an exceptional nature therefore enables us, barring the unforeseen, to take a favourable view of the prospects for 1948.

Receipts for 1947 amounted to Frs. 6,754,467,862, an increase of Frs. 230,682,063, or 3½ per cent. on 1946. Working expenses reached Frs. 2,625,176,638, an increase of Frs. 540,725,333, or 26 per cent. on 1946. From the profits capital interest and redemption amounting to Frs. 392,238,209 must be deducted, leaving as available profits for the year a sum of Frs. 3,737,053,014. Receipts from transiting ships have increased by 8 per cent. over 1946.

To the available profit of Frs. 3,737,053,014 should be added Frs. 49,929,753 brought forward from the previous year. In comparing this figure with last year's distribution, which amounted to Frs. 6,494,295,950, it should be remembered that Frs. 3,127,807,536 were in respect of profits for the years 1943, 1944 and 1945, placed in reserve pending the outcome of the lawsuit, and Frs. 3,366,488,414 represented the profits attributable to the year 1946; thus profits for 1947 are slightly higher than in the previous year. We recommend transferring to the various reserve accounts this year only those amounts which are needed immediately and to leave for next year all allocations not required in the very near future. Thus we could this year limit our allocation to the reserve fund for improvements to a sum of 120,000,000 francs.

Taking this allocation into account, you would have available for distribution a sum of Frs. 3,666,982,768. The proposed distribution amounting to Frs. 3,605,633,803 would leave a balance of Frs. 61,348,965, which we suggest be carried forward.

The distribution we have suggested brings the gross dividend to Frs. 3,200. To this dividend must be added, in the case of the capital shares, statutory interest for the relevant period of Frs. 486.38.

THE NEW CHAIRMAN

To take the place of the president we mourn, your directors have unanimously called upon M. François Charles-Roux. The son of M. Jules Charles-Roux, at one time a vice-president of the company, M. François Charles-Roux has filled diplomatic posts for some 40 years, successively at St. Petersburg, Constantinople, Cairo, London and Rome, on the European Commission and on the International Danube Commission, then at Prague. Elevated to the rank of French Ambassador in 1932 and appointed to the Vatican, he remained in Rome until May 20, 1940.

A copy of the full report will be sent on application to the company, 1, Rue d'Asorg, Paris (8), or 6, Bishopsgate, London, E.C.2.

THE BRITISH ELECTRIC TRACTION COMPANY, LIMITED

RECORD NET PROFIT

The fifty-second annual general meeting of the British Electric Traction Company, Limited, was held in London on the 18th instant.

Mr H. C. Drayton, the chairman, in the course of his speech, said: The gross revenue for the year to March 31, 1948, exceeded the million pounds mark, the actual figure being £1,206,000. After deducting expenses, taxation, which naturally shows a large increase, and debenture interest, we are left with a net profit of £574,000, the highest in our history.

The book value of our quoted investments at March 31, 1948, was £4,853,000 and their middle market price at the same date was £19,586,000. I think I may add that the value of our unquoted securities, which stand in the books at £2,859,000, is more than this figure.

ELECTRICITY AND GAS

On April 1st last, our electricity supply undertakings were taken over by the appropriate authorities under the Electricity Act of 1947. These interests were held through the B.E.T. Electricity Supply and National Electric Construction Companies, of which your company holds the capital. The takeover prices had to be arranged as the stocks did not have a Stock Exchange quotation. The basis was to take a percentage of the earnings, and to capitalise this percentage on a varying yield basis. This was not a particularly satisfactory method of arriving at a valuation of an undertaking. The amount of electricity stock received was £1,408,000.

The other asset we had in the B.E.T. Electricity Supply Company was a controlling interest in Antrim Electricity Supply. This undertaking has been acquired by the Electricity Board for Northern Ireland under a vesting order and the B.E.T. Electricity Supply share of the consideration is approximately £790,000.

TRANSPORT

The effect of the Transport Act in its application to passenger road transport undertakings, in which your company is so largely interested, is dealt with in the directors' report. In the event of the undertakings of our associated companies being acquired by the British Transport Commission under the provisions of the Act, compensation would be based on asset values plus from two to seven years' purchase of the average profits for the last three financial years ending within the year 1948. We have always taken and still take the view that the operation of provincial omnibus services is not a job for Whitehall planners. Under the present system of company and municipally owned undertakings, the public are provided with efficient services at low fares, and local consideration is given to local traffic needs. It would be a sorry day for the travelling public if the bus services of this country were nationalised.

Our laundry businesses have turned the corner and the results are now more satisfactory. Last year I mentioned that we had increased our holding in Broadcast Relay Service. During the year your company, together with its associates, has taken an interest in South African industry. The results to date are satisfactory. We have put money in South Africa because we believe in the industrial future of that country. We have entered a new field; we have advanced certain moneys to film companies on a profit-sharing basis after the film is finished. We once again have a small investment in civil aviation.

The report was adopted.

MARKS AND SPENCER, LIMITED

INCREASED PROFIT

The twenty-second annual general meeting of Marks and Spencer, Limited, was held, on the 24th instant, in London.

Sir Simon Marks (chairman and managing director), in the course of his speech, said: The profit, before providing for taxation, amounts to £3,169,000 (against £2,576,000). Provision of £1,850,000 for taxation leaves the net profit of £1,319,000 (£1,176,000 last year).

We recommend a final dividend on the ordinary and "A" ordinary shares of 45 per cent, making 60 per cent. for the year.

In accordance with the request of the Chancellor of the Exchequer, we are recommending the maintenance of our rate of dividend, although our profits justified an increase.

GENERAL SURVEY

The spiral of increasing prices raises serious and difficult problems for producers and distributors alike. Sales become more and more governed by price and quality. Improved methods and layout of production can do much to raise productivity.

There is an increasingly closer collaboration between our suppliers and our own scientific technical staff. The function of that staff is to study quality through the various stages of production. Our suppliers appreciate the importance of quality and upgrading wherever possible. We have been able to extend our range of goods and the public have been prompt to recognise the values we offer; that is the short explanation of the substantial increase in our business during the past year. Our thanks are due to our manufacturers for their co-operation and for the happy relationships we continue to enjoy with them.

The national necessity for export has made it our duty to develop export trade. We are making a determined effort to expand exports, mainly to our Chain Store friends in the following countries:—Switzerland, Belgium, Sweden, Australia, New Zealand, Canada and South Africa.

I have visited South Africa to examine Woolworth's (Pty) Limited. I am satisfied that this organisation is capable of considerable development as the economy of South Africa promises much expansion.

DEVELOPMENT

Our Catering Section has continued to win increasing public appreciation. We have now 107 Catering Units in operation. Quality control of the food we sell is exercised by a team of experts.

We strive to maintain the highest standards of hygiene and cleanliness in our cafeterias. Much time and attention is devoted to the training of our staff, who realise that the reputation and the success of the business depend not only upon good quality food, but also on the practice of hygiene and cleanliness in relation to food handling, food preparation and service.

We have some progress with the renovation of a number of Stores. Some time must elapse before we can restore them all to the condition in which we would wish to have them.

Sympathy, understanding and all that constitutes good human relations are essential to efficient co-operation between management and labour. That has long been a guiding principle in the administration of your Company. We have created and developed a comprehensive system of welfare, which is at the service of our staff in health or sickness, at work or leisure.

We propose to double this year the allocation to the Benevolent Fund, the benefits of which are much appreciated. It is with great pleasure and sincerity that your Board express their thanks to all grades of our staff for their work during the past year.

The report was adopted.

ODHAMS PRESS, LIMITED

PROGRESS DESPITE DIFFICULTIES

The twenty-eighth annual general meeting of Odhams Press, Limited, was held, in London, on the 18th instant.

Mr Arthur G. Cousins, C.B.E., the chairman, in the course of his speech, said that the trading profit of Odhams Press, Limited, was £1,043,374 and the dividends and interest receivable from subsidiary companies and other investments was up by £9,000. There was a net profit of £968,082 as against the previous year's profit of £963,495. He was sure that stockholders were proud of the success of the newspapers, periodicals and other publications for which they were responsible. The consolidated accounts showed that the gross revenue received during the year was £12,637,275 as against £11,208,270 for the year 1946. It gave stockholders an opportunity to appreciate that the House of Odhams and its subsidiaries had made some progress during the past year notwithstanding the difficulties.

The House of Odhams was organised on a broad basis. They had with their subsidiary companies some of the most up-to-date printing machinery in the world, and in that respect he particularly referred to the high-speed colour printing machinery owned by their subsidiary company, Odhams (Warford), Limited. They had a large outside poster and advertising organisation; they ranked amongst the largest book publishers in the country; and they owned newspapers and periodicals with a total circulation of over 22 million copies printed and published by them each week.

Notwithstanding the wide basis of their business, they were dependent to a very large extent on the supply of paper. It might be the Marshall Plan would help, but he doubted whether they would get larger supplies for many months.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER

SOUND POSITION

The forty-first ordinary general meeting of The Lunuva (Ceylon) Tea & Rubber Estates, Limited, was held on the 23rd instant in London, Mr H. J. Welch, the chairman, presiding.

The following is an extract from his circulated statement:—

The net profit for the year 1947 is £103,455. The proposed final dividend of 10 per cent., will, with the 5 per cent. interim dividend, make the total 15 per cent. for the year.

The crop for the year was 7,751,697 lb. and showed an increase over 1946 of 260,912 lb. The yield per acre in bearing was 723 against 698 lb. The crop, however, was short of the estimate and the deficiency is attributable in part to the cumulative effect of reduced supplies of artificial manure as a result of the war, and in part to attacks of Blister Blight.

The f.o.b. cost of production of tea at 1s.9.94d. showed an increase of 3.43d. on the cost for 1946, but this was more than offset by an increase of 4.43d. in the average net selling price which was 2s.2.94d. compared with the previous year's average of 1s.10.51d.

The rubber crop for the year was 1,986,368 lb. as compared with 1,712,887 lb. in 1946. The yields per tapped and per mature acre were considerably increased. Cost of production was lower than that of the previous year, the average selling price was 11.33d. per lb.

For the current year crop estimates are 8,074,200 lb. tea and 2,157,700 lb. rubber. The company is in a strong financial position and the present prices for its products are such as should ensure satisfactory results for 1948.

The report was adopted.

THE DAILY MIRROR NEWSPAPERS, LIMITED

MR H. GUY BARTHOLOMEW'S STATEMENT

The annual general meeting of The Daily Mirror Newspapers, Limited, was held, on the 24th instant. The following is an extract from the statement by the chairman.

The net profit of £270,128 for the year ended February 29, 1948, is not unsatisfactory bearing in mind the full provision made for taxation, pensions and the transfer to reserve for contingencies.

Your board decided to recommend the payment of a final ordinary dividend at the rate of 17½ per cent. which with the interim dividend of 12½ per cent. paid in December last maintains the annual rate at 30 per cent. The amount of the carry forward to the next accounts will be £145,561.

The increase in gross profit is in the main due to the continued demand for the *Daily Mirror*. In July, 1947, circulation had reached a figure exceeding 3,800,000 copies, but newspaper rationing caused sales to be pegged to a daily sale of 3,700,000 copies.

Advertisement revenue has been most satisfactory and as a medium for advertising the columns of the *Daily Mirror* are in as great a demand as ever.

The larger amount provided for pensions is explained by the increase in the number of employees on the mechanical side of the business who have given twenty years' continuous service to the company but are not covered by the "Mirror and Pictorial Pension Fund."

The transfer to the reserve for contingencies increases that reserve to £250,000. In making this transfer we had particularly in mind the effect on future profits of the rise in costs that has been so noticeable during the year under review.

The net surplus from investments sold during this year and last amounting to £801,822, has been credited to an investment reserve account. Last year, the comparative figure of £729,772 was deducted from the total of investments in subsidiary companies.

The provision for taxation covers fully our liability on the current year's profits and for all outstanding amounts in respect of past years.

The additions during the year to our interest in freehold and leasehold properties mainly relate to the purchase of further freehold properties adjacent to the site we own in Holborn.

We have approved in principle plans of the building we propose to erect on the area and we are hopeful that these will be found acceptable to the appropriate authorities. We have also authorised the placing of orders for some of the new machinery and equipment which we envisage will be required for the new building.

I have recently returned from Canada, where I visited the Anglo-Canadian Pulp and Paper Company's Mill in Quebec and saw some of its timber limits. I took the opportunity of seeing in operation the new methods of mechanical logging that they have introduced. I was more than impressed with the enthusiasm and teamwork that prevails throughout the organisation. All that I saw has made me more than ever convinced of the value to be attached to this investment of ours.

We sold one trade investment and acquired, in association with the Sunday Pictorial Newspapers (1920) Limited, interests in two small newspaper companies. In view of the developments that are necessary we do not anticipate any benefit from these acquisitions to be reflected in our accounts for some while.

The increased price to be paid for newspaper makes me hesitate to express a view as to the current year's results, but I am hopeful that when next I address you the results to be considered will not be held to be unsatisfactory.

GOVERNMENT RETURNS

For the week ended June 19, 1948, total ordinary revenue was £37,570,000, against ordinary expenditure of £63,300,000 and issues to sinking funds £70,000. Thus, including sinking fund allocations of £2,264,000 the surplus accrued since April 1st is £150,942,566 against £182,546,542 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to June 21, 1947	April 1 to June 19, 1948	Week ended June 21, 1947	Week ended June 19, 1948
ORDINARY REVENUE					
Income Tax	130,915	172,647	187,795	13,071	11,409
Stamp Duty	90,000	11,780	17,300	700	700
Excise, etc., Duties	160,000	36,883	42,250	3,630	4,650
Stamps	55,000	9,770	13,635	800	1,350
E.P.T. Refunds	250,000	4,890	18,110	350	1,350
Profits Tax	39,925	36,350	2,300	2,150	
Other Inland Revenue	1,000	85	70	5	5
Special Contributions	50,000	...	...	...	...
Total Inland Revenue	191,515	275,980	345,510	20,256	21,614
Customs	820,600	180,612	188,158	15,925	15,601
Excise	726,550	110,500	154,600	3,600	3,600
Total Customs & Excise	1,547,150	291,112	342,758	19,525	19,201
Motor Duties	50,000	5,755	5,403	...	...
Surplus War Stores	102,000	29,317	18,709	750	...
Surplus Receipts from Trading	57,000	...	826	...	...
P.O. Net Receipts	11,000	1,670	1,680	...	...
Wireless Licences	1,000	180	170	...	...
Crown Lands	14,000	3,806	2,012	...	...
Receipts from Sundry Loans	68,000	143,486	13,771	2,865	515
Miscellaneous Receipts	...	...	...	...	...
Total Ord. Rev.	3,765,300	751,306	700,838	39,846	37,570
SELF-BALANCING POST OFFICE					
Income Tax	150,200	31,550	33,760	5,550	5,760
E.P.T. Refunds	16,000	5,328	1,940	341	240
Total	393,150	788,184	736,538	45,737	43,570

Expenditure	Estimate, 1948-49	Issues out of the Exchequer (£ thousand)			
		April 1 to June 21, 1947	April 1 to June 19, 1948	Week ended June 21, 1947	Week ended June 19, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	111,505	107,359	4,081	860
Payments to N. Ireland	26,000	4,186	3,358	...	...
Other Cons. Fund Services	8,000	319	316	...	...
Total	534,000	116,010	111,032	4,081	860
Supply Services	244,167	450,411	436,599	56,170	62,440
Total Ord. Expd.	297,567	566,420	547,631	60,251	63,300
Sinking Funds	...	...	2,264	...	70
SELF-BALANCING POST OFFICE					
Income Tax	150,200	31,550	33,760	5,550	5,760
E.P.T. Refunds	16,000	5,328	1,940	341	240
Total	314,187	603,298	585,596	66,142	69,370

After increasing Exchequer balances by £91,547 to £3,138,932, the other operations for the week increased the gross National Debt by £43,221,318 to £25,715 million.

NET ISSUES (£ thousand)		
P.O. and Telegraph	...	540
E.P.T. Refunds	...	294
Overseas Trade Guarantee Act, 1939, sec. 4 (1)...	...	3
Local Authorities Loans Act, 1945, sec. 3 (1)...	...	8,083
Coal Industry Nationalization Act, 1946, sec. 34 (1)...	...	5,000
War Damage: War Damage Commission	...	3,000
Finance Acts, 1946 and 1947, Post-war Credits	...	410
Total		17,330

On June 18th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 37 per cent. of the amount applied for at 299 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 299 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for June 25th. For the week ended June 26th the Banks will be asked for Treasury deposits to the amount of £50 million (maximum).

NATIONAL SAVINGS (£ thousand)		Week Ended	Totals
		June 14, 1947	June 12, 1948
Savings Certificates:—			
Receipts	2,450	2,600	24,800
Repayments	2,250	2,650	26,800
Net Savings	200	Dr 50	Dr 2,000
Defence Bonds:—			
Receipts	1,570	760	8,940
Repayments	732	806	9,160
Net Savings	838	Dr 46	Dr 220
P.O. and Trustee Savings Banks:—			
Receipts	12,545	13,275	129,399
Repayments	13,580	13,135	123,853
Net Savings	Dr 835	140	5,546
Total Net Savings	203	44	3,328
Interest on certificates repaid	450	477	4,730
Interest accrued on savings remaining invested	2,220	2,318	23,948

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	
Treasury Bills	26,166
2½% Def. Bonds	567
Ways and Means Advances	2,490
Treasury Deposits	20,000
	49,223
NET REPAYMENTS	
Nat. Savings	50
3% Def. Bonds	3,268
3% Ter. Annuities	1,294
Tax Reserve Certs.	1,353
Other Debt:—	
Internal	32
External	5
	6,002

* Including £8,816,000 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
Date		Tender	Tap	Public Depts.	Bank of England		
1947							
June 21	2180-0	2614-4	341-9	10-0	1443-5	6589-8	
1948							
Mar. 6	2160-0	2667-5	446-3	...	1259-5	6533-3	
" 13	2160-0	2692-2	416-7	6-0	1239-5	6514-4	
" 20	2160-0	2712-5	403-8	20-5	1249-5	6546-3	
" 31	4910-2	334-8	6-0	...	1291-0	6542-0	
Apr. 10	2160-0	2752-0	328-9	...	1326-5	6567-4	
" 17	2160-0	2750-0	324-4	...	1340-5	6574-9	
" 24	2170-0	2716-9	322-5	...	1349-5	6558-9	
May 1	2210-0	2689-3	322-9	...	1346-5	6538-7	
" 8	2200-0	2643-2	310-2	...	1326-5	6499-9	
" 15	2210-0	2643-5	301-0	20-3	1326-5	6501-3	
" 22	2210-0	2626-6	297-8	14-8	1362-0	6511-1	
" 29	2210-0	2620-2	303-3	...	1377-0	6510-5	
June 5	2210-0	2616-7	283-2	3-5	1410-0	6523-5	
" 12	2210-0	2608-9	281-7	1-0	1423-5	6525-2	
" 19	2210-0	2635-1	274-0	11-3	1443-5	6573-8	

TREASURY BILLS (£ million)		Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
Date of Tender		Offered	Applied for		
1947					
June 20	170-0	282-0	170-0	10	1-65
1948					
Mar. 19	170-0	266-5	170-0	10	1-74
" 25	170-0	300-5	170-0	10	2-87
Apr. 2	170-0	295-1	170-0	10	2-49
" 9	170-0	291-2	170-0	10	2-62
" 16	170-0	267-8	170-0	10	3-15
" 23	170-0	295-1	170-0	10	2-51
" 30	170-0	287-9	170-0	10	1-34
May 7	170-0	290-3	170-0	10	1-24
" 14	170-0	290-7	170-0	10	1-36
" 21	170-0	294-5	170-0	10	1-26
" 28	170-0	278-6	170-0	10	1-68
June 4	170-0	295-8	170-0	10	1-20
" 11	170-0	277-5	170-0	10	1-70
" 18	170-0	259-6	170-0	10	1-89

On June 18th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 37 per cent. of the amount applied for at 299 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 299 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for June 25th. For the week ended June 26th the Banks will be asked for Treasury deposits to the amount of £50 million (maximum).



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ANNUAL INCOME EXCEEDS	£17,500,000
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(1947 Accounts)	

THE UNIVERSITY OF MANCHESTER

Applications are invited for the appointment of TWO RESEARCH ASSISTANTS IN ECONOMICS, ECONOMIC STATISTICS OR ADMINISTRATION. Salary £450 per annum. Duties to commence as soon as possible. All applications should be sent not later than June 30, 1948, to the Registrar, The University, Manchester 13, from whom further particulars may be obtained.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Lecturer (Grade III or II) in Economic and Social Statistics in the Department of Economics, at a salary scale of £425/£475 or £500/£550/£625/£675 per annum. Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than July 16, 1948, by the undersigned, from whom particulars of the conditions of appointment may be obtained. STANLEY DUMBELL, Registrar.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Required for next Session a Lecturer in Industrial Relations at a salary of not less than £700 per annum. Preference will be given to candidates who have had research experience in the field of Industrial Relations Organisation or Administration, or experience in industry or with a firm of industrial consultants. Further particulars may be obtained from the undersigned, by whom six copies of application and testimonials should be received on or before July 17, 1948. (Signed) LOUIS S. THOMAS, Registrar.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE, CARDIFF

Applications are invited for the post of Lecturer in Statistics in the Department of Economics and Social Science. Duties will include research. Initial salary not exceeding £700 a year. Applications, including the names of referees and, if desired, copies of testimonials, should be received not later than July 5, 1948, by the undersigned, from whom further particulars may be obtained. (Signed) LOUIS S. THOMAS, Registrar.

CANTERBURY UNIVERSITY COLLEGE CHRISTCHURCH, NEW ZEALAND.

Applications are invited for the Chair of History and Political Science. Salary, £1,225 per annum (New Zealand currency). Allowance for travelling expenses for appointee and wife. Further particulars and information as to the method of application may be obtained from the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. Closing date for the receipt of applications is August 14, 1948, in New Zealand, and July 20, 1948, in this country.

FOR Sale. The Economist, Feb., 1941-May, 1948.—31 Lambolte Road, N.W.3.

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SOUTH AFRICAN INDUSTRIES

Two Directors (financial and technical) of The Industrial Research Association, Ltd., Industrial Consultants Cape Town, Johannesburg and Rhodesia, will be in London during July and available for consultations on financial, technical and economic aspects with industrialists desirous of commencing business activities in South Africa or Rhodesia. Appointments may be made through Stoy Hayward & Co., Chartered Accountants, 5, Giltspur Street, London, E.C.1. Telephone: City 6627.

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- Applications should be addressed in writing to the Company's offices at 7, Park Lane, London, W.1, quoting reference No. 1014.

SCOTTISH COUNCIL (Development and Industry).—London Secretary. Energetic man, 30 to 40, with business experience, wanted as Secretary for the London Committee. Initial salary £1,500, superannuable. Apply with full particulars and names of three referees to the Secretary, Scottish Council (Development and Industry), 20, George Street, Edinburgh 2.

THE Northern Industrial Group require a senior research worker to undertake investigations concerned with the economic and social aspects of industrial location. For further particulars apply before June 30th to The Secretary, Northern Industrial Group, 9, Eldon Square, Newcastle-upon-Tyne, 1.

ECONOMIST (35 years of age), graduate in Commerce, seeks a senior position with a large organisation. Experienced in direction and planning of research into the current world food and raw material situation and in compiling concise reports. Accustomed to responsibility and the organising of staff. Would consider a position (e.g., assistant to managing director), where a knowledge of economics, statistics, accountancy and a considerable commercial background would lead to promotion to an executive position.—Box 751.

MARKET RESEARCH.—Senior executive, woman, 40, able to work on own initiative, with good wide experience in all branches of market research, particularly formulation of research required, administration and interpretation of results, seeks senior position with agency or manufacturing firm. Good knowledge German, French, Dutch. Salary by arrangement.—Box 744.

London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., R. S. Farley, 111 Broadway, New York, 6.—Saturday, June 26, 1948.